



JABATAN PERDANA MENTERI
JABATAN PERANGKAAN MALAYSIA

THE OTHER SIDE OF THE COIN: OUTSIDE LABOUR FORCE AND ITS POTENTIAL

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Background



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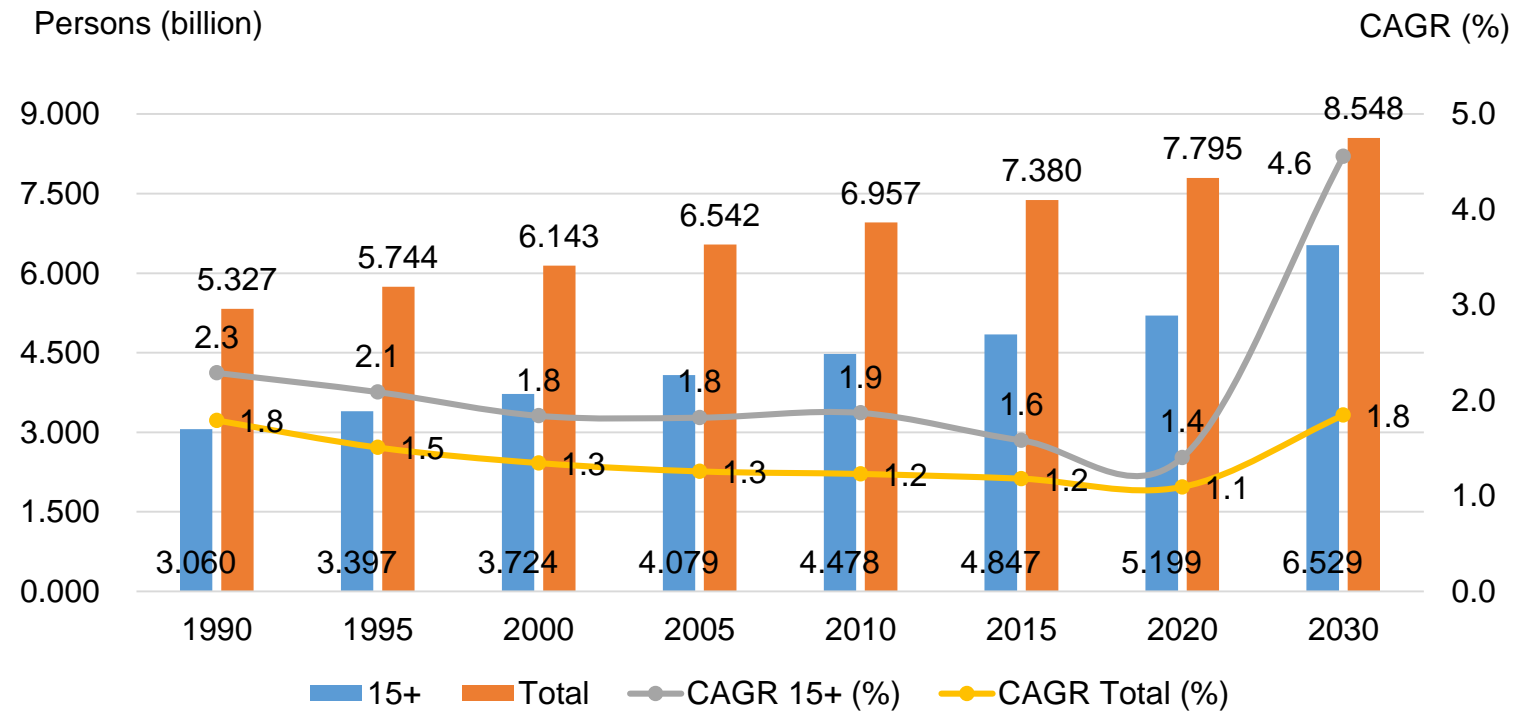
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- United Nations Department of Economic and Social Affairs [UNDESA] (2021) estimated those in the working age of 15 years and over comprised of 57.4 per cent of 5.3 billion world population in 1990, which was equivalent to 3.1 billion.
- As of 2020, the share has expanded to 66.7 per cent or 5.2 billion out of 7.8 billion global populations (UNDESA, 2021). Over the period of 1990 to 2020, UN estimates revealed that the growth rates of the working age population were much higher than the growth rates of total population. According to the projection of UNDESA (2021), as the world population rises by 1.8 per cent annually within the five-year period to record 8.5 billion in 2030, the share of working age population will also increase by 4.6 per cent per annum between 2020 to 2030.
- Ultimately, UNDESA (2021) projected that population aged 15 years and over will encompassed 76.4 per cent or 6.5 billion in 2030.

