



KEY STATISTICS OF LABOUR FORCE IN MALAYSIA, DECEMBER 2020

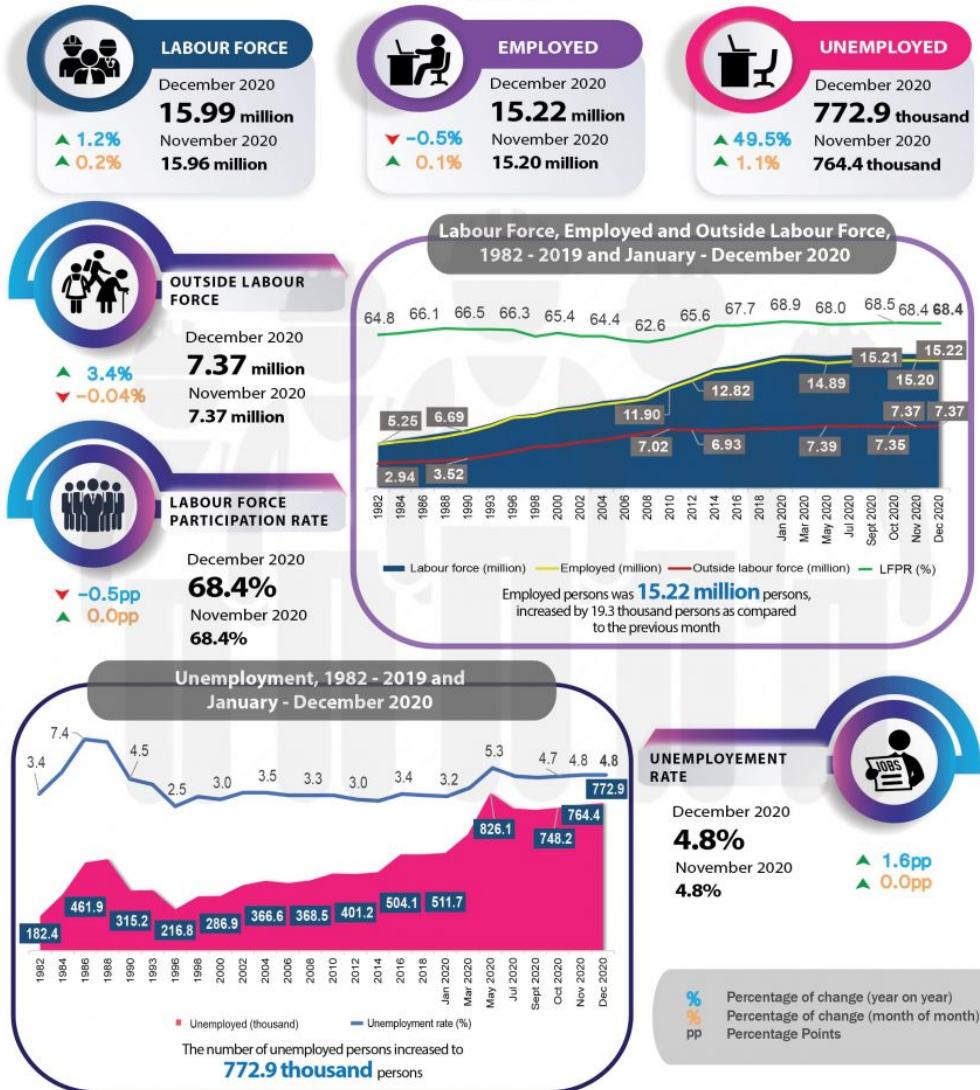


DEPARTMENT OF STATISTICS MALAYSIA



LABOUR FORCE MALAYSIA DECEMBER 2020

Unemployment increased to **772.9 thousand** persons with a rate of **4.8 per cent** in December 2020



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 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 December 2020, employed persons edged up month-on-month by 0.1 per cent or equivalent to 19.3 thousand persons to record 15.22 million persons after registering a decrease in the previous month. The employment-to-population ratio which indicates the ability of an economy to create employment remained at 65.1 per cent.
- By economic sector, employed persons in Services continued its increasing trend largely in Wholesale & retail trade; Human health & social work; Communication & information; and Education activities. Employment in Manufacturing sectors continued to record a positive growth in December 2020, whereas the Agriculture and Mining & Quarrying sectors were still in the negative trend for the fifth month. Similarly, the Construction sector also posted a decrease month-on-month.
- The employee's category was the largest which comprised 77.6 per cent of the overall employment. This category augmented by 0.2 per cent (+23.5 thousand persons) to 11.81 million persons as

against the previous month. Meanwhile, own-account workers which comprised of 15.8 per cent, continued to decrease for the third month by 0.6 per cent to 2.40 million persons in December 2020.

