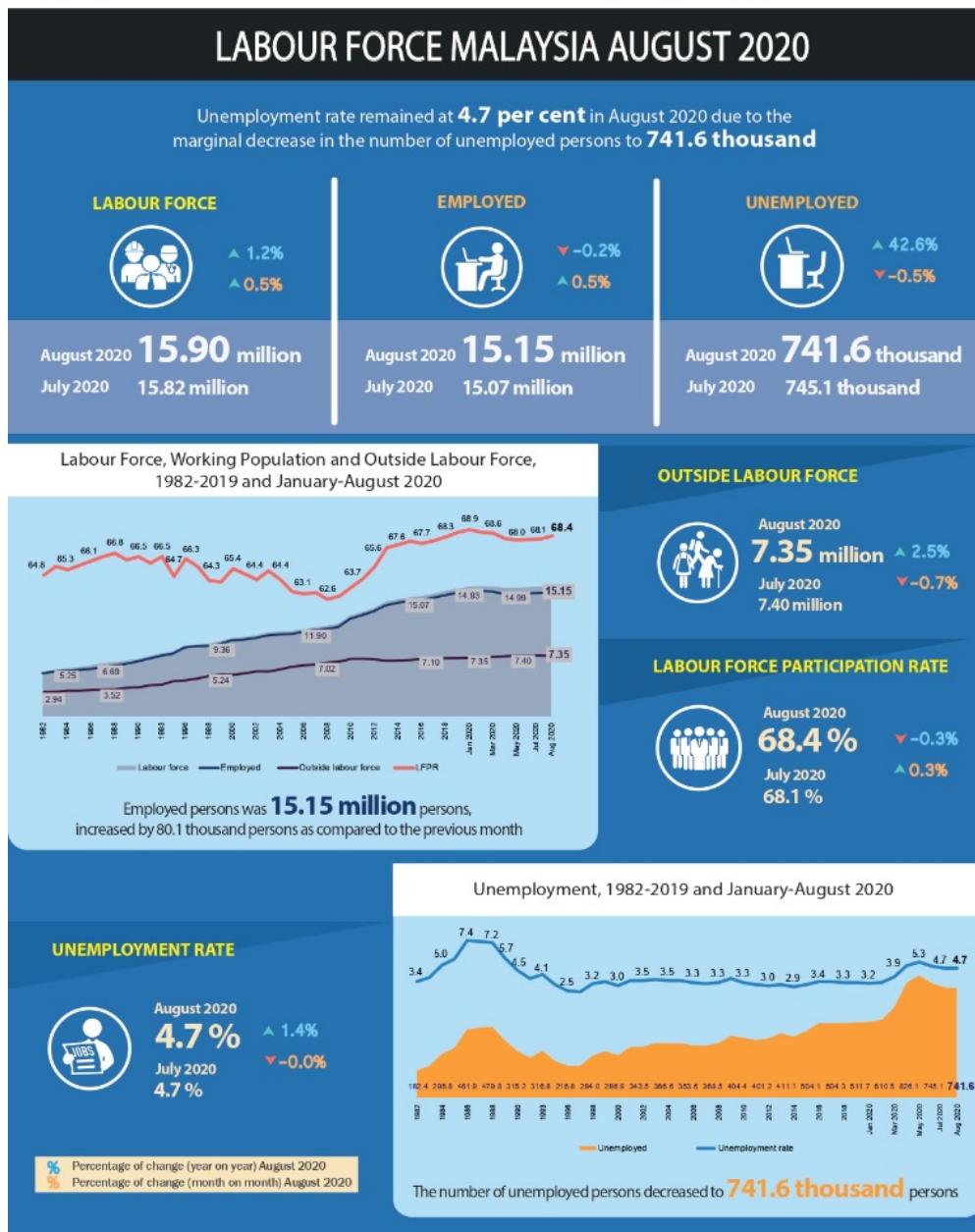




KEY STATISTICS OF LABOUR FORCE IN MALAYSIA, AUGUST 2020



DEPARTMENT OF STATISTICS MALAYSIA



Source: Labour Force Survey, Department of Statistics Malaysia



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 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) who are either employed or unemployed in the reference week.



