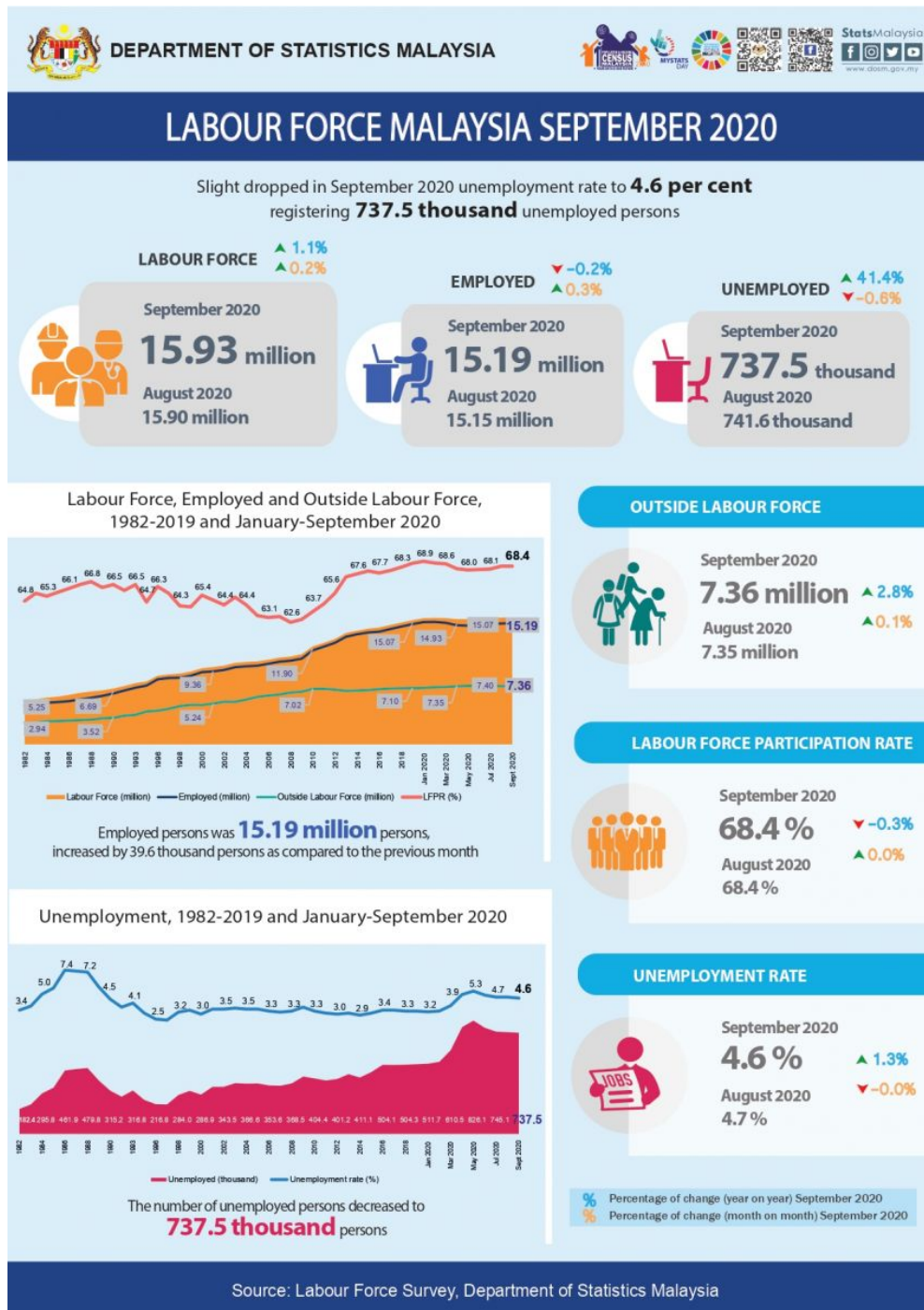




## KEY STATISTICS OF LABOUR FORCE IN MALAYSIA, SEPTEMBER 2020





## CONCEPTS AND DEFINITIONS



### What is Labour Force Survey (LFS)?

Labour Force Survey (LFS) was conducted to collect information on the structure and distribution of labour force, employment and unemployment from the perspective of labour supply

The implementation of LFS are based on the standard guidelines and recommendations of the International Labour Organizations (ILO)

LFS encompasses both urban and rural areas for all administrative districts within of all states in Malaysia using the actual status approach through the personal interview method

The survey population comprises persons who live in the private living quarters, hence excludes persons residing in institutions such as hotels, hospitals, hostels, prisons, and workers residing in construction worksite

The working age for the analysis of LFS in Malaysia refers to household members between the age of 15 to 64 years during the reference week, who are either in the labour force or outside the labour force



#### LABOUR FORCE

- The population in the working age group of 15 to 64 years (in completed years at last birthday).
- Either employed or unemployed in the reference week.



#### OUTSIDE LABOUR FORCE

- All persons not classified as employed or unemployed.
- Example: housewives, students, retired, disabled persons and those not interested in looking for a job.



