



## KEY STATISTICS OF LABOUR FORCE IN MALAYSIA, JANUARY 2021

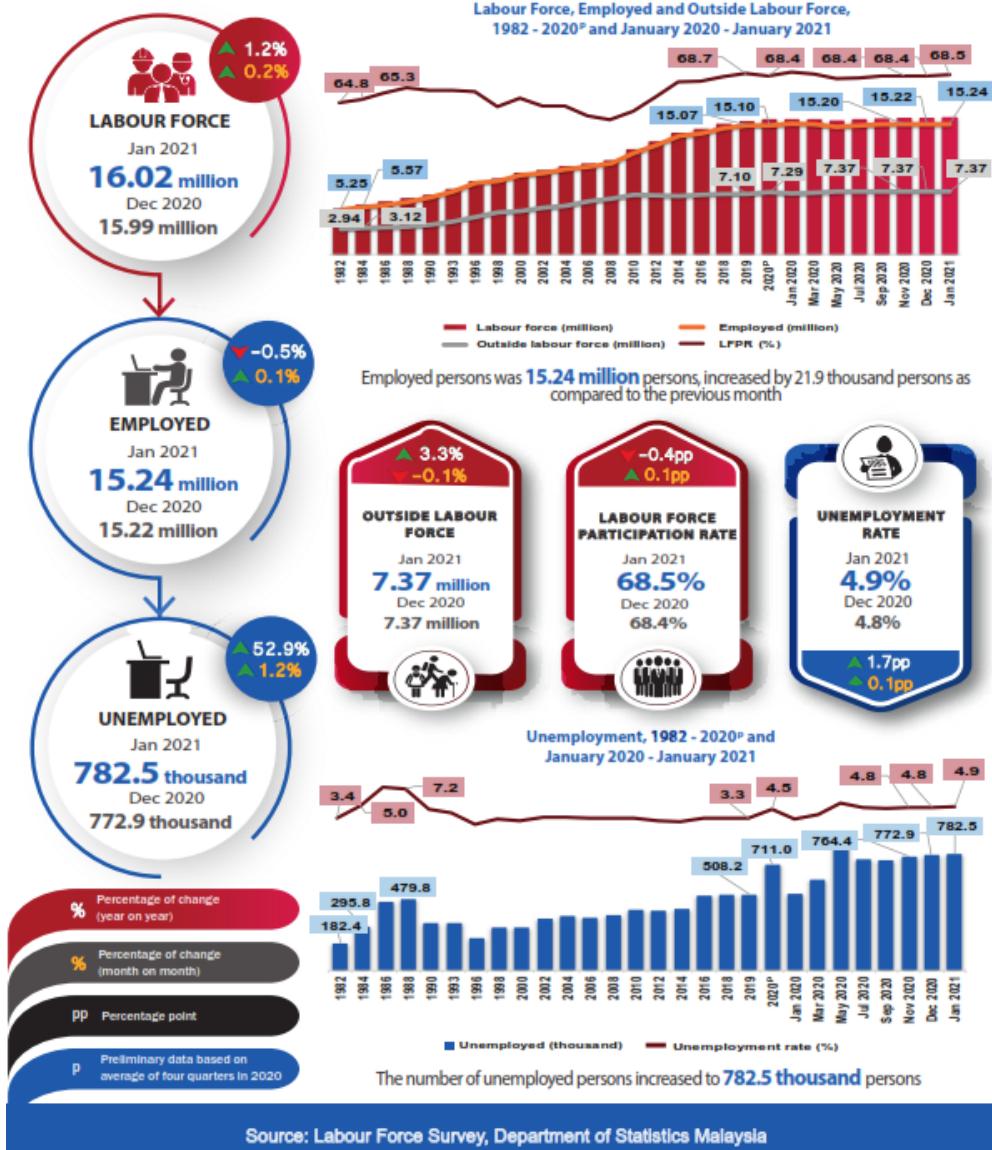


DEPARTMENT OF STATISTICS MALAYSIA



### LABOUR FORCE MALAYSIA JANUARY 2021

Modest recovery in labour force situation with slight increase in unemployment rate at **4.9 per cent** in January 2021