OUTSIDE LABOUR FORCE

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



EMPLOYED

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). Moreover, employed includes 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. Employed also consists of 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. The unemployed can be 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. This rate measures the 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, 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 a percentage.

Source: Labour Force Survey, Department of Statistics Malaysia

KEY REVIEWS

- Employment recorded a marginal increase of 0.5 per cent month-on-month (July 2020: 0.6%) to 15.15 million persons in August 2020. In line with this, the employment-to-population ratio increased to 65.2 per cent.
- The number of employment in Services sector increased further largely in wholesale & retail trade; accommodation and food & beverages as well as information and communication activities. Besides, arts, entertainment & recreational activities also went up as compared to the previous month.
- Employees category increased 72.6 thousand month-on-month to 11.72 million persons in August 2020. Likewise, own-account workers accounted for 2.42 million persons, increased for the first time since April 2020.
- The unemployment rate in August 2020 remained at 4.7 per cent. The number of unemployed persons decreased marginally month-on-month by 3.5 thousand persons to 741.6 thousand persons.
- In August 2020, the number of labour force increased by 76.6 thousand persons to record 15.90 million persons as compared to July 2020. During the month, the LFPR improved 0.3 percentage points to 68.4 per cent.
- Outside labour force in August 2020 decreased to 7.35 million persons as compared to 7.40 million in July 2020. The largest share of outside labour force was due to schooling/ training followed by housework/ family responsibility.
- As the economic sector continues reopening, August 2020 saw the Malaysia's labour situation improved further. Nevertheless, looking at the current situation where the COVID-19 cases is on the increasing trend, it is foreseen that some challenges will hinder the labour market recovery in the upcoming months and could impact the potential of labour force to enter the labour market.

THE LABOUR FORCE SITUATION IMPROVED FURTHER FOLLOWING THE CONTINUED RESUMPTION OF ECONOMIC ACTIVITIES

The Government has driven the country in fighting the COVID-19 pandemic by implementing six key steps: Resolve, Resilience, Restart, Recovery, Revitalize and Reform. The first three stages have passed and now the country was in the Recovery stage which focused on completing the journey from Restart to Recovery by launching strategic initiatives to drive the economic growth¹. During this stage, the labour force situation improved further following the continued resumption of economic activities after being hit by the unprecedented event.

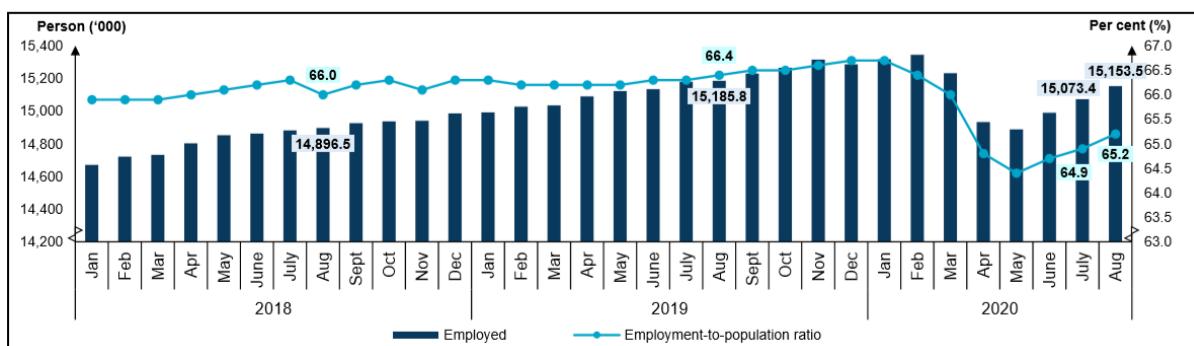
In August 2020, the lifting up of restriction led almost all sectors to regain momentum including tourism industry due to higher demand. Hence, businesses related to this industry such as accommodations, food & beverages, transportsations & entertainments also has experienced the positive impact. Subsequently, the businesses offered gradual rehiring including for those who were unemployed or laid offs. Allocation of RM1 billion in the PENJANA Tourism Financing Scheme also benefitted the businesses particularly Small and Medium Enterprises (SMEs) as well as micro companies to rejuvenate the tourism industry. The Labour Force Report for August 2020 describes the labour supply situation as the country entered the third month of RMCO. The report will elaborate on the year-on-year changes in addition to the short-term changes from the previous month 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.