#### EMPLOYED

- Persons who, at any time **during the reference week worked at least one hour** for pay, profit or family gain (as an employer, employee, own-account worker or unpaid family worker).
- Persons who did not work during the reference week because of illness, injury, bad weather, leave, labour dispute and social or religious reasons but had a job, farm, enterprise or other family enterprise to return to.
- Those on temporary lay-off with pay who would definitely be called back to work.



#### UNEMPLOYED

- Those who did not work during the reference week but are interested to work and seeking for a job.
- Classified into two groups which are actively and inactively unemployed.



#### UNEMPLOYMENT RATE

- The proportion of the unemployed population to the total population in labour force.
- Percentage of the unemployed population in the labour force.



#### LABOUR FORCE PARTICIPATION RATE

- The economic activity of a population depends on the demographic characteristics of that population.
- The proportion of the economically active population, hence differs between sub-groups of that population.
- These variations are measured by specific activity rates termed as labour force participation rate.
- Labour force participation rate is defined as the ratio of the labour force to the working age population (15 to 64 years), expressed as a percentage.

Source: Labour Force Survey, Department of Statistics Malaysia

## KEY REVIEWS

- In September 2020, employment continued to grow at a slower pace of 0.3 per cent (August 2020: 0.5%) to 15.19 million persons. The employment-to-population ratio remained at 65.2 per cent.
- Services and Manufacturing sectors which were the main contributor of the economy, recorded an increase in the number of employment as against the previous month. For Services sector, the increase was largely in wholesale & retail trade and accommodation and food & beverages as well as education activities.
- In terms of status of employment, the employee's category increased 14.9 thousand persons to record 11.73 million persons as against the previous month. Own-account workers continued to increase by 0.7 per cent to register 2.43 million persons (August 2020: 2.42 million persons).
- The unemployment rate dropped 0.1 percentage point to 4.6 per cent in September 2020 as opposed to August 2020. The number of unemployed persons declined by 0.6 per cent to record 737.5 thousand persons (August 2020: 741.6 thousand persons).
- The labour force participation rate remained at 68.4 per cent in September 2020 after recorded an

increase of 0.3 percentage points in the previous month. During the month, the number of labour force increased by 35.5 thousand persons to 15.93 million persons (August 2020: 15.90 million persons).

- In September 2020, the number of persons outside labour force increased by 8.3 thousand persons to record 7.36 million persons as against August 2020. Housework/ family responsibility contributed 45.1 per cent followed by schooling/ training with 40.2 per cent.
- Although the COVID-19 pandemic continued to be a difficult challenge in September 2020, the Malaysia's labour force situation was further improved as the progress of the economic sector continued to grow. However, looking at the current situation with a spike of new COVID-19 cases especially in certain parts of the country since the end of September 2020, it is foreseen that the labour market will face more challenges in the forthcoming months.
- Additionally, for the first time, new quarterly indicators on working of less than 30 hours per week and underemployment were introduced in the report to provide more insight on country's labour supply situation. In this report, the underemployment indicators were measured in a form of time-related and skill-related.

## **SLIGHT INCREASE IN THE MALAYSIA'S LABOUR FORCE IN SEPTEMBER 2020**

The country had undergone seven months of Movement Control Order (MCO) to contain the spread of COVID-19 pandemic. Since 10 June 2020, the Recovery MCO allowed more economic sectors to operate although businesses were not operating at optimum level. In the meantime, various stimulus packages provided by the Government were aided to cushion the negative impact of the pandemic to the economy including labour market. Thus, continuous improvement albeit at a moderate pace was observed in labour force situation. This has reflected by the positive month-on-month growth in employment since June 2020, as well as by the unemployment rate which showed a declining trend. Hence, the recovery of labour force situation may continue unless there is another wave of COVID-19 new cases impacting business activity and consumer demand.

In September 2020, it was reported that the number of new cases began to rise again for several administrative districts mainly in Kedah and Sabah. Consequently, Administrative Enhanced MCO had been implemented in these areas and had successfully curbed the spread while mitigated the negative impact to the labour market. As a result, the number of labour force during the month continued to increase with a marginal growth.

Based on the economic performance in September 2020, the Industrial Production Index (IPI) posted a positive growth of 0.5 per cent month-on-month to record 115.3 supported by IPI for Manufacturing which was increased by 2.1 per cent. In addition, the total export recorded a double-digit month-on-month growth of 13.6 per cent, while import declined by 3.6 per cent.

The Labour Force Report for September 2020 describes the labour supply situation as the country entered the seventh month of MCO. The report will elaborate on the month-on-month changes to examine the immediate effects of the MCO to contain the spread of COVID-19. Users are advised to interpret the monthly statistics with caution since they are non-seasonally adjusted. In addition, annual changes from the same month of the previous year is also reported.

Additionally, for the first time, new quarterly indicators on working of less than 30 hours per week and underemployment are introduced in the report to provide more insight on the country's labour supply situation. In this report, the underemployment indicators were measured in the form of time-related and skill-related. Time-related underemployment is defined as those who were employed less than 30 hours

per week due to the nature of their work or because of insufficient work and were able and willing to accept additional hours of work. Meanwhile, skill-related underemployment which was generally defined as those who wanted to change their current employment situation in order to use their occupational skills more fully and were available to do so, is measured as those with tertiary education working in semi-skilled and low-skilled occupations.