World population - all ages & aged 15+, 1990 - 2030

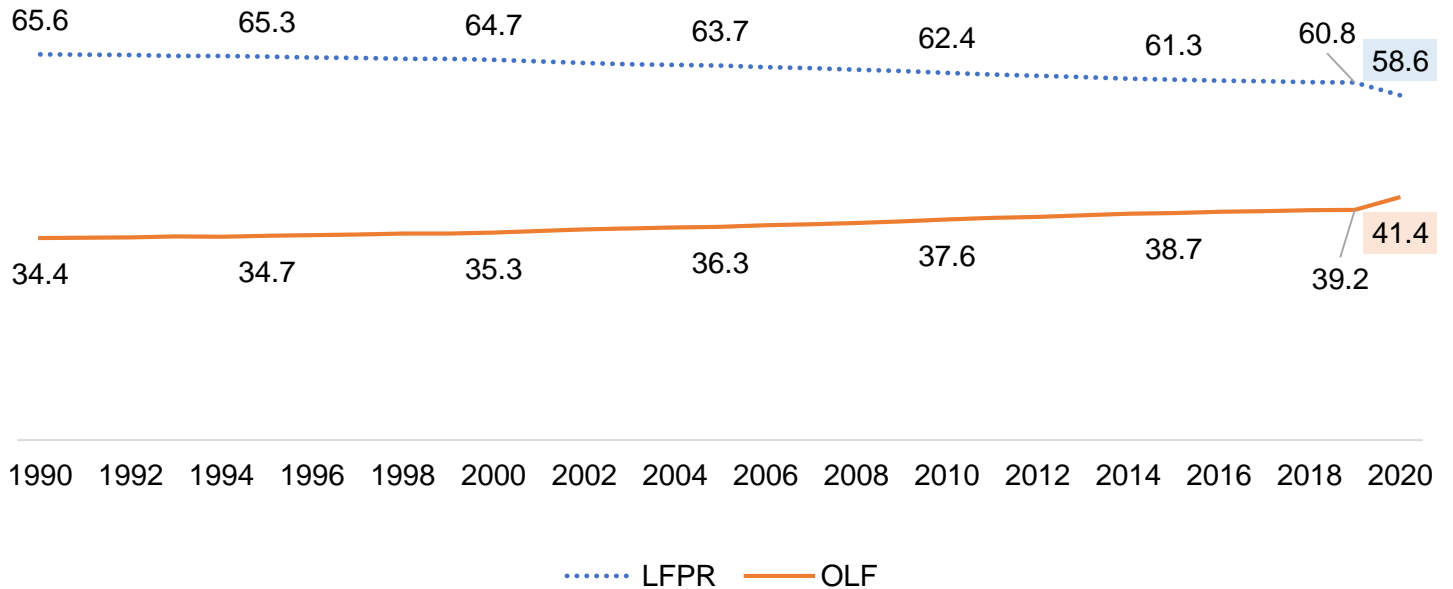


Source: UNDESA, 2021

According to the ILO estimates as reported by the World Bank (2021),

- the world LFPR had decreased noticeably over the period of 30 years. The global LFPR which stood at 65.6 per cent in 1990 dropped 4.8 percentage points to 60.8 per cent in 2019 (World Bank, 2021).
- Sudden shock to the economy due to the global public health crisis which had also affected the labour market as 2020 saw the LFPR dropped further by 2.2 percentage points to 58.6 per cent.
- On the contrary, the inactivity rates which is also known as the share of outside labour force continued to trend upwards over the period of 1990 to 2020.
- As evident from the ILO estimates (World Bank, 2021), 34 out of everyone hundred working age population in 1990 was outside the labour force, posting the inactivity rate of 34.4 per cent. The rate surged to 39.2 per cent in 2019 and increased further to 41.4 per cent in 2020 (World Bank, 2021).

World LFPR and inactivity rate (%), 1990 - 2020



Source: World Bank, 2021



Problem Statement and Objective

Problem Statement

- Malaysia's population has reached 32.7 million in 2020.
- Working age population aged 15 to 64 years made up 69.7 per cent of the country's population.
- If the upper limit is removed, the share of working age population 15 years and over comprised of 76.7 per cent of Malaysia's population.
- DOSM (2016) projected that Malaysia will be populated by 38.2 million persons by 2030 with 78.7 percent in the 15 years and over age group. In the meantime, those aged 15 to 64 years is estimated to account for 68.0 per cent of the population.

Objective

- This article aimed to identify the number and share of this group in and outside the labour force; and subsequently study the trend and characteristics of persons outside labour force.
- In doing so, it is hoped that we can better locate the potential labour force group among those outside the labour force.
- By understanding the trend and pattern of outside labour force will also provide knowledge, insights and understanding for efficient absorption of potential labour supply into the job market.

Methodology



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1

Current Population Estimate

- Malaysian Population
- Malaysian Population 15-64 years

2

Labour Force Survey

- Labour Force information
- Outside Labour Force information





Labour Market Framework



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Labour Market Framework

Definition

Labour Force

All persons in the working age who are either **employed or unemployed**.

Outside labour force

All persons not classified as employed or unemployed are classified as outside labour force. This category consists of housewives, students, retirees, disabled person and those not interested in looking for jobs.

Potential Labour Force

Potential labour force is defined as persons not in employment who express an interest in this form of work but for whom existing conditions limit their active job search and/or their availability

Population

0 - 14
years

Working age(15 – 64 years)

