

The Determinants of Malaysian's Youth not in Employment, Education or Training

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Abstract:

Youth who are not in employment, education or training make up what is known as the NEET population. Widespread dissemination of NEET represents an alarming social issue regarding young people to long-term unemployment and social exclusion. Those population, in general, live in high risk and vulnerable condition, and many of them face social inequality. Consequently, this situation has a significant negative impact on the economic growth and prosperity equilibrium of Malaysia. The NEET indicator provides a measure of potential youth labour market participants since it also covers youth outside labour force not in education or training. This indicator is also a better measure of the current situation on potential youth labour market participants compared to the unemployment rate. This paper intends to investigate the determinants of the NEET situation in Malaysia starting with the identification of their main characteristics and then describing the prevalence of NEET with a focus on specific homogeneous clusters. The analysis on NEET in Malaysia utilized labour force surveys which are household surveys. The plenty of information collected in this survey enables us to investigate the determinants affecting Malaysian youth to be NEET those linked to socioeconomic. The results reveal that high relative NEET rate for young women are due to their involvement in household chores and also the existence of strong institutional barriers that limit women's participation in the labour market.

Keywords: NEET; Labour Market; Socioeconomic; Youth; Women

1. Introduction:

The youth unemployment rate is the common labour market indicator traditionally applied for young person. According to Department of Statistics, Malaysia (DOSM), there are 6.1 million Malaysian aged between 15-24 and only 39 per cent were in employment in 2018. The unemployment rate for those aged 15-24 touched 11 per cent in 2018 as a sum of 293.7 thousand unemployed persons. Concurrently the number of young persons in the labour force gives us an insight of less than 2.7 million, far short of the overall number of 6.1 million young persons.

Although policy makers have emphasized unemployment rate as an important indicator of the quality of life of young people, there is a newly arising consensus on the insufficiency of this concept to portray the situation of young citizens. Being employed or unemployed is commonly used as a methodological medium to divide individuals into different categories within the labour force (Powell, 2018). However, this classification is insufficient to explain the complexity of the situation of young people.

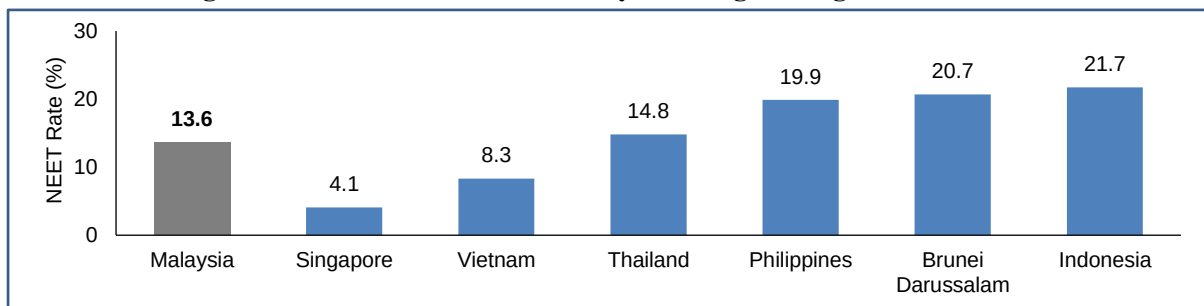
Following the International Labour Organization (ILO) concept and definitions, the unemployment rate is calculated by expressing the number of unemployed persons as a percentage of the total number of persons in the labour force (ILO, 2003). In other word, it records the share of the economically active population who are not able to find a job. Fundamentally, the unemployment rate does not capture the situation of the young population. The youth unemployment rate can be inflated by those who outside the labour force, such as that young person who chooses to go back into education or those who decide to not look for a job anymore as they think that there is no work for them. Therefore, in both cases, they

become economically inactive and hence inapplicable to include in the calculation of the unemployment rate. A glance under the Malaysian education system, education begins at pre-school where the child is four years old and admittance into the first year of the six-year compulsory primary education level when the child reaches the age of six.

To complement the more general category of unemployment, policymakers have developed an alternative measurement which captures that young person who is not in employment, education or training (NEET). This concept was first introduced in the United Kingdom (UK) and its application has expanded to varying levels, to other countries and regions including the United States, Canada, Korea, and Japan. Although the youth unemployment rate that only refers to the economically active population who were unable to find a job, the NEET indicator can be understood to measure the share of the total population of young person who are currently unemployed and inactive who are not in education or training.