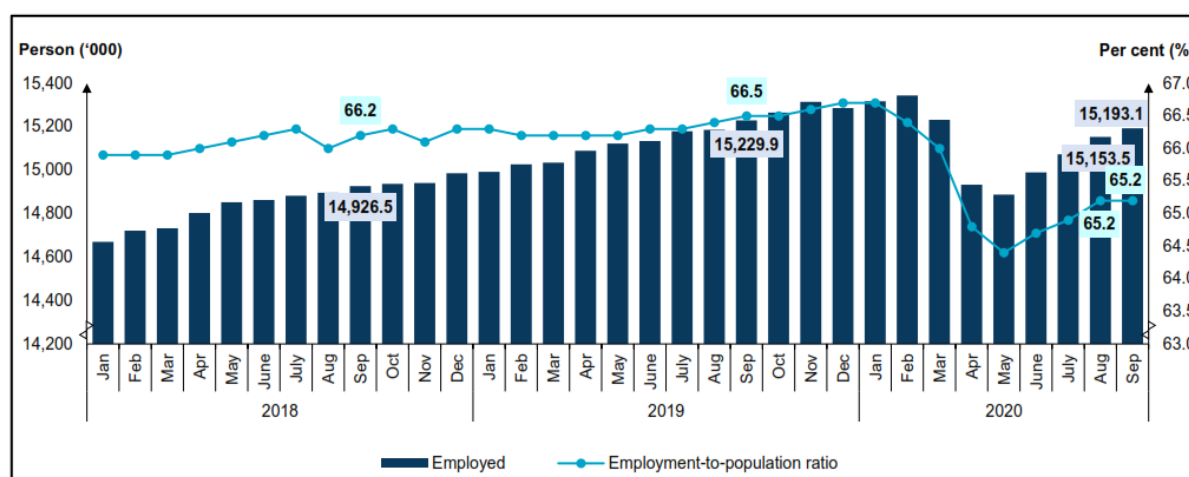
A box article on Assessment of Underemployment Situation in Malaysia which has been published in Malaysia Economic Statistical Review (MESR) Vol. 6/2020 is also included in this report to assist users in understanding the underemployment statistics.

## Employment continued to grow

September 2020, employment continued to grow at a slower pace of 0.3 per cent (August 2020: 0.5%) to 15.19 million persons. Meanwhile, year-on-year, the number of employed persons still on the declining trend posted negative 0.2 per cent (September 2019: 15.23 million persons).

During the month, the employment-to-population ratio which indicates the ability of an economy to create employment remained at 65.2 per cent. However, in terms of year-on-year, employment-to-population ratio dropped by 1.3 percentage points from 66.5 per cent. [Chart 1]

Chart 1: Employed persons and employment-to-population ratio, January 2018 – September 2020

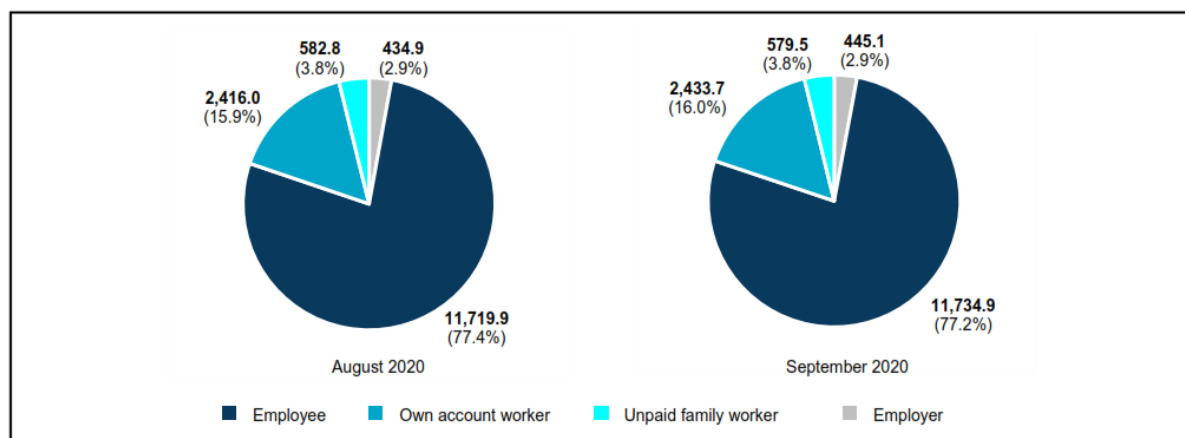


Services and Manufacturing sectors which were the main contributors of the economy, recorded an increase in the number of employment as against the previous month. For Services sector, the increase was largely in wholesale & retail trade and accommodation and food & beverages as well as education activities.