## 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, Computer Assisted Telephone Interview (CATI) and telephone 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

- Employed persons continued to increase marginally by 0.1 per cent or 21.9 thousand persons to 15.24 million persons in January 2021. The employment-to-population ratio which indicates the ability of an economy to create employment rose by 0.1 percentage point to 65.2 per cent.
- By economic sector, the number of employed persons in Services sector persistently increased month-on-month particularly in Wholesale & retail trade; Human health & social work and Education activities. The employment in Manufacturing sector remained its positive growth for the third month, while the Construction sector also registered an increase. However, the Agriculture and Mining & Quarrying sectors were constantly recording decline in employment since the past seventh month.
- The largest composition of employment was the employee's category which encompassed 77.7 per cent. On month-on-month comparison, this category enlarged by 0.3 per cent (+40.8 thousand persons) to 11.85 million persons (December 2020: 11.81 million persons). In the meantime, own-

account workers comprising of 15.7 per cent continued to decrease for four consecutive months to 2.39 million persons in January 2021 (December 2020: 2.40 million persons).

- The unemployment rate rose by 0.1 percentage point to 4.9 per cent in January 2021 as against the previous month recording the number of unemployed persons augmented by 1.3 per cent or an additional of 9.7 thousand persons to 782.5 thousand persons (December 2020: 772.9 thousand persons).
- The number of labour force higher by 0.2 per cent month-on-month with an additional of 31.5 thousand persons to record 16.02 million persons (December 2020: 15.99 million persons). There was a slight increase of 0.1 percentage point in labour force participation rate (LFPR) to 68.5 per cent in January 2021.
- In January 2021, outside labour force continued to decline for the second month, with a decrease of 6.0 thousand persons to 7.37 million persons as compared to December 2020. Schooling/ training was the largest share of outside labour force with 42.6 per cent or 3.13 million persons and followed by housework/ family responsibility comprising of 41.4 per cent or 3.05 million persons.
- Looking at the health crisis situation in early of 2021, the labour market is expected to face a little bumpy road in the first quarter. Nevertheless, as the first phase of vaccination programme was started from 24 February 2021 to April 2021 for the front liners, followed by second phase to the PWDs and senior citizen from April to August 2021, the effort seemed to give some positive insight of the health crisis situation in Malaysia. Furthermore, with the various initiatives under PENJANA, PRIHATIN and PERMAI Assistance Package, may support the survival of businesses and enhance the labour force situation. With these efforts, the uncertainties in the labour market will possibly be alleviating and subsequently the recovery momentum of labour market may be accelerated.

## **MODEST RECOVERY IN LABOUR FORCE SITUATION DURING JANUARY 2021**

The labour market worldwide was disrupted in 2020 as the unprecedented event led to the workplace closure and losses in working hours. Based on the new annual estimates by International Labour Organization (ILO, 2021), global working hours in 2020 reduced by 8.8 per cent as compared to the fourth quarter of 2019, equivalent to 255 million of full-time jobs. The working hours losses can be associated to a higher number of employment's lost and reduction in working hours during the year. It was recorded that there were 114 million job losses in 2020 relative to 2019. The largest group of those who lost their jobs has shifted to inactivity with 81 million persons rather than unemployment which was escalated by 33 million persons. This has caused global labour force participation rate for 2020 dropped by 2.2 percentage points.

Entering 2021, the labour market remained in a challenging situation following the rising number of COVID-19 new cases. As a consequence, the Movement Control Order (MCO) was imposed beginning from 13 January 2021 in most states namely Johor, Melaka, Pulau Pinang, Selangor, Sabah and the Federal Territories. During this phase, only five essential economic sectors were allowed to operate, whereas interstate and inter-district travel activities were restricted. Additionally, operation hours for businesses were limited comprising of restaurants, food stalls and food deliveries with a restriction of in-person dining services. Non-essential business outlets were temporarily closed including night markets and bazaars, betting, spas and reflexology, salon, barber, self-service laundry, tailoring, clothes, optical and spectacles outlet as well as arts, entertainment and recreational activities2. In response to a surge number of COVID-19 cases daily, the MCO 2.0 was extended in most states until 04 February 2021. Indirectly, this situation has led to an uneven recovery momentum of the businesses and consequently the labour market. In addition, the flood disaster in the country which has prolonged since December 2020 in certain

states including Johor, Kelantan and Pahang also had impacted several business activities.