The NEET indicator has become very popular in recent years, being frequently studied by governments, international organizations, researchers, and the media. This indicator is generally linked to early school leavers, the unemployed or discouraged young person, as well as those outside the labour force for various reasons such as family carers, sick or disabled. All these labels refer in one way or the other to young person who might be vulnerable, and the NEET indicator has likely become so beneficial because it creates a way of grouping all vulnerable young persons under one statistic. **Figure 1.1** shows the comparison between NEET rates across Malaysia's neighbouring countries where Malaysia's NEET is 13.6 per cent, third lower than in other countries. This paper aim to provide the first analysis on situation of NEET population in Malaysia and to investigate the determinants that influencing the probability of becoming a NEET.

Figure 1.1 NEET rates across Malaysia's neighboring countries, 2018



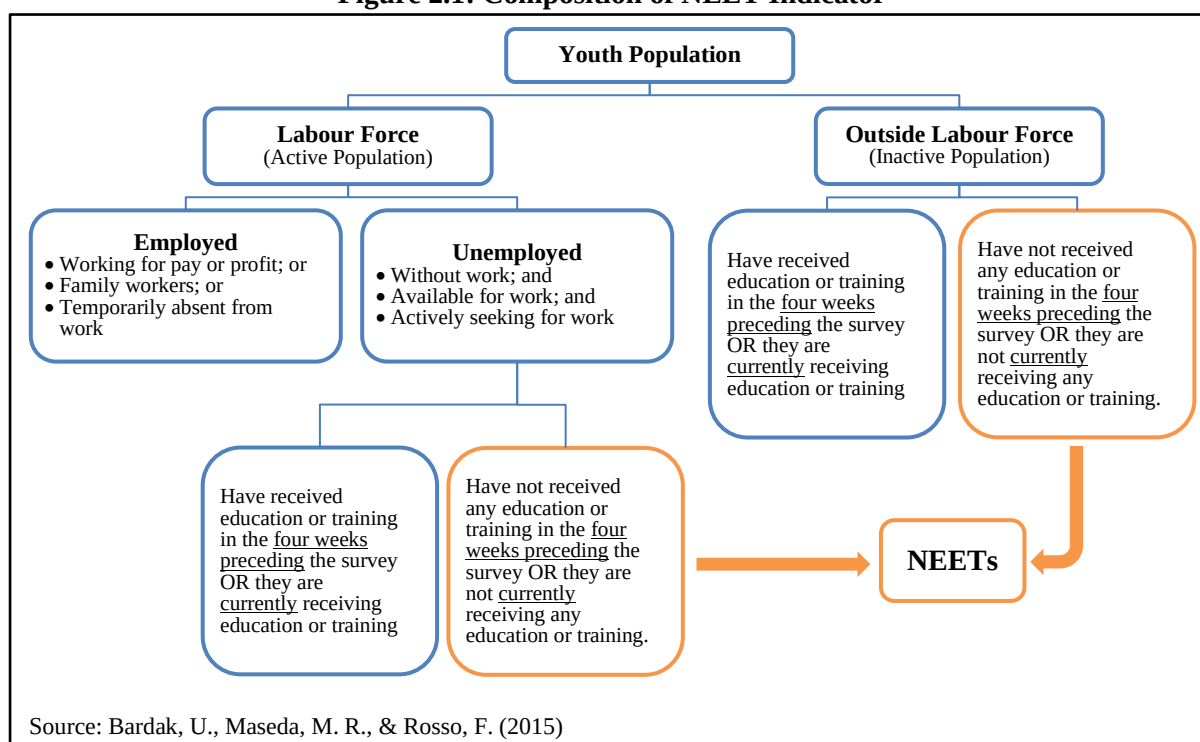
Source: Author's calculation based on the data of Labour Force Survey, 2018 (DOSM) & World Bank Data, <http://databank.worldbank.org/>

2. Methodology:

The NEET indicator was normally calculated through survey data as the percentage of the youth population who are not employed and not involved in further education or training. **Figure 2.1** illustrates the composition of NEET in order to show how this indicator is extracted.

Analysis were carried out using data sets of the Labour Force Survey (LFS) conducted by DOSM. LFS as an official national data source was conducted through household approach to produce estimates of labour force, employment, unemployment, and outside labour force (DOSM, 2019).

Figure 2.1: Composition of NEET Indicator



The NEETs rate was calculated based on the household members aged 15 to 24 (standard definition by United Nation) and aged 15-30 (definition by Youth Societies and Youth Development Act, 2019) breakdown by gender from the LFS data sets as follow (ILO, 2013):

NEETs rate (%)

$$= \frac{\text{Youth} - (\text{Youth in employment} + \text{youth not in employment but in education or training})}{\text{Youth}} \times 100$$

The numerator of the indicator refers to persons who meet the following conditions (Elder, 2015):

- They are not employed (i.e., they are unemployed or inactive according to the concepts and definitions ILO; and
- They have not received any education or training (normally the four weeks preceding the survey)

Further analysis will include a comparison of labour market indicators with NEET rates, the profiling of NEET subgroups (unemployed and inactive youth) and their vulnerabilities, and lastly the identification of the main factors influencing the possibility of becoming NEET.