In terms of status of employment, the employee's category rose by 14.9 thousand persons to record 11.73 million persons as against the previous month. Own-account workers continued to increase by 0.7 per cent to register 2.43 million persons (August 2020: 2.42 million persons). The positive growth of own-account workers may be reflected by the various government initiatives to boost up the businesses such as

PENJANA SME Financing which continue to assist the Small Medium Enterprises (SMEs) as well as a Special Grant of RM3,000 to each eligible micro-SME. [Chart 2]

Chart 2: Employed person by status in employment, August and September 2020



In the meantime, there were 100.7 thousand of employed persons who were temporarily not working as against 102.0 thousand persons recorded in August 2020. This group of persons, who were most likely not able to work was not categorised as unemployed as they had work to return to.

## New Indicator Released

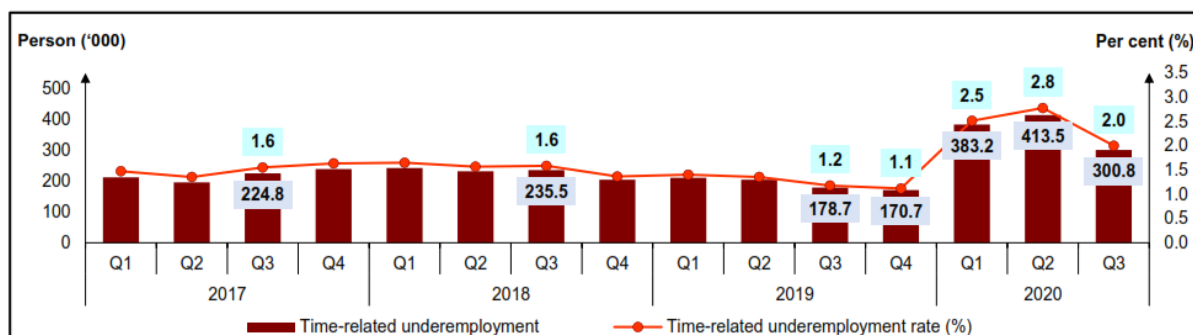
### Quarterly Time-related and Skill-related Underemployment

A comprehensive understanding of the labour market requires analysing additional indicators alongside the unemployment rate. Hence, the underemployment indicator provides more insight on the labour supply situation by looking at the employed persons who lacked of hours worked or in inadequate forms of work which can be measured by time-related underemployment and skill-related underemployment.

For the series of Q1 2017 to Q4 2019, the time-related underemployment averaged of 1.4 per cent from the total of employed persons equivalent to 212.4 thousand persons. The implementation of MCO in the mid of March 2020 has caused the number increased further to 383.2 thousand persons (2.5%) in Q1 2020. Subsequently, the continuous phases of MCO and several economic activities were allowed to operate with strict standard operating procedures in Q2 2020, had led to the increase in time-related underemployment to 413.5 thousand persons (2.8%). Nevertheless, the number reduced to 300.8 thousand persons (2.0%) in Q3 2020 following the implementation of Recovery MCO with longer business operation hour during the period. [Chart A1]

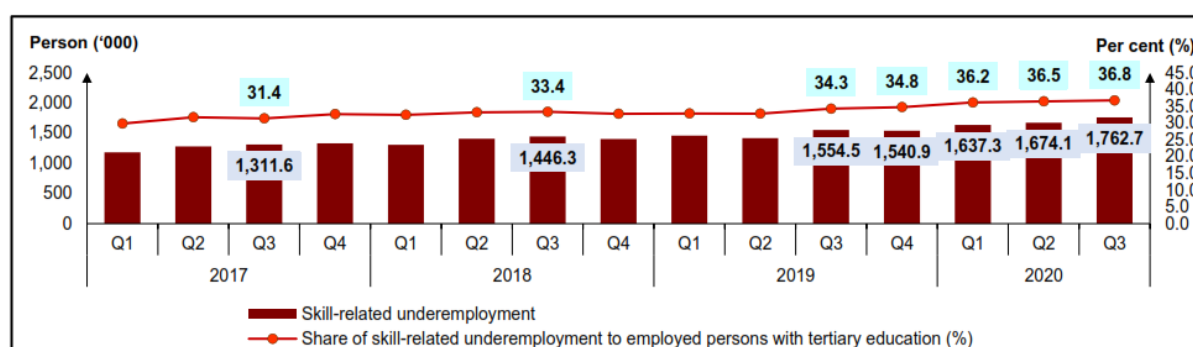
Chart A1: Time-related underemployment, Q1 2017 – Q3 2020





Through the LFS, skill-related underemployment is measured from the perspective of those with tertiary education and working in the semi-skilled and low-skilled occupations. Over the years, it was observed that the incidence of skill-related underemployment, had indicated the existence of some structural issue in the labour market prior to COVID-19 pandemic. This is portrayed by the quarterly average of 32.7 per cent or 1.4 million persons of skill-related underemployment during the period of Q1 2017 to Q4 2019. Incidentally, the current situation attributed to the continuous increase of skill-related underemployment to 36.8 per cent in the Q3 2020 after registering 36.5 per cent in Q2 2020. In terms of number, it increased to 1.76 million persons (Q2 2020: 1.67 million persons). [Chart A2]