- In December 2020, the unemployment rate stood at 4.8 per cent as compared to the previous month. Whereas, the number of unemployed persons add up month-on-month by 1.1 per cent or 8.5 thousand persons to 772.9 thousand persons (November 2020: 764.4 thousand persons).
- Month-on-month, the number of labour force increased by 27.8 thousand persons to 15.99 million persons (November 2020: 15.96 million persons). The labour force participation rate (LFPR) for December 2020 remained at 68.4 per cent.
- The number of outside labour force registered a decrease of 2.6 thousand persons to 7.37 million persons as compared to November 2020. Among the main reason for not seeking jobs during the month was due to schooling/ training which comprised of 43.8 per cent or 3.23 million persons. This was followed by housework/ family responsibility with a share of 42.3 per cent or 3.12 million persons.
- Towards the end of 2020, Malaysia has passed the 100,000 mark of the recorded COVID-19 cases on the 24 December 2020. The number of new cases of COVID-19 in Malaysia continued to register a spike which exceeding an average of 3,200 cases daily in January 2021. However, to balance the economic momentum and healthcare system, most of businesses activity are allowed to operate to operate as usual with the compliance to a strict standard operating procedure. Certain activities were remained restricted to operate such as social gathering, cinemas and entertainment & recreational activities. However, as the COVID-19 pandemic continues to spread across the world coupled with the spike of new daily cases in Malaysia, it is foreseen that Malaysia's labour market will remain in a challenging situation in early of 2021, but with various assistance and initiative introduced by the government, it is hope it will cushion the impact of the pandemic to the labour market.

THE LABOUR FORCE REMAINED COMPETITIVE IN DECEMBER 2020

In 2020, the world was hit by the COVID-19 pandemic, causing a global economic slump. Malaysia is no exception to this: in particular, the country's economic growth experienced a double-digit fall in the second quarter of 2020 and subsequently recorded a smaller decline in the third quarter of 2020. Similarly, the unemployment rate in Malaysia spike to 5.1 per cent in the second quarter with the highest rate of 5.3 per cent registered in May 2020.

Since the beginning of the pandemic, various phases of the Movement Control Order (MCO) have been implemented in the country to reduce the rapid spread of COVID-19 starting from 18 March 2020. One of the restrictions imposed by the government was the closure of non-essential services which comprised the major part of economic sectors including education related activities. For the first three months, as businesses were no longer able to operate as usual, the labour force was impacted following limited working hours, job rotation, as well as reduction in income. With a lower number of new cases recorded daily and the pandemic situation was in controlled, economic activities were started to resume in line with the implementation of Conditional Movement Control Order (CMCO) which started on 4 May 2020. Strict standard operation procedure continued to impose to businesses while inter-state and inter-district travel were remained prohibited. Thus, during the month, labour force participation rate declines further to 68.0 per cent with a higher number of unemployed while employment decreased.

Subsequently, beginning on 9 June 2020, Recovery Movement Control Order (RMCO) took place in the country until 31 August 2020. Under the RMCO phase, the interstate travel was allowed and a range of businesses and activities were permitted to restart their operations including spas, cinemas, child care

centres and social gathering. During this phase, schools were also allowed to reopen in stages and fully resumed in July which has resulted a positive impact on related activities such as school bus services, canteens and tuition centres. In addition, more travelling activities within the country after tourism activities came to a halt in the previous stage of the MCO. There was more demand in Accommodation & food services and Entertainment & recreational services which encourage businesses to resume their operation and consequently employees had got back to work and this has contributed to an increase of job opportunities. Hence, the labour market has become more stabilise and has regained its recovery momentum with higher labour force participation and lower unemployment rate in July and August.