65
years &
above

Labour Force

Outside Labour
Force

Employed

Unemployed

Seeking,
not
available

Available,
not
seeking

Time-related
underemplo
yment

Skill related
underemplo
yment

Actively
unemployed

Inactively
unemployed

Potential Labour Force



Results



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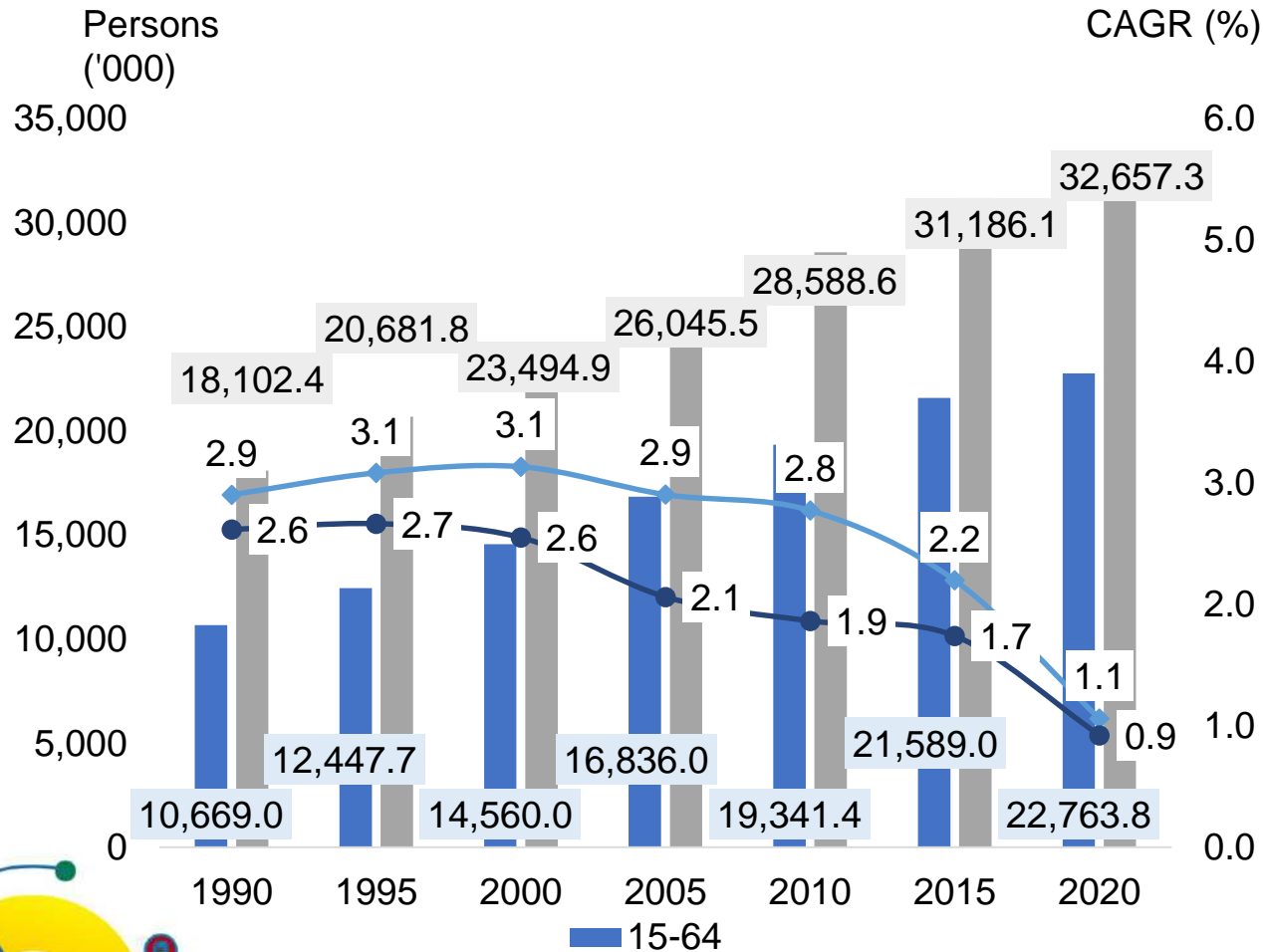