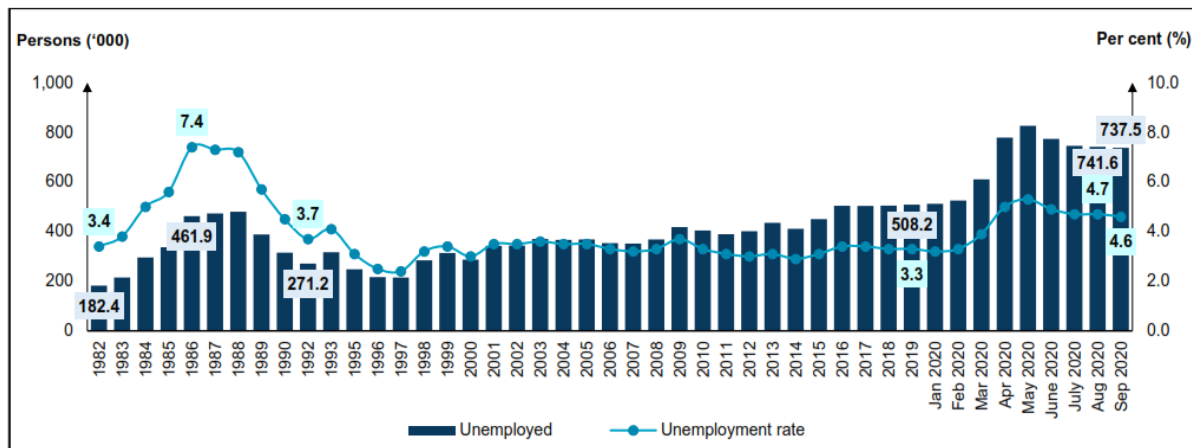
Chart A2: Skill-related underemployment, Q1 2017 – Q3 2020



## Unemployment rate dropped to 4.6 per cent in September 2020

The unemployment rate dropped 0.1 percentage points to 4.6 per cent in September 2020 as opposed to August 2020. The number of unemployed persons declined by 0.6 per cent to record 737.5 thousand persons (August 2020: 741.6 thousand persons). Nonetheless, year-on-year, the unemployment rate for September 2020 increased 1.3 percentage points as compared to the same month of the preceding year with the number of unemployed persons registering an increase of 216.1 thousand persons (September 2019: 521.4 thousand persons). [Chart 3]

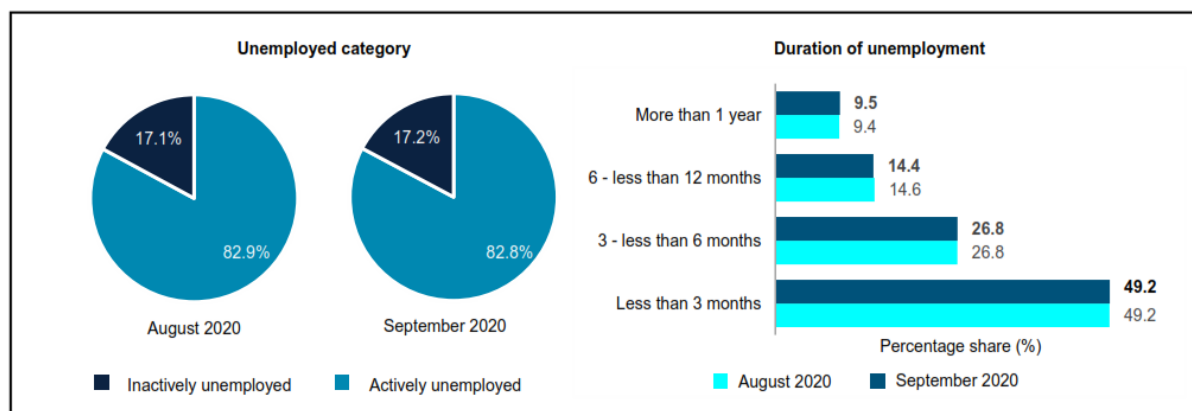
Chart 3: Unemployed persons and unemployment rate, 1982 - 2019 and January - September 2020



The actively unemployed persons comprise of more than 80 per cent of the total of unemployed persons in September 2020. The largest composition was persons who were unemployed for less than three months with 49.2 per cent.