Thus, the labour force condition recovered modestly in January 2021, as reflected by the increase in the number of labour force during the month. The rise in employed persons was much higher than those who were unemployed; hence signalling some improvement in the labour demand by businesses. The recovery momentum in labour supply was affected by the containment measure of the health crisis imposed during the month.

Observing the economic performance during the month, both exports and imports posted a decline of 6.4 and 2.7 per cent respectively after registering a double-digit growth in the previous month. In addition, the Consumer Price Index and Producer Price Index continued to record a positive growth month-on-month.

The Labour Force Report for January 2021 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 are also reported.

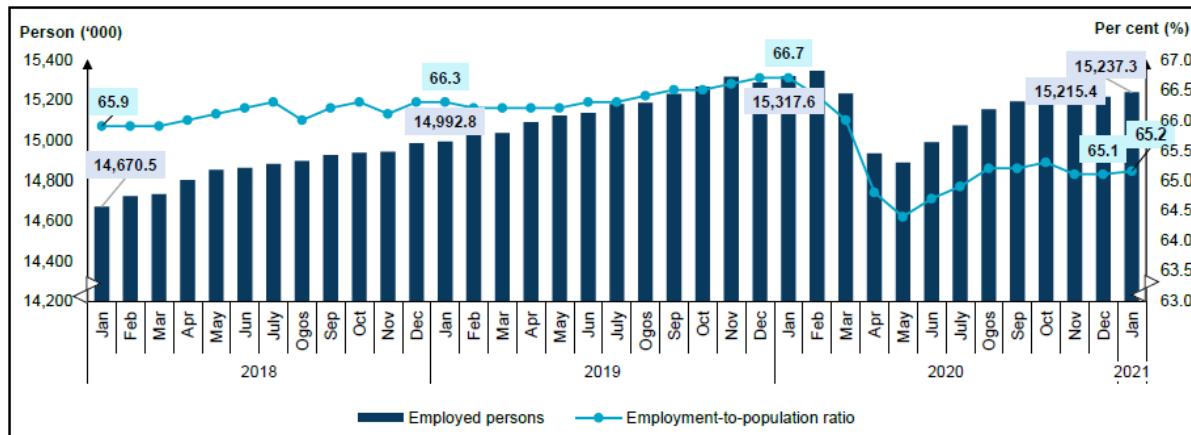
### **Employed persons continued to increase marginally by 0.1 per cent**

Employed persons continued to increase marginally by 0.1 per cent or 21.9 thousand persons to 15.24 million persons in January 2021. In the meantime, the number of employed persons remained in a declining trend year-on-year by recording negative 0.5 per cent or equivalent to 80.3 thousand persons (January 2020: 15.32 million persons).

By economic sector, the number of employed persons in Services sector persistently increased month-on-month particularly in Wholesale & retail trade; Human health & social work and Education activities. Meanwhile, the employment in tourism related industry continued to decrease which portraying that these industries were continuously impacted by the outbreak. The employment in Manufacturing sector remained its positive growth for the third month, while the Construction sector also registered an increase. However, the Agriculture and Mining & Quarrying sectors were constantly recording decline in employment since the past seventh month.