Findings



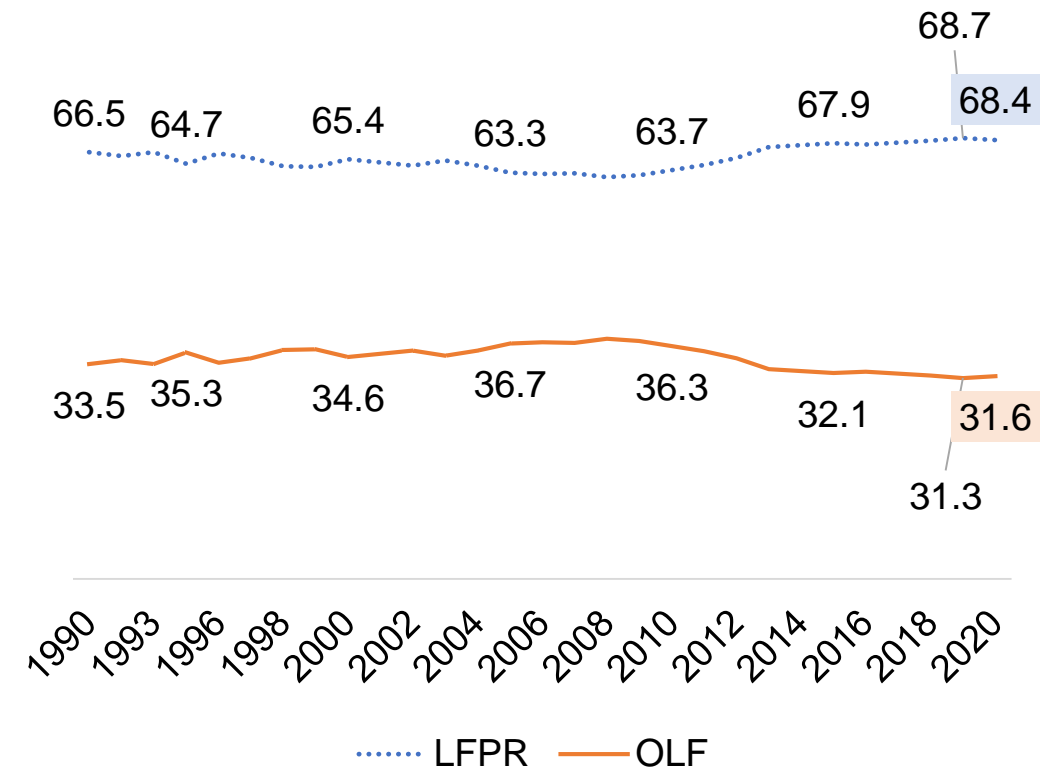
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Chart 1: Malaysia's population - all ages & aged 15 - 64 years, 1990 - 2020