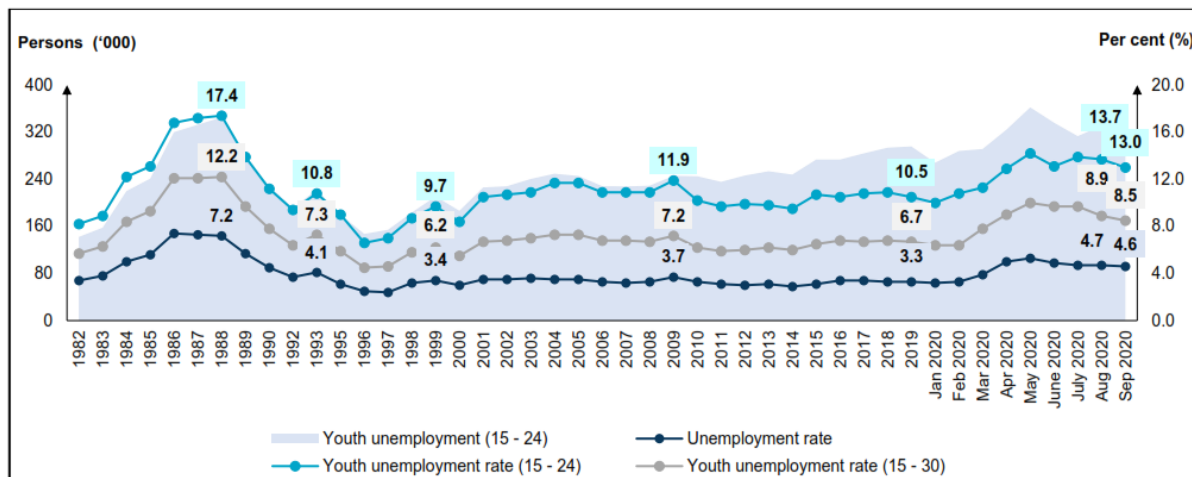
Meanwhile, persons who were in long-term unemployment for more than a year accounted for 58.0 thousand persons or 9.5 per cent. However, the inactively unemployed or discouraged group whom believed there were no jobs available during the month registered an increase of 0.1 percentage points to record 127.1 thousand persons as against 126.5 thousand persons in August 2020. [Chart 4]

Chart 4: Unemployed category and duration of unemployment, August and September 2020



As for the unemployment rate of youth for aged 15 to 24 years in September 2020, the figure improved with a lower rate of 13.0 per cent as compared to the previous month (August 2020: 13.7%). Similarly, the unemployment rate for youth aged 15 to 30 years reduced by 0.4 percentage points to record 8.5 per cent (August 2020: 8.9%). [Chart 5]

Chart 5: Unemployment rate by selected age groups, 1982 - 2019 and January - September 2020

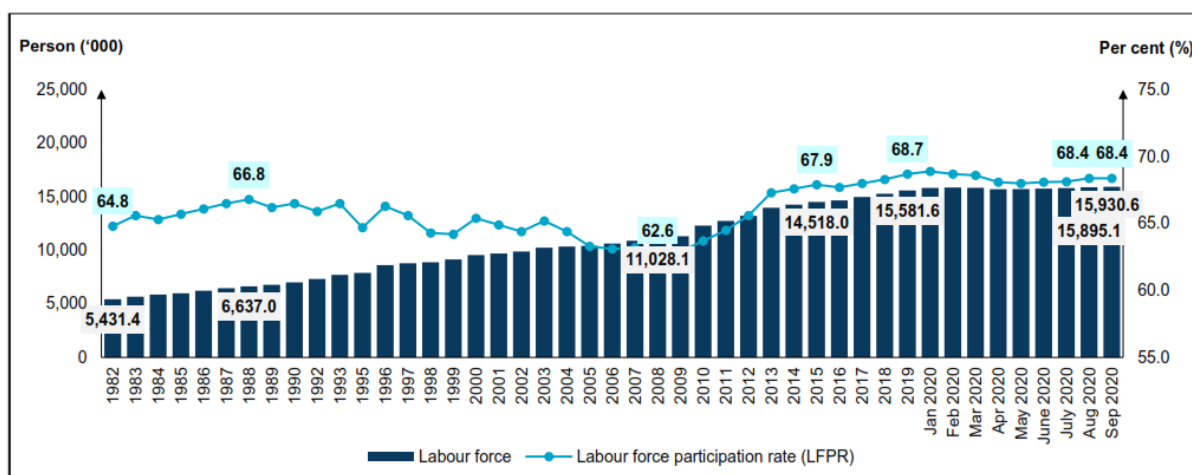


## LFPR remained at 68.4 per cent

The labour force participation rate remained at 68.4 per cent in September 2020 after recorded an increase of 0.3 percentage points in the previous month. During the month, the number of labour force increased by 35.5 thousand persons month-on-month to 15.93 million persons (August 2020: 15.90 million persons).

Comparing with the same month of the previous year, the number of labour force rose by 179.4 thousand persons from 15.75 million persons while the LFPR declined by 0.3 percentage points (September 2019: 68.7%). [Chart 6]

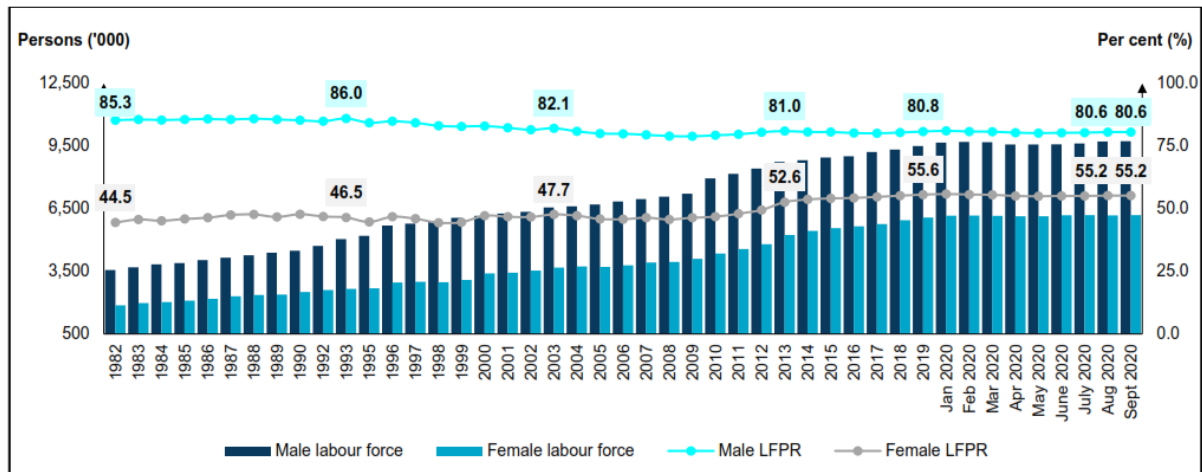
Chart 6: Labour Force and LFPR, 1982 - 2019 and January - September 2020