3. Result:

Based on the estimates from the LFS 2018, the situation of the labour market in Malaysia is different for male and female. The gender difference in both labour force participation rate (LFPR) and employment to population ratio is around 25 percentage point and female are less likely to be part of the labour force than male. The unemployment rate is lower as 3.3 per cent, but there is no big significant difference between male and female.

Indeed, the youth unemployment rate is double that of the total unemployment rate (8.0 per cent for aged 15–24; 5.4 per cent for aged 15–30), with a high gender difference. Important to realize, the unemployment rate for young male is 7.2 per cent and for young female 9.4 per cent for aged 15-24.

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The rate somewhat decreases when we consider the wider age range of aged 15–30, but the fact persists the same that a much greater proportion of young female suffers from unemployment than young male. This implies serious labour market barriers and gender gap against young female in Malaysia.

Table 3.1 Main Labour Market Indicator in Malaysia, 2018 (%)

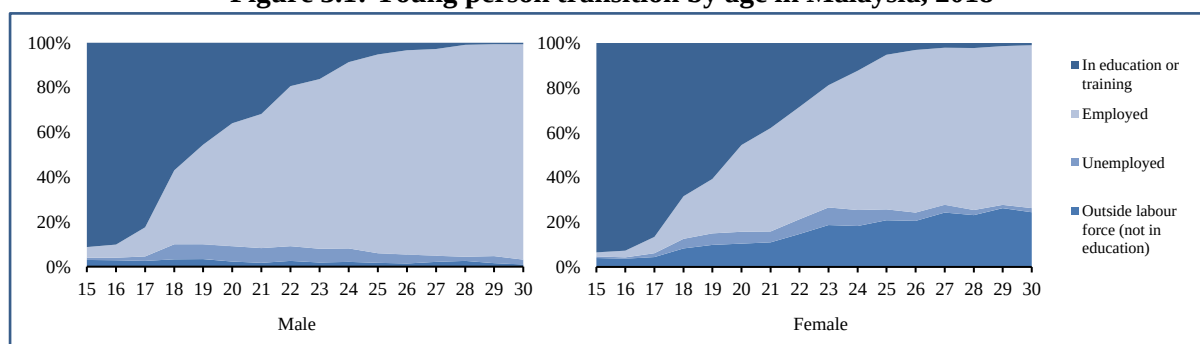
Indicator	Age group	Total	Male	Female
Labour force participation rate (LFPR)	15-64	68.3	80.4	55.2
	15-24	43.8	51.0	35.9
	15-30	60.2	68.8	50.7
Employment to population ratio	15-64	66.0	77.9	53.2
	15-24	39.0	45.9	31.4
	15-30	56.1	64.6	46.8
Unemployment rate	15-64	3.3	3.1	3.6
	15-24	8.0	7.2	9.4
	15-30	5.4	4.7	6.3
NEET rate	15-24	13.6	9.7	17.7
	15-30	14.0	7.8	21.0

Source: Author's calculation based on the data of Labour Force Survey, 2018 (DOSM)

Note: 15-64 years refer to working age for the analysis of LFS in Malaysia

The NEET rate in Malaysia is equal to 13.6 per cent for aged 15–24 and up to 14.0 per cent for aged 15–30. This means that one-tenth of the young population in Malaysia are neither in employment nor in education or training. The NEET rate for young female is extremely high (17.7 per cent for aged 15–24; 21.0 per cent for aged 15–30), while for males is below 10 per cent for both aged group. Overall, females constitute more than 65 per cent of all NEET population.

Figure 3.1: Young person transition by age in Malaysia, 2018



Source: Author's calculation based on the data of Labour Force Survey, 2018 (DOSM)

Note: Graphs show the percentage of outside labour force includes those who are not looking for a job due to family responsibilities, those who are out of the labour force due to carrying out household chore or because they are disabled.

Figure 3.1 shows the respective shares of young male and female who are in education, employed, unemployed and outside labour force. The experience of transition from education into the labour market is very different for young male and female.

Based on the analysis, young male leave education earlier, typically at the ages 17 or 18, and are expected to join the labour market, with the majority employed and a minor number unemployed. Young female tends to remain slightly longer in education, typically until age of 20 or 21, when they finishes tertiary education level. After that, some of these young females enter the labour market, with the majority of them are seeking for employment, though some of them remain unemployed. Nevertheless, the proportion of young female that outside labour force is relatively high to the age 30 but illustrates different situation among young males.