Linear growth in employment since RMCO

Employment recorded a marginal increase of 0.5 per cent month-on-month (July 2020: 0.6%) to 15.15 million persons in August 2020. It was observed that the monthly increase of employed person was in the range of 80 to 102 thousand persons since June 2020. Meanwhile, year-on-year comparison, employed persons declined by 0.2 per cent as against August 2019 (15.19 million persons).

In line with this, the employment-to-population ratio which indicates the ability of an economy to create employment increased 0.3 percentage points from the previous month to 65.2 per cent (July 2020: 64.9%). On the contrary, the employment-to-population ratio declined 1.2 percentage points from 66.4 per cent in August 2019. [Chart 1]

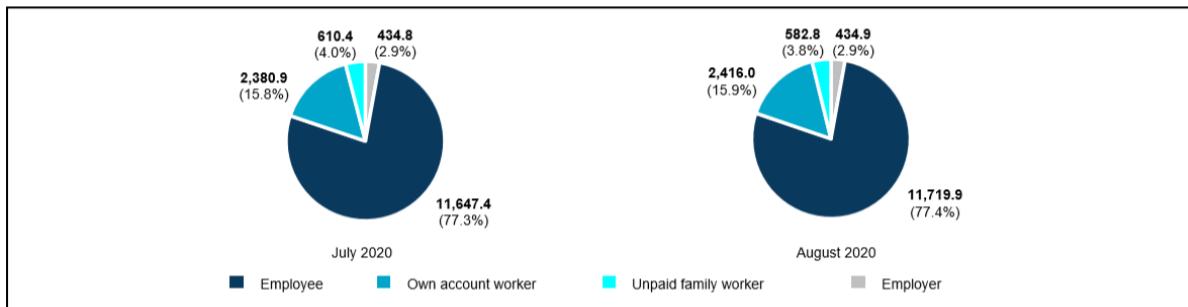
Chart 1: Employed persons and employment-to-population ratio, January 2018 - August 2020



In August 2020, the number of employment in Services sector increased further largely in wholesale & retail trade; accommodation and food & beverages as well as information & communication activities. Besides, arts, entertainment & recreational activities also went up as compared to the previous month. Meanwhile, manufacturing sector which was the second largest contributor in economy recorded a decreased in employment. During August 2020, the Industrial Production Index for Manufacturing declined 1.9 per cent month-on-month as compared to the marginal growth of 0.2 per cent in the previous month. This slower momentum has impacted a declined of employed person in Manufacturing sector during the month.

Employees category increased 72.6 thousand month-on-month to 11.72 million persons in August 2020. Likewise, own-account workers accounted for 2.42 million persons, increased for the first time since April 2020 (July 2020: 2.38 million persons). The share of own-account workers rose 0.1 percentage points as compared to the previous month, registering 15.9 per cent (July 2020: 15.8%). The Special PRIHATIN Grant of RM3,000 which was introduced in May 2020 has shown a positive outcome in assist them to sustain and return to the labour market. [Chart 2]