However, in September 2020, the number of new cases started to rise again mainly in Sabah and Kedah, which caused the implementation of the Administrative Enhanced MCO (AEMCO) to curtail the spread of the pandemic. Moreover, the whole states had experienced the third wave of COVID-19 pandemic in early October and prolonged until November 2020. On 14 October 2020, the implementation of CMCO took place in Wilayah Persekutuan Kuala Lumpur, Putrajaya and Selangor and had expanded to all states except Perlis, Pahang and Kelantan. During the CMCO, inter-state travels were not allowed again, while economic activities continued to operate with adherence to strict standard operating procedure. Thus, this has caused a small decrease in employment during November 2020, while unemployment rate recorded a marginal increase contributed by among others job losses and cancellation or freezing of new hires.

During the last month of 2020, the CMCO was lifted for almost all states except for Wilayah Persekutuan Kuala Lumpur, Selangor and Sabah with interstate travels were allowed starting 7 December. Although the number of COVID-19 new cases exceeded an average of 1,500 cases per day, the economic activities continued to operate with adherence to strict standard operating procedure.

In normal years, year-end period was filled with a lot of exciting activities primarily travelling, long holidays and vacation, wedding ceremony as well as shopping carnival. Unlikely in 2020, the rise of new COVID-19 cases caused all these activities were banned. However, this situation does not stop people from travelling after the restriction of inter-state and inter-district travel was lifted-up. Thus, in December 2020 saw tourism related activities arise starting on second week of the month but limited to domestic. In terms of duration of holiday taken also was limited since the school break was started on 18 December 2020. In addition, flood disaster which hit several states namely Terengganu, Johor, Pahang Sabah and Sarawak also slightly affect the businesses and travelling activities.

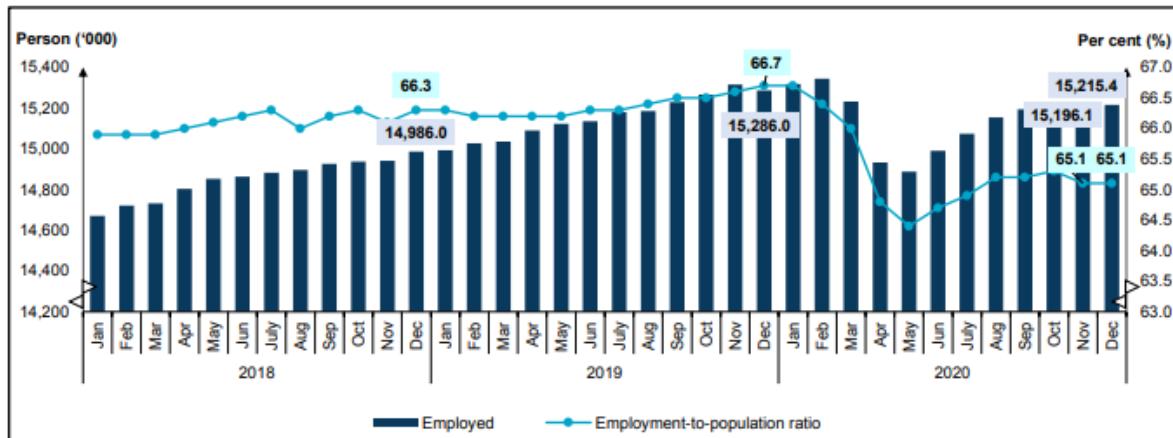
On the other hand, the performance of Manufacturing sector during the month which indicates by the Industrial Production Index (IPI) showed a positive growth of 3.3 per cent while IPI for Mining & Quarrying rose 10.8 per cent month-on-month. Overall IPI increased 4.7 per cent to 119.5 points in December 2020. Furthermore, both import and export values rebounded to a positive double-digit growth month-on-month with 13.1 per cent and 11.0 per cent respectively.

The labour market condition in December 2020 was still influenced by the health crisis and economic consequences has caused slower recovery momentum in the labour market. Thus, during the month, the labour force remained competitive with an increase in the number of employed and unemployed persons. The Labour Force Report for December 2020 describes the labour supply situation. 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.