Source: Current Population Estimates, DOSM

Chart 2: LFPR and inactivity rate (%), Malaysia, 1990 - 2020



Source: LFS, DOSM



Chart 3: Outside labour force, 1990 - 2020

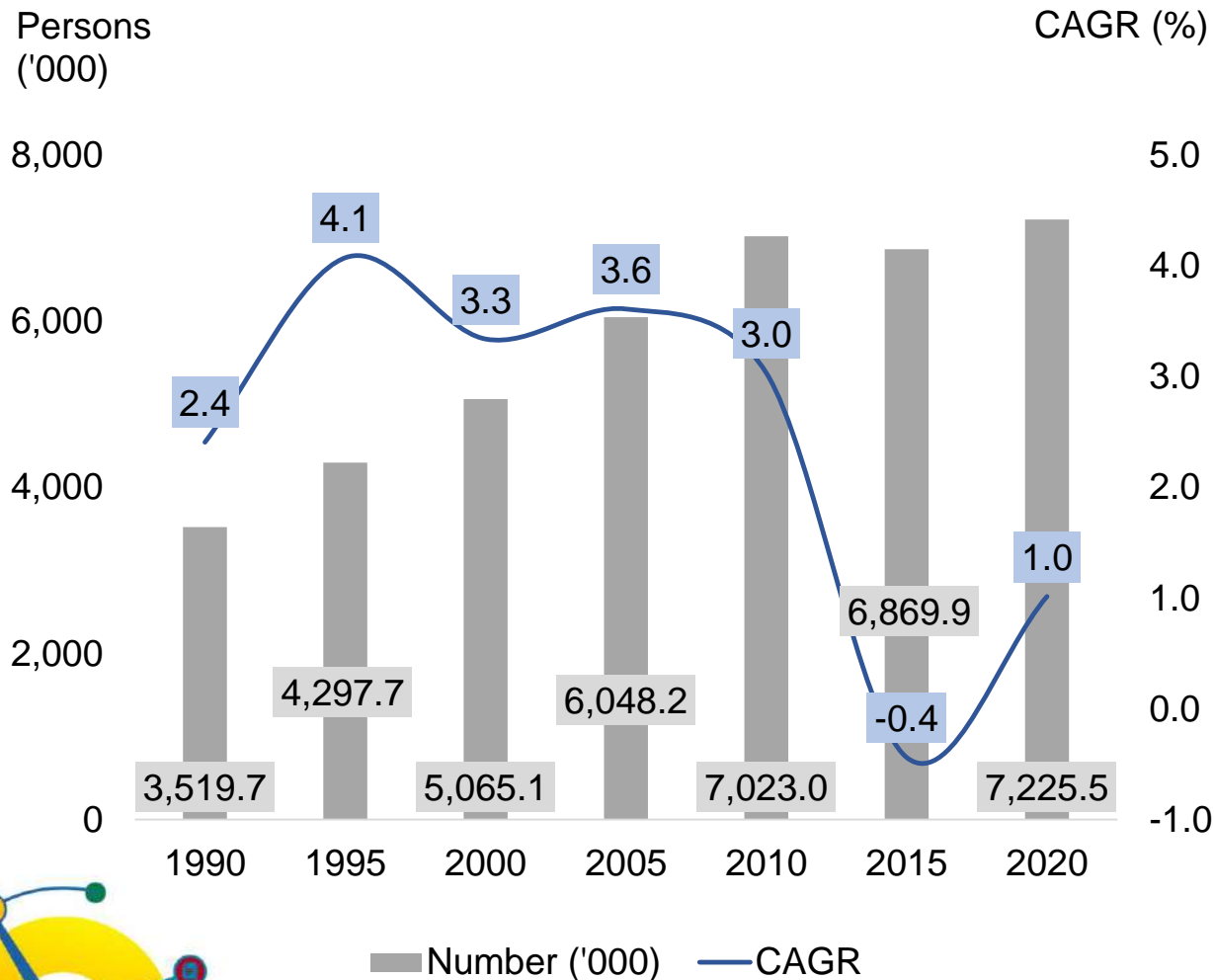
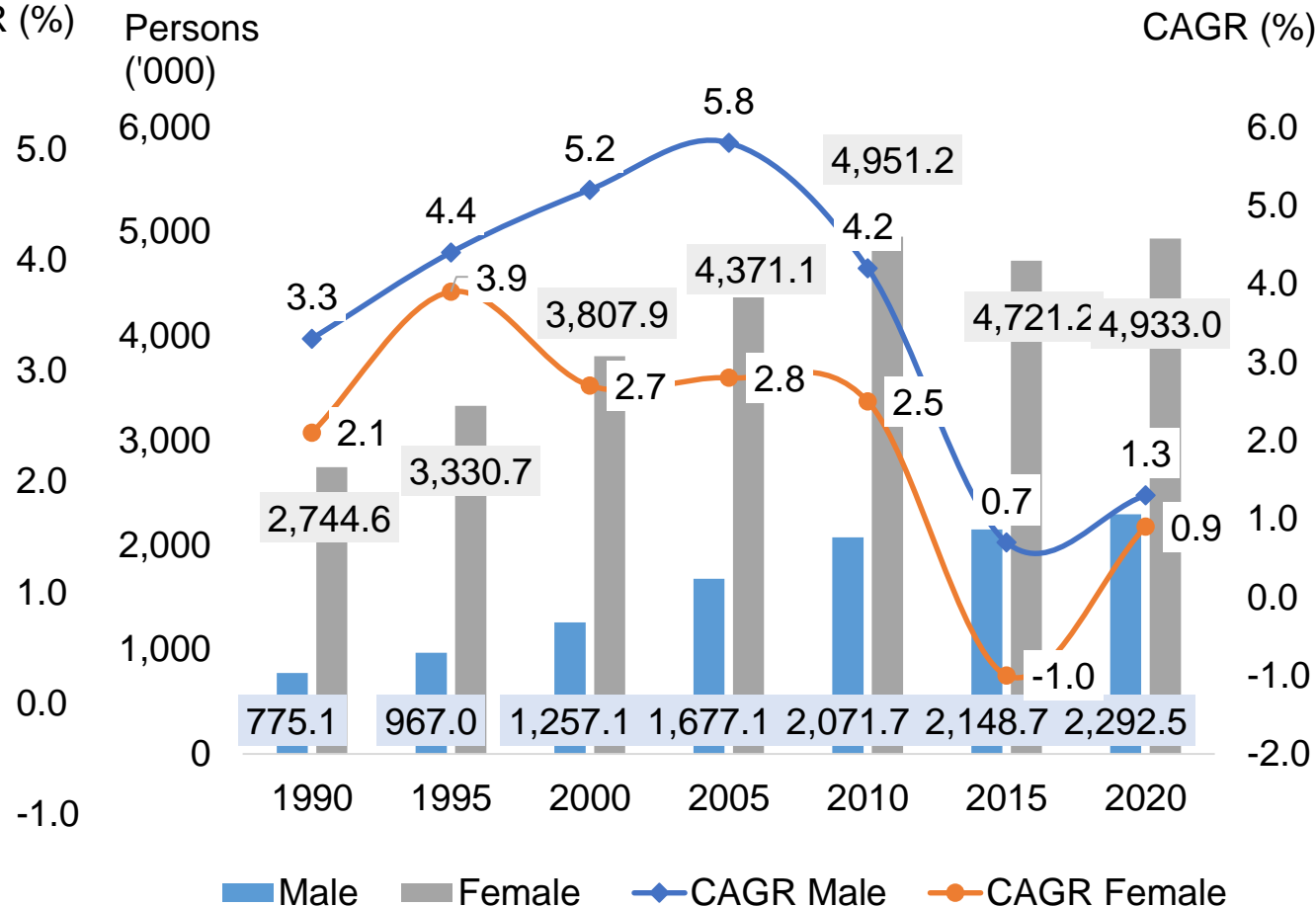