In the meantime, both male and female LFPR remained at 80.6 per cent and 55.2 per cent respectively. It was observed that the number of the male labour force increased 18.3 thousand persons to record 9.74 million persons. Meanwhile, the number of female labour force was 6.20 million persons, increased 17.2 thousand persons from August 2020. Year-on-year, both male and female LFPR dropped by 0.3 and 0.5 percentage points respectively. [Chart 7]



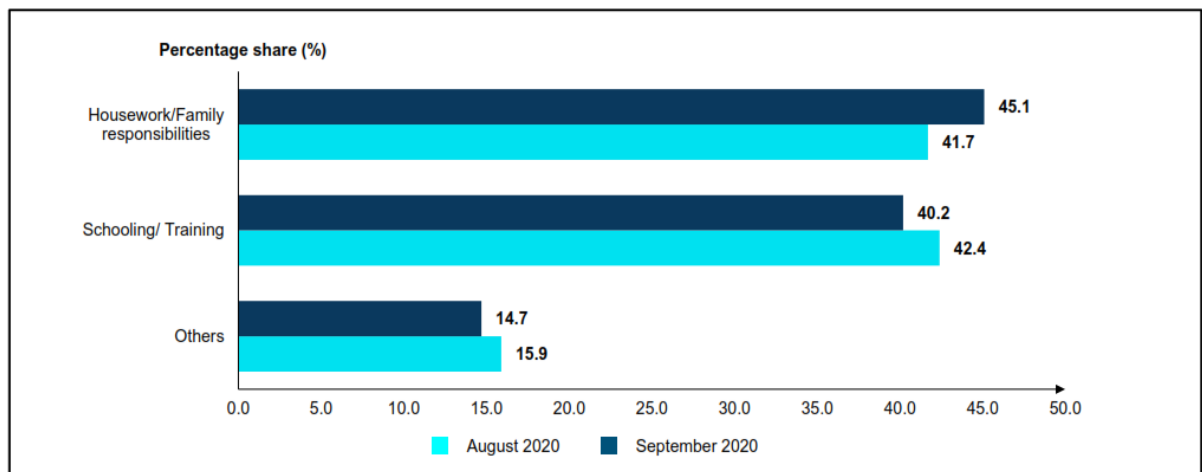
Chart 7: Labour Force and LFPR by sex, 1982 - 2019 and January - September 2020



### More than 45 per cent of outside labour force due to housework/ family responsibility

In September 2020, the number of persons outside labour force increased slightly by 8.3 thousand persons to record 7.36 million persons as against August 2020. Meanwhile, year-on-year, outside labour force rose by 2.8 per cent (+200.0 thousand persons) as compared to September 2019. Housework/ family responsibility contributed 45.1 per cent followed by schooling/ training with 40.2 per cent. [Chart 8]

Chart 8: Share of outside labour force by reasons for not seeking work, August and September 2020



### GOVERNMENT'S INITIATIVES

The KITA PRIHATIN Economic Stimulus Package, which prioritised three direct-assistance initiatives namely, Bantuan Prihatin Nasional 2.0 (BPN 2.0), Wage Subsidy Programme 2.0, and PRIHATIN Special Grant (GKP) announced by the government were aimed to benefit the nation. Apart from this package, the government approved an additional allocation of RM11.93 billion under the Wage Subsidy Programme as of 25 September 2020 targeted to aid over 2.6 million employees as well as 321,633 employers. Furthermore, a total of 43,998 employees earned jobs, comprising of 284 persons with disabilities and 3,782 apprentices through the Hiring Incentive Programme and Training Assistance.

The Reskilling and Upskilling Programme also were implemented to provide the workforce to satisfy the demand of the industry while boosting employment opportunities. In the meantime, 11,383 micro, small, and medium-sized enterprises benefited from TEKUN Business Recovery Scheme amounted to RM75.5 million. The PENJANA SME Financing (PSF) were also given to the eligible SMEs to assist the SMEs who are adversely impacted by COVID-19 in order to sustain business operations. In addition, the SME Soft Loans Funds as supervised by Bank Negara Malaysia (BNM), supplied facilities to 22,984 SMEs amounting to RM10.7 billion, thereby supporting the recovery of the labour market in September 2020.