Employed person edged up by 0.1 per cent to 15.22 million persons

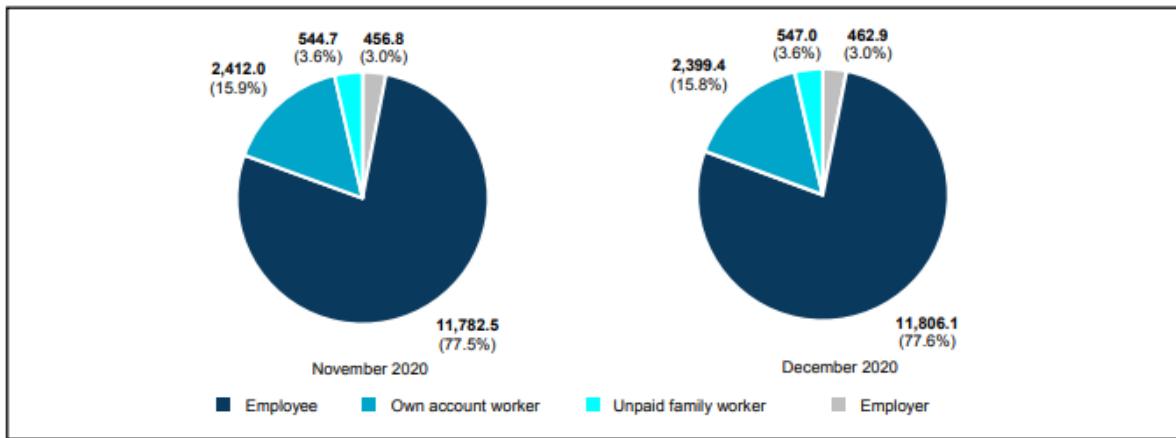
During the month, the employment-to-population ratio which indicates the ability of an economy to create employment remained at 65.1 per cent. However, year-on-year, the ratio slumped by 1.6 percentage points from 66.7 per cent (December 2019). [Chart 1]

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



This group comprised mostly of daily wage earners working at farmers' markets, night markets and stalls; freelancers; as well as smallholders. During the CMCO phase, they were among the most vulnerable group which were severely affected due to lower demand of goods and services as well as limited business operation hours and strict standard operating procedures. [Chart 2]

Chart 2: Employed person by status in employment, October and December 2020



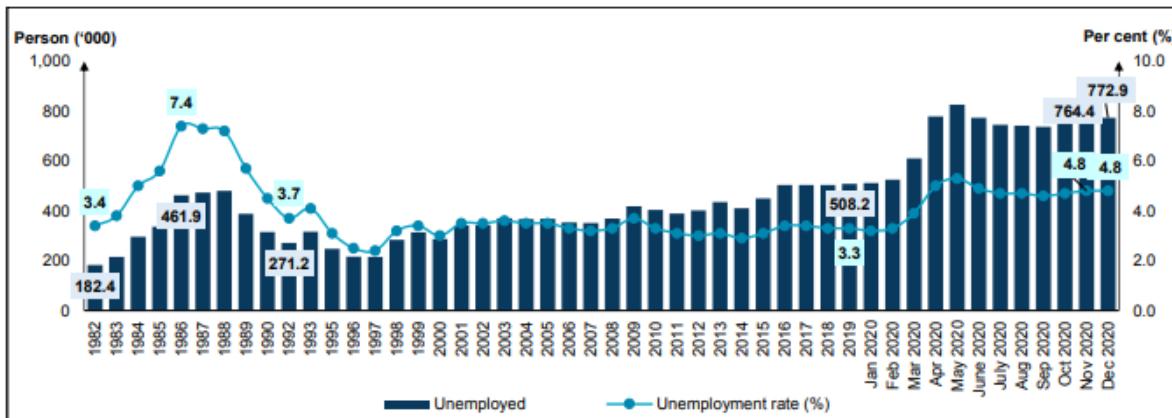
However, comparing with the same month of 2019, this number was much lower, down by 69.7 per cent as compared to 408.6 thousand persons. Higher number recorded in December 2019 was due to longer school holiday and working leave taken. This group of persons, who were most likely not able to work was not categorised as unemployed as they had work to return to.