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

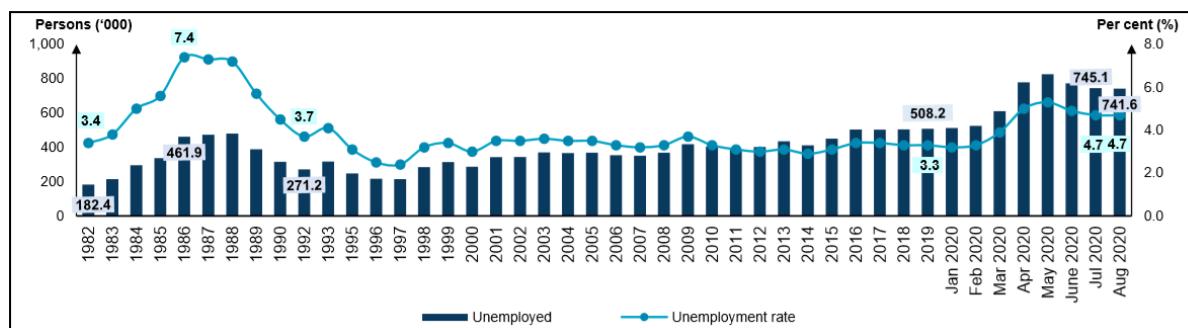


During the month, a total of 102.0 thousand persons who were temporarily not working decreased 2.3 thousand persons as against the previous month (July 2020: 104.3 thousand persons). This group of persons, who were most likely not able to work was not categorised as unemployed as they had work to return to. The decline in the total number of employed persons who were temporarily not working among others was due to the positive effect of the resumption in almost all economic activities.

Unemployment rate remained at 4.7 per cent

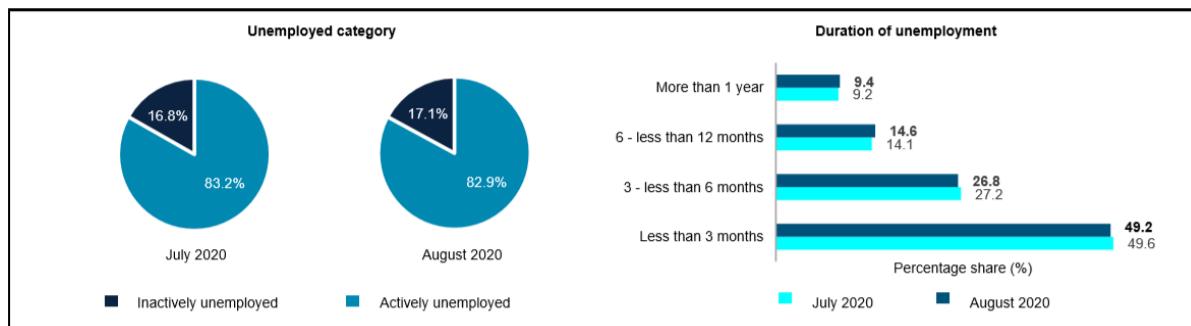
The unemployment rate in August 2020 remained at 4.7 per cent. The number of unemployed persons decreased marginally month-on-month by 3.5 thousand persons to 741.6 thousand persons (July 2020: 745.1 thousand persons). However, the unemployment rate was higher by 1.4 percentage points as against the same month of the previous year (August 2019: 3.3%) with the number of unemployed persons increased by 221.4 thousand persons from 520.2 thousand persons. [Chart 3]