## LOOKING AHEAD

Although the COVID-19 pandemic continued to be a difficult challenge in September 2020, the Malaysia's labour force situation was further improved as the progress of the economic sector continued to grow. However, looking at the current situation with a spike of new COVID-19 cases especially in certain parts of the nation beginning at the end of September 2020, it is foreseen some challenges will be faced by the labour market in the forthcoming months.

Hence, the government has taken proactive measures among others by introducing Bantuan Prihatin Nasional 2.0 (BPN 2.0) amounted to RM10 billion in September this year. In addition, to mitigate the effects of this pandemic towards graduates, the Higher Education Ministry (KPT) had introduced the Graduates Reference Hub for Employment and Training (GREaT) to offer services on jobs matching and reskilling & upskilling programmes as well as in providing assistance to those who need to pursue tertiary education through PENJANA Career Advancement Programme (PENJANA KPT-CAP).

Meanwhile, the Global Online Workforce Programme (GLOW) works with international and local platform partners to reinforce the supporting ecosystem for GIG employees, thus assuring Malaysian freelancers to bid for jobs and projects in a safe and secure digital environment. Overall, these government-implemented policies and programmes may contribute to the stabilisation and recovery of the Malaysia's labour market.

## TECHNICAL NOTES

This information is derived from the **Labour Force Survey (LFS)** which was conducted to collect information on the structure and distribution of labour force, employment and unemployment.

Concepts and definitions used in LFS are based on the standard guidelines of International Labour Organizations (ILO) through "Manual on Concepts and Methods: Surveys of Economically Active Population, Employment, Unemployment and Underemployment" which is also used by other country.

LFS covers both urban and rural areas of all states in Malaysia through personal interview method.

The survey population cover persons who live in private living quarters and excludes persons residing in institutions such as hotels, hostels, hospitals, prisons, boarding houses and workers residing in construction work site.

The survey comprises of the economically active and inactive population. To measure the economically active population, the LFS uses the age limit of 15 to 64 years. The economically active population comprises of those employed and unemployed whereas those who are inactive is classified as outside the labour force.

LFS uses the actual status approach, where a person is classified on the basis of his labour force activity

during the reference week.

- **Labour force** refers to those who, during the reference week are in the 15 to 64 years (in completed years at last birthday) and who are either employed or unemployed.
- **Employed** refers to all persons who, at any time during the reference week worked at least one hour for pay, profit or family gain (as an employer, employee, own-account worker or unpaid family worker). Also considered as employed are persons who did not work during the reference week because of illness, injury, bad weather, leave, labour dispute and social or religious reasons but had a job, farm, enterprise or other family enterprise to return to. Also included are those on temporary lay-off with pay who would definitely be called back to work.

- **Unemployed**

Unemployed refers to those who do not have a job but are interested to work. There are two groups of unemployed that is the actively unemployed and inactively unemployed.

- **Outside Labour Force**

All persons not classified as employed or unemployed as stated above are classified as outside labour force. Includes housewives, students (including those going for further studies), retired, disabled persons and those not interested in looking for a job.

- **Labour Force Participation Rate**

The economic activity of a population depends on the demographic characteristics of that population. The proportion of economically active population, therefore, differs between sub-groups of that population. These variations are measured by specific activity rates termed as labour force participation rate. **Labour force participation rate** is defined as the ratio of the labour force to the working age population (15 to 64 years), expressed as percentage.

- **Unemployment rate** is the proportion of unemployed population to the total population in labour force. This rate measures the percentage of unemployed population in the labour force.

## Seasonally adjusted

Malaysian economic time series data are affected by major religious festivals such as the Eid-ul Fitr, the Chinese New Year and the Deepavali. The major festivals in this country are usually related to the religious activities and such as, the dates are determined by the respective religious calendar. The dates of these holidays are not in line with the Gregorian calendar. Hence, they tend to move along the Gregorian calendar and has strong seasonal influence on many economic time series data.

Since these non-fixed holidays have large impact on the time series data, they need to be taken into account when performing seasonal adjustment process so as to avoid confusion in seasonally adjusted data and trend estimates. Furthermore, the presence of the non-fixed holidays effects may complicate the interpretation of the data.

Seasonal adjustment is a process of removing the estimated effects of normal seasonal variation from the original series so that the effects of other influences on the series may be more clearly recognized.

Seasonal adjustment can be derived by various methods and the results may vary according to the procedure adopted. The approach used for seasonal adjustment in Malaysia is the **Seasonal Adjustment**

## **for Malaysia (SEAM).**

SEAM is a procedure to remove moving holiday effect on the selected Malaysian economic time series data by introducing steps that can be used to overcome the limitations of the existing seasonal adjustment procedure. To apply the SEAM procedure, the X-ARIMA program in Statistical Analysis Software (SAS) is used.

This seasonal adjusted rate will be revised when a complete 12 months time series for the particular year are obtained.

## **Population Benchmarks**

Population by characteristics of age group, ethnicity and state were used as benchmarks to produce labour statistics.

Starting with the monthly release of the Principal Statistics of Labour Force, Malaysia, January 2016, the principal statistics of labour is estimated based on the current population estimates as compared to the previous series which used population projections based on the Population and Housing Census of Malaysia, 2010. This rebase is to obtain statistics that is more consistent with current population structure.

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