Unemployment rate stood at 4.8 per cent

In December 2020, the unemployment rate stood at 4.8 per cent as compared to the previous month. Whereas, the number of unemployed persons add up month-on-month by 1.1 per cent or 8.5 thousand persons to 772.9 thousand persons (November 2020: 764.4 thousand persons). Nevertheless, year-on-year

comparison recorded the number of unemployed persons higher by 255.9 thousand persons as against 517.0 thousand persons (December 2019). In terms of the unemployment rate, it went up by 1.5 percentage points from 3.3 per cent. [Chart 3]

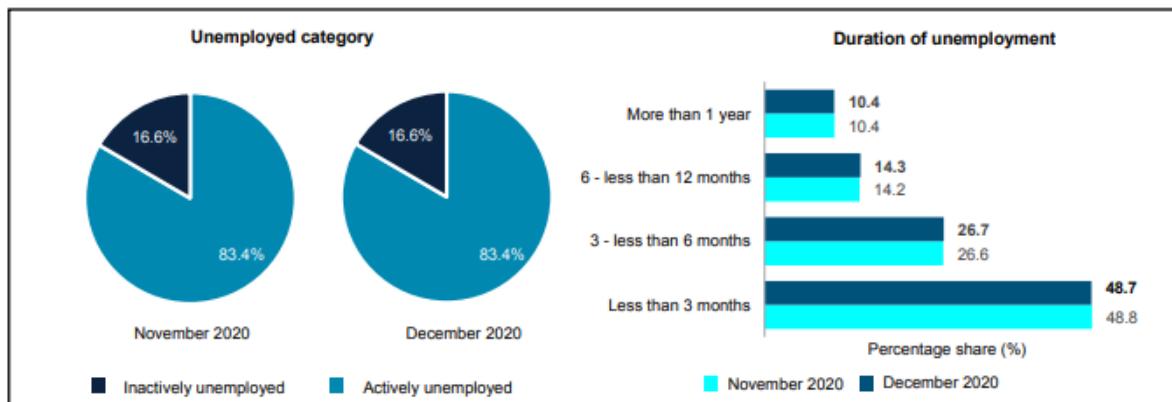
Chart 3: Unemployed persons and unemployment rate, 1982 - 2019 and January - December 2020



During the month, 83.4 per cent was the actively unemployed persons which was defined as persons who were available for work and were actively looking for work. The numbers were edged up by 1.1 per cent to 644.7 thousand persons (November 2020: 637.7 thousand persons). The unemployed for less than three months was the largest group which accounted for 48.7 per cent. Meanwhile, 10.4 per cent or 66.8 thousand persons were in long-term unemployment¹ of more than a year. [Chart 4]

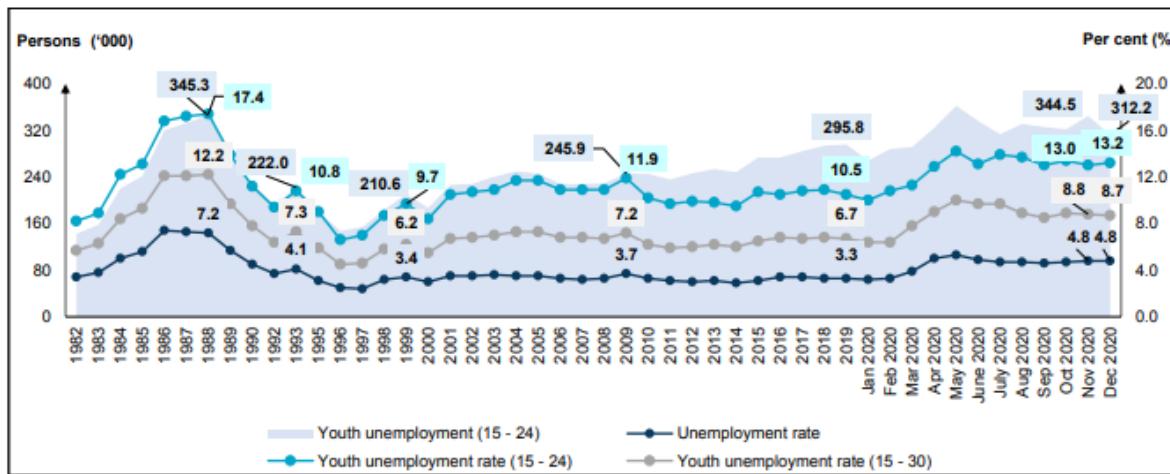
In December 2020, a total of 128.2 thousand persons were registered as the inactively unemployed or discouraged group whom believed there were no jobs available, rose by 1.2 per cent as compared to 126.7 thousand persons in November 2020.