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



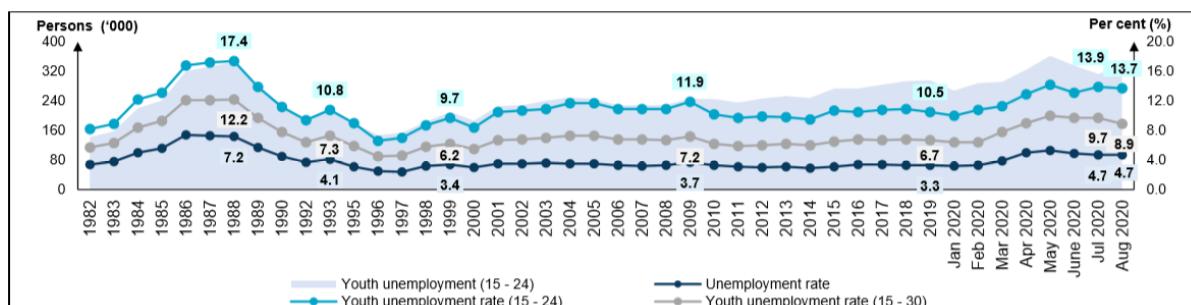
More than 80 per cent of the unemployed persons were actively unemployed. Out of this, 49.2 per cent were unemployed for less than three months as opposed to 49.6 per cent in July 2020. In the meantime, 9.4 per cent or 58.0 thousand persons were in long-term unemployment² for more than a year. As for the inactively unemployed or discouraged group whom believed there were no jobs available during the month increased by 0.3 percentage points to 126.5 thousand persons as compared to 124.9 thousand persons in July 2020. [Chart 4]

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



In terms of age group, the unemployment rate of youth is always higher than the overall and adults. For youth aged 15 to 24 years, the unemployment rate dropped 0.2 percentage points to 13.7 per cent (July 2020: 13.9%) while the unemployment rate for youth aged 15 to 30 years fell 0.8 percentage points to record unemployment rate of 8.9 per cent (July 2020: 9.7%). [Chart 5]

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



LFPR improved 0.3 percentage points to 68.4 per cent

In August 2020, the number of labour force increased by 76.6 thousand persons to record 15.90 million persons as compared to July 2020. During the month, the LFPR improved 0.3 percentage points to 68.4 per cent (July 2020: 68.1%).

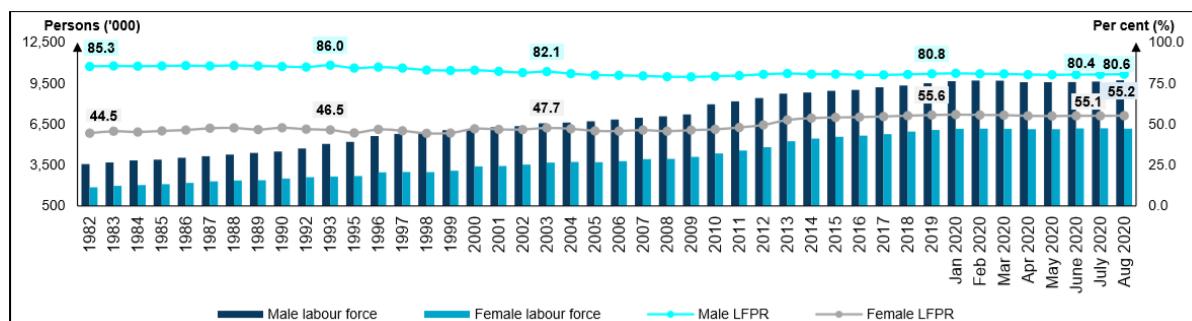
Year-on-year comparison, the number of labour force rose to 189.1 thousand persons (1.2%) from 15.71 million persons in August 2019. Nevertheless, LFPR declined by 0.2 percentage points from the same month of the previous year (August 2019: 68.6%). [Chart 6]

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



Both male and female registered increases in LFPR. In August 2020, male LFPR increased 0.2 percentage points to 80.6 per cent as against July 2020 (80.4%). The number of male labour force increased by 1.0 per cent to record 9.72 million persons. On the other hand, female LFPR rose by 0.1 percentage points to 55.2 per cent (July 2020: 55.1%) with the number of female labour force was 6.18 million persons. Meanwhile, year-on-year, male and female LFPR dropped by 0.3 percentage points and 0.4 percentage points respectively. [Chart 7]