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Table 3.2 Share of Youth's Education Attainment in Malaysia, 2018 (%)

Age group	Education Attainment	Total	Male	Female
15-24	Primary	6.1	7.5	4.5
	Secondary	58.2	60.8	55.4
	Tertiary	32.5	28.3	37.1
	No formal Education	3.2	3.4	3.0
	Total	100.0	100.0	100.0
15-30	Primary	7.6	9.6	5.4
	Secondary	55.2	57.9	52.1
	Tertiary	34.1	29.1	39.6
	No formal Education	3.1	3.3	2.8
	Total	100.0	100.0	100.0

Source: Author's calculation based on the data of Labour Force Survey, 2018 (DOSM)

Table 3.2 shows two-third of young people only attained secondary education or below. Besides, the proportion of young people with tertiary education is more than 30 per cent with females generally performing better in tertiary education level.

Table 3.3 NEET rate by Education Attainment in Malaysia, 2018 (%)

Age group	Education Attainment	Total	Male	Female
15-24	Primary	20.3	9.4	40.1
	Secondary	14.1	9.8	19.3
	Tertiary	8.0	5.8	9.8
15-30	Primary	16.9	5.9	38.4
	Secondary	15.0	7.7	23.9
	Tertiary	9.3	5.4	12.4

Source: Author's calculation based on the data of Labour Force Survey, 2018 (DOSM)

On the other hand, the NEETs rate is high among young female those with primary education, that is 40 per cent for aged 15-24 and 48 per cent for aged 15-30. Interestingly, the NEETs rate is low among young male those with tertiary education.

Table 3.4 Heterogeneity of NEET in Malaysia, 2018 (%)

Age group	Subgroup	Reason	Total	Male	Female
15-24	Unemployed youth	Actively looking for work	23.8	34.9	17.2
		Discouraged	2.0	3.2	1.2
	Inactive youth	Family Carers	39.3	13.3	54.9
		Sick/ disabled	7.4	12.9	4.1
		Other	27.5	35.7	22.6
	Total		100.0	100.0	100.0
15-30	Unemployed youth	Actively looking for work	19.8	37.0	12.8
		Discouraged	1.4	2.8	0.8
	Inactive youth	Family Carers	52.7	12.8	69.2
		Sick/ disabled	7.4	15.7	3.9
		Other	18.7	31.8	13.3
	Total		100.0	100.0	100.0

Source: Author's calculation based on the data of Labour Force Survey, 2018 (DOSM)

Furthermore, an analysis of the reasons for becoming a NEET also shows the existence of gender difference. In Table 3.3, the proportion of male NEETs who are unemployed and actively looking for a work is 35 per cent for aged 15-24 and 37 per cent for aged 15-30. Meanwhile, the situation is different

for young female in which only 17 per cent for aged 15-24 and 13 percent for aged 15-30 of female NEETs are unemployed, while more than half female NEETs are family-carers for both aged group.

4. Discussion, Conclusion and Recommendations:

This study is the first analysis of youth who are neither employed nor in education or training in Malaysia. It brings added value to the subject matters as it emphasizes that NEETs are a serious matter in almost all countries and that youth vulnerability expands well beyond the issue of unemployment.

It clearly shows how gender is the most significant factor in shaping the situation of the youth population in Malaysia. Indeed, women make up 65 per cent of all NEETs in Malaysia, family care and involvement in household chores is the primary reason for young women becoming NEETs, although to a widely varying extent. The proportions of women who are inactive due to family-care responsibilities are two-thirds in Malaysia. The impact of education on young people's NEET status is interesting. NEET are highly concentrated among the primary or secondary education level. Once students have moved up to tertiary education level, the likelihood of their becoming NEETs is lower. It is generally young, highly educated females who face unemployment or inactivity, while this is not the case for young, well-educated males. The Malaysian government's initiative to introduce Technical and Vocational Education and Training (TVET) serve as a credible opportunity to tertiary education level for many young people and can also assist in adapting the skills to the requirements of the current labor market.

Looking at the most important reasons for becoming a NEET, we found evidence of the importance of young people's individual characteristics (age, gender and education). According to Bardak et. al. (2015), the socio-economic characteristics of families are also relatively decisive factors, with young people from the wealthiest households having lower NEET rates than those from poorer households. Furthermore, young people belonging to minority groups and/or with an immigration background have a higher risk of becoming NEETs. Hence these socio-economic characteristics should be a further study to get more insight on reasons for becoming a NEET.

Prevention is key to avoiding an uncontrolled increase in the number of young people falling into the NEET situation and to discontinuing the cycle of social exclusion. Developing more qualitative, effective, labour market-relevant and balanced education and training systems is essential to tackle the issue at source. However, reintegration and satisfaction measures are also necessary to ensure the social inclusion of NEETs.

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