Chart 4: Unemployed category and duration of unemployment, October and December 2020



Throughout the month, the unemployment rate of youth for aged 15 to 24 years registered an increase of 0.2 percentage points to 13.2 per cent as against November 2020. The number of unemployed youths for age 15-24 decreased by 32.3 thousand persons to 312.2 thousand persons as against the previous month (November 2020: 344.5 thousand persons). Nonetheless, the unemployment rate for youth aged 15 to 30 years was 8.7 per cent, declined by 0.1 percentage point (November 2020: 8.8%). [Chart 5]

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

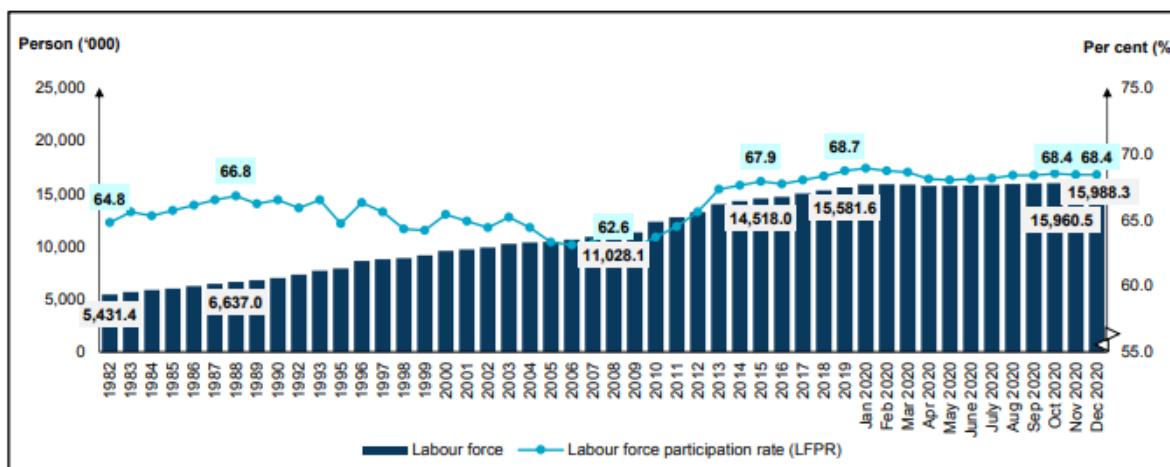


LFPR remained at 68.4 per cent in December 2020

Labour force comprises of employed and unemployed persons. Month-on-month, the number of labour force increased by 27.8 thousand persons to 15.99 million persons (November 2020: 15.96 million persons). Similarly, comparing with the same month of the preceding year, the number of labour force rose by 183.3 thousand persons (December 2019: 15.80 million persons).

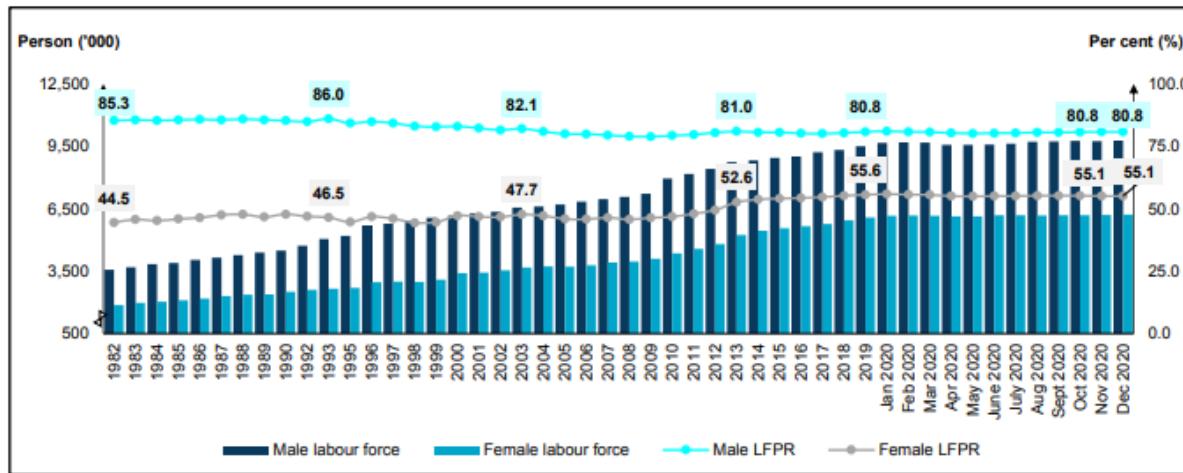
The labour force participation rate (LFPR) for December 2020 remained at 68.4 per cent. Nevertheless, year-on-year comparison, the LFPR declined by 0.5 percentage points (December 2019: 68.9%). [Chart 6]