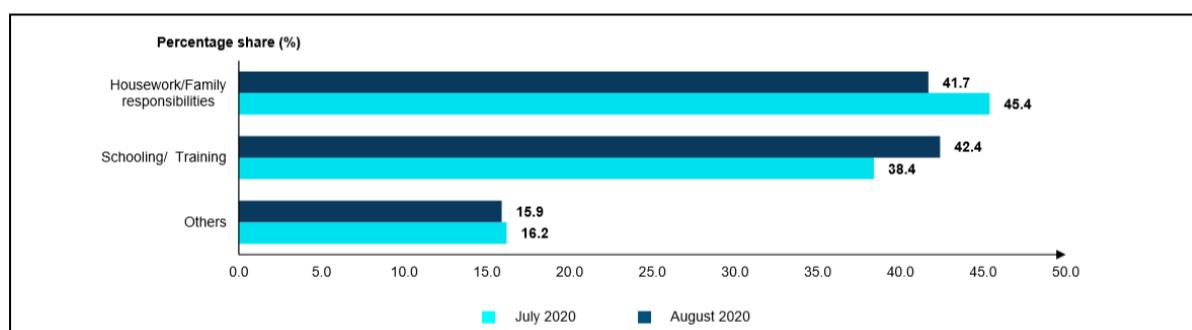
Chart 7: Labour Force and LFPR by sex, 1982 - 2019 and January - August 2020



Schooling contributed the largest share of outside labour force

Outside labour force in August 2020 decreased to 7.35 million persons as compared to 7.40 million in July 2020. Nevertheless, year-on-year, outside labour force increased 2.5 per cent (+179.1 thousand persons). The largest share of outside labour force was due to schooling/ training with 42.4 per cent followed by housework/ family responsibility with a share of 41.7 per cent. [Chart 8]

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



GOVERNMENT'S INITIATIVES

Various initiatives have been formulated by the Government to stabilise the labour market. Among others, a total of RM10.38 billion has been approved under Wage Subsidy Programme which benefited more than 2.62 million employees and involves 320,440 employers as at 28 August 2020. Furthermore, for the second initiative, the Hiring Incentive and Training Assistance Programme involved 24,616 persons including 177 Persons with Disabilities and 2,818 apprentices. In addition, the Skills and Upskilling Programmes which involved several Ministries and agencies has been introduced to provide reskilling and upskilling programmes to participants to ensure that they can meet the needs and demand of the market.

As for the TEKUN Business Recovery Scheme (TBRS) which aim to increase access to financing in recovering SMEs short-term cash flow burden, a total of RM 47.7 million was channelled to 6,908 SMEs.

To support the business community to continue to survive and operate during pandemic COVID-19 situation, the government also has given an electricity bill discount of RM181.7 million to 1.4 million companies from the commercial sector, representing 17 percent of the total electricity discount as at 31 August 2020. In addition, the government through Bank Negara Malaysia provides the Facility of the SMEs Soft Loans Funds to the 22,440 SMEs amounted to RM10.3 billion during this pandemic. Hence, it contributes to the improvement of the labour force situation in August 2020.

LOOKING AHEAD

As the economic sector continues reopening, August 2020 saw the Malaysia's labour force situation improved further. Nevertheless, looking at the current situation where the COVID-19 cases is on the increasing trend, it is foreseen that some challenges will hinder the labour market recovery in the upcoming months and could impact the potential of labour force to enter the labour market.

In these regards, the multiple initiatives by the Government are expected to cushion the impact of unprecedented event and consequently retain the jobs. To support the recovery of the economy, the Government through the Short-Term Economic Recovery Plan (PENJANA) provides several initiatives to ensure the welfare of the people and employees are preserved.

Among the initiatives is the PENJANA GIG which focusing on the social security for GIG workers, the Global Online Workforce Programme (GLOW), which initiate new career opportunities, by supervising the digital freelancers to offer their expertise and services globally through existing digital platforms as well as reskilling, upskilling and cross-skilling programmes. The initiatives and programmes by the Government, will lead the Malaysian labour market to remain stable and regain its momentum.

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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