In January 2021, the employment-to-population ratio which indicates the ability of an economy to create employment rose by 0.1 percentage point to 65.2 per cent. Nevertheless, on year-on-year basis, the ratio fell by 1.5 percentage points from 66.7 per cent (January 2020). [Chart 1]

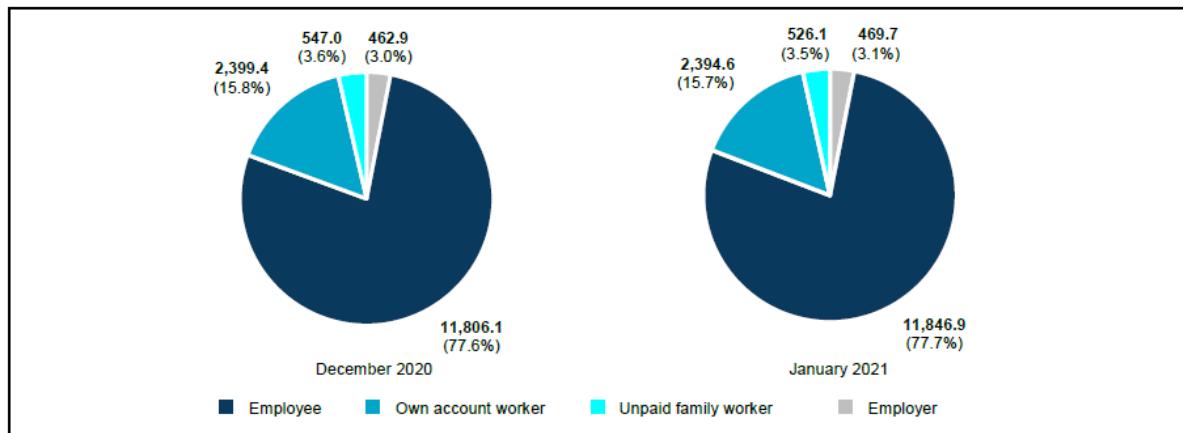
Chart 1: Employed persons and employment-to-population ratio, January 2018 – January 2021



The largest composition of employment was the employee's category which encompassed 77.7 per cent. On month-on-month comparison, this category enlarged by 0.3 per cent (+40.8 thousand persons) to 11.85 million persons (December 2020: 11.81 million persons). In the meantime, own-account workers comprising of 15.7 per cent continued to decrease for four consecutive months to 2.39 million persons in January 2021 (December 2020: 2.40 million persons).

This group comprised mostly of daily income earners working as small business operator such as small retailers; hawkers; sellers in markets and stalls as well as smallholders. During the MCO phase, they were among the most exposed group which were severely affected during the outbreak following limited business hours as well as the requirement to comply with a strict standard operating procedure. [Chart 2]

Chart 2: Employed person by status in employment, December 2020 and January 2021



The number of employed persons who were temporarily not working continued to increase in January 2021 to 158.9 thousand persons as compared to the previous month (December 2020: 146.2 thousand persons) in line with the implementation of MCO 2.0 during the month. During the MCO 2.0, only essential economic sectors were allowed to operate which includes manufacturing, construction, services, distributive trade, as well as plantations and commodities. Meanwhile, 30 per cent of the employees in the management group are allowed to be in the office whereas support group employees were subject to the necessities.

On year-on-year basis, the number of employed persons who were temporarily not working was higher by 81.2 per cent as compared to 78.1 thousand persons during the pre-crisis period. This group of persons, who were most likely not able to work was not categorised as unemployed as they had work to return to.