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



In December, both male and female LFPR were unchanged which were 80.8 per cent and 55.1 per cent respectively. The number of male labour force registered a positive growth with an increase of 24.4 thousand persons to 9.78 million persons (November 2020: 9.75 million persons). In the meantime, female labour force was 6.21 million persons with an additional of 3.3 thousand persons as against November 2020. Year-on-year comparison, both male and female LFPR slumped by 0.2 and 0.8 percentage points respectively. [Chart 7]

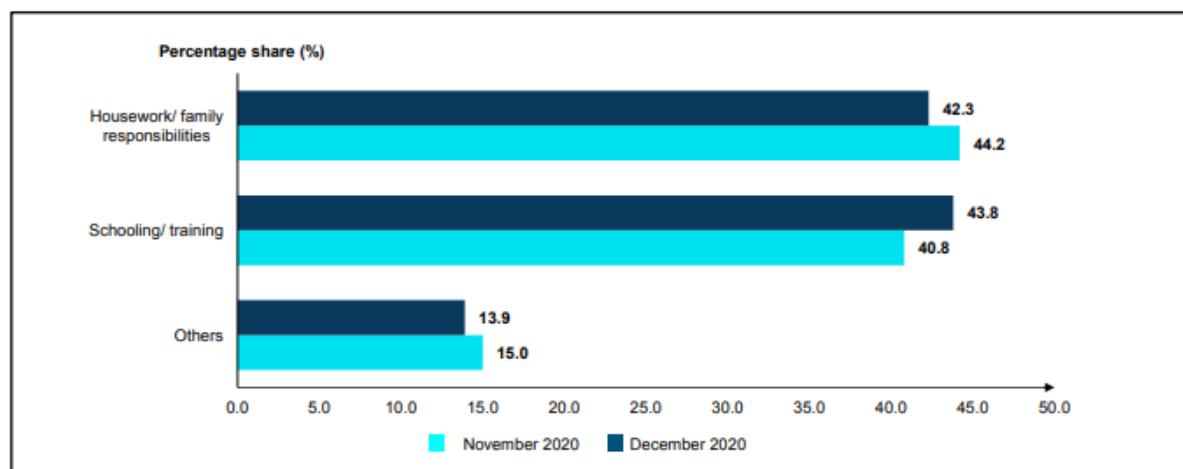
Chart 7: Labour Force and LFPR by sex, 1982 - 2019 and January - December 2020



The largest composition of outside labour force was due to schooling/ training

The number of outside labour force registered a decrease of 2.6 thousand persons to 7.37 million persons as compared to November 2020. However, outside labour force went up by 3.4 per cent year-on-year (+242.4 thousand persons). Among the main reason for not seeking jobs during the month was due to schooling/ training which comprised of 43.8 per cent or 3.23 million persons. This was followed by housework/ family responsibility with a share of 42.3 per cent or 3.12 million persons. [Chart 8]

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



GOVERNMENT'S INITIATIVES

As an effort to stabilise further the labour market in Malaysia during this pandemic of COVID-19, the government has launched few initiatives under the PENJANA (National Economic Recovery Plan) and PRIHATIN for year 2021. From the Wage Subsidy Programme (PSU) 1.0, a total of RM12.70 billion of wage subsidies have been granted to benefit over 2.64 million employees from 322,177 employers as of 15 January 2021. As for the Wage Subsidy Programme (PSU) 2.0, a total of RM590.35 million had been distributed to 57,146 employers for 475,510 employees to support their operation as well as maintaining the employment. Additionally, through the Hiring Incentive Programme and Training Assistance, it was reported that there were 129,004 employees had secured employment through this programme which also includes 7,325 apprentices and 1,304 Persons With Disabilities (PWD). Besides, a total of 134,179 individuals had participated in the Reskilling and Upskilling Programme.