Chart 4: Outside labour force, 1990 - 2020

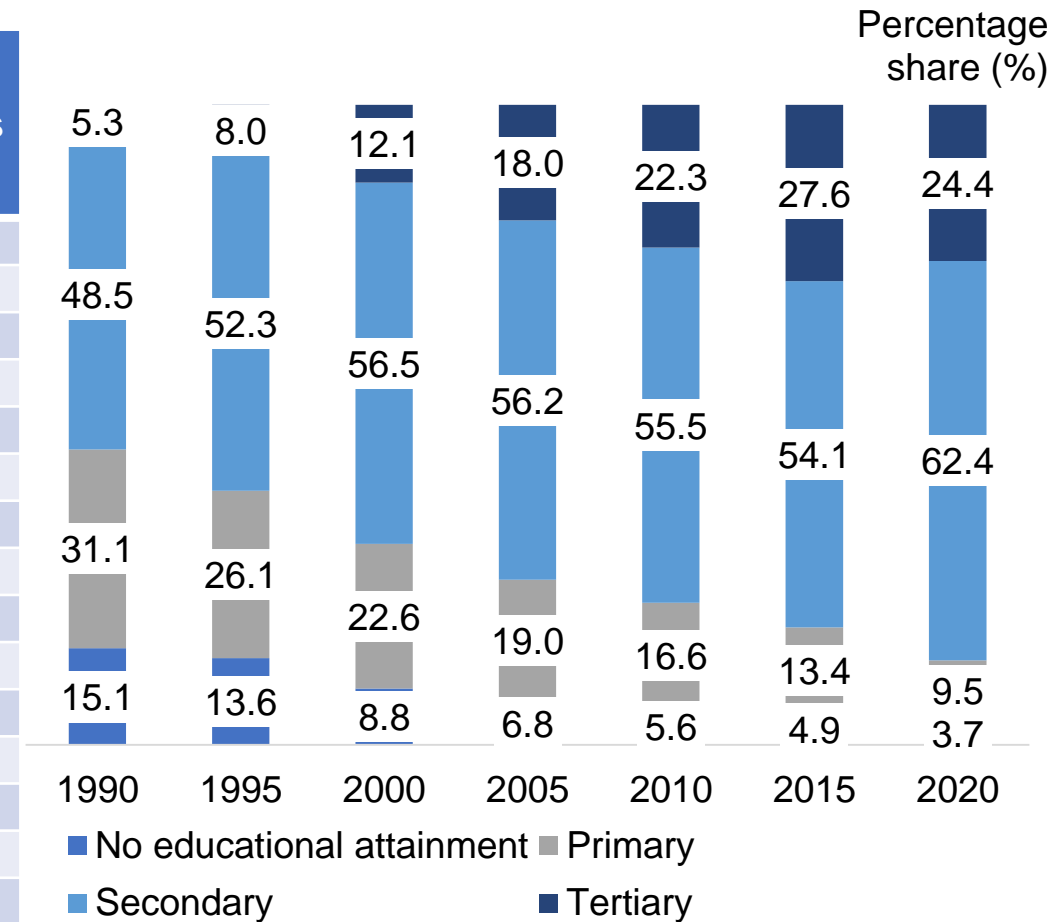


Source: LFS, DOSM

Table 1: Outside labour force by sex and reasons for not at work, Malaysia, 1990 – 2020 (Percentage Share)

Sex	Schooling or training	Housework or family responsibilities	Going for further studies	Disabled	Not interested	Retired	Others
Male							
1990	62.8	4.5	2.6	5.1	1.7	12.9	10.4
1995	65.9	4.3	2.1	5.9	2.3	13.1	6.5
2000	68.5	3.5	1.5	3.8	1.5	14.2	7.0
2005	66.4	2.6	2.2	4.3	1.2	15.4	8.0
2010	65.2	2.1	2.8	4.4	1.5	17.1	6.8
2015	66.8	2.4	3.4	8.2	2.7	16.5	-
2020	59.7	13.4	1.8	8.0	1.7	15.4	-
Female							
1990	17.3	78.7	0.6	0.8	0.5	0.3	1.8
1995	19.7	76.6	0.6	0.9	0.5	0.5	1.3
2000	24.1	72.4	0.5	0.7	0.2	0.7	1.4
2005	26.3	68.8	1.0	0.8	0.2	1.0	1.8
2010	28.5	66.1	1.2	0.8	0.3	1.3	1.8
2015	31.9	60.0	1.7	1.9	0.6	3.9	-
2020	31.8	60.5	1.8	1.7	0.7	3.6	-

Chart 5: Outside labour force by educational attainment, Malaysia, 1990 - 2020 (Percentage Share)



Source: LFS, DOSM

Discussion & Conclusion





More than two third persons in OLF is female which largely in aged 15 to 34 years old

Promoting greater participation of female in the labour market

- The government has targeted an increase in the female labour force participation rate to 57% by the year 2020 (11th MP, EPU, 2015).
- Career Comeback Tax Exemption (TalentCorp, 2015)



The share of those involved in housework and family responsibility has increased noticeably in 2020

Promoting healthy working arrangement

- Flexible working arrangement
- Remote working
- Digitalisation



High number of young people aged 25 - 34 years old nonparticipation in the labour force could be due to prolonged duration education

Positive development for Malaysia's labour market

- More potential labour force were attaining higher education which usually fall under skilled category
- Quality labour force is needed to promote Malaysia's growth and position its excellence in the global marketplace
- Malaysia can realise its Shared Prosperity Vision 2030 to increase the incomes of all ethnic groups which later transform Malaysia into high income nation



In conclusion, a relatively high number of persons outside labour force have a vast potential of joining the labour force, specifically to be in employment.

The collaboration of key parties such as the government, industries and academia are vital in realising this potential. Nevertheless, carefully thoughts and well-planned strategies should be set in place to ensure continuous efforts to empower both sides of the labour dynamics i.e. high-quality labour supply coupled with high demand and absorptions of skilled labour.



THANK YOU

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