Under the PENJANA SME Financing, a total of RM1.18 million was disbursed to 6,139 SMEs to boost the SMEs' businesses. Moreover, a total of 271 applications for the PENJANA Tourism Financing had been approved with a total financing of RM54.9 million. Furthermore, through the PENJANA Credit Micro Financing under Bank Simpanan Nasional (BSN), 9,652 Micro SMEs has been benefited with a total of RM328.1 million funding including retail and services sectors. Subsequently, the Bumiputera Relief Financing (BRF) to assist Bumiputera SMEs that were affected by COVID-19 had benefited 437 SMEs with a total value of RM118.8 million. In addition, to support the Agriculture and Food Industry for farmers, ranchers and fishermen, a total of RM74.5 million had been distributed to 7,012 Agricultural Micro SMEs under the Agrobank Micro Credit Financing. Moreover, to assist the SMEs and Mid-Tier Companies (MTCs), government has channelled a total of RM23.4 million in the form of grants and loans to 5,941 companies under the Technical and Digital Utilisation Support initiative for the subscription of digitalisation services.

The government has adopted a vast range of emergency measures which aimed to support the economy and labour market recovery as well as focusing on the vulnerable group which were severely affected during the health crisis. Therefore, it is hope that it will restore the labour market momentum.

LOOKING AHEAD

The COVID-19 pandemic that plaguing the country and the world invites an uncertainty and also threatens the economic stability. In Malaysia, it has directly impacted almost all domestic businesses largely in tourism related industry; Arts, entertainment & recreational activities as well as the Agriculture and Construction sectors. This situation has resulted many job losses as well as cancellation and freezing of new hires by employers. Small-scale businesses stagnated, some workers have lost their income while some are facing a reduction in their incomes. Slower labour demand and the increase in job losses has led the country's unemployment rate rising above 4.0 per cent since April 2020.

Towards the end of 2020, Malaysia has passed the 100,000 mark of the recorded COVID-19 cases on the 24 December 2020. The number of new cases of COVID-19 in Malaysia continued to register a spike which exceeding an average of 3,200 cases daily in January 2021. However, to balance the economic momentum and healthcare system, most of businesses activity are allowed to operate as usual with the compliance to a strict standard operating procedure. Certain activities were remained restricted to operate such as social gathering, cinemas and entertainment & recreational activities.

Hence, in tandem with the current initiatives under PENJANA and PRIHATIN, the Perlindungan Ekonomi Dan Rakyat Malaysia or PERMAI Assistance Package was initiated among others to support the survival of businesses. Under this objective, ten initiatives were introduced to help reducing the burden incurred by the businesses especially in managing cash flow, utility expenditure and premises rentals such as Wage Subsidy Programme 3.0; PRIHATIN Special Grants Plus; One-off Financial Assistance for e-hailing, taxi and bus drivers; Accelerating the Implementation of Microcredit Schemes; and Supporting and Boosting Online Businesses.

In addition, under the PERMAI Assistant Package, there will be an additional of 3,500 healthcare professionals will be recruited by the government at the end of January 2021 that consist of assistant medical officers, paramedics, laboratory technicians and nurses to support the immunisation programme. Thus, with all these supportive assistance and initiative formulated by the government, it is foreseen that the labour market will remain resilient in the upcoming months. However, as the COVID-19 pandemic continues to spread across the world coupled with the spike of new daily cases in Malaysia, it is foreseen that Malaysia's labour market will remain in a challenging situation in early of 2021 but with various

assistance and initiative introduced by the government, it is hope it will cushion the impact of the pandemic to the 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.

The full publication of the Labour Force Report, December 2020 can be downloaded through eStatistik Portal. [Free Download](#)

For more details, please refer to the Department's portal: www.dosm.gov.my

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