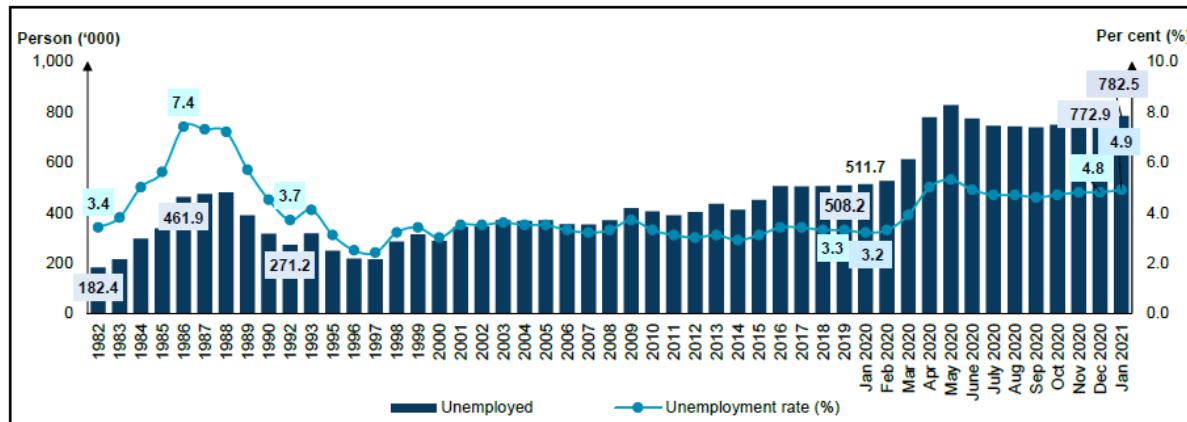
### Unemployment rate rose by 0.1 percentage point to 4.9 per cent

The unemployment rate rose by 0.1 percentage point to 4.9 per cent in January 2021 as against the

previous month recording the number of unemployed persons augmented by 1.3 per cent or an additional of 9.7 thousand persons to 782.5 thousand persons (December 2020: 772.9 thousand persons). The continuous increase in the number of unemployed persons was partly due to review of businesses strategies in tourism-related industries which consist of accommodation and food services, passenger transportation, entertainment and recreational activities.

Year-on-year, the number of unemployed persons increased by 270.9 thousand persons as compared to 511.7 thousand persons recorded in January 2020. Likewise, the unemployment rate heightened by 1.7 percentage points from 3.2 per cent. [Chart 3]

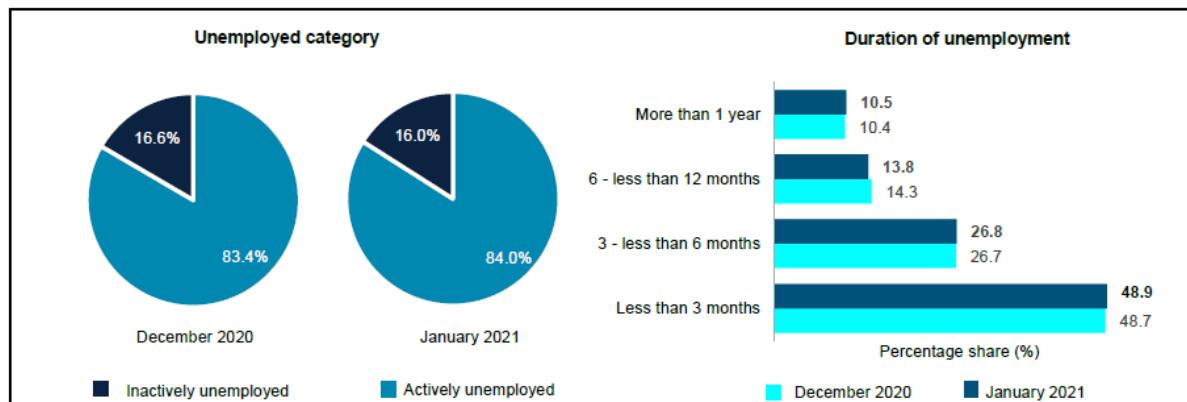
Chart 3: Unemployed persons and unemployment rate, 1982 - 2019 and January 2020 - January 2021



The actively unemployed persons which was defined as persons who were available for work and were actively looking for work comprised of 84.0 per cent of the unemployed persons during the month. This group registered an increase of 1.9 per cent to record 657.2 thousand persons (December 2020: 644.7 thousand persons). Among the actively unemployed persons, the largest group was those who were unemployed for less than three months with a share of 48.9 per cent. On the other hand, persons who were in long-term unemployment3 of more than a year recorded 10.5 per cent or 69.3 thousand persons during the month. [Chart 4]

Moreover, the inactively unemployed or discouraged group whom believed that there were no jobs available recorded a decline of 2.2 per cent to 125.3 thousand persons in January 2021 as against 128.2 thousand persons in December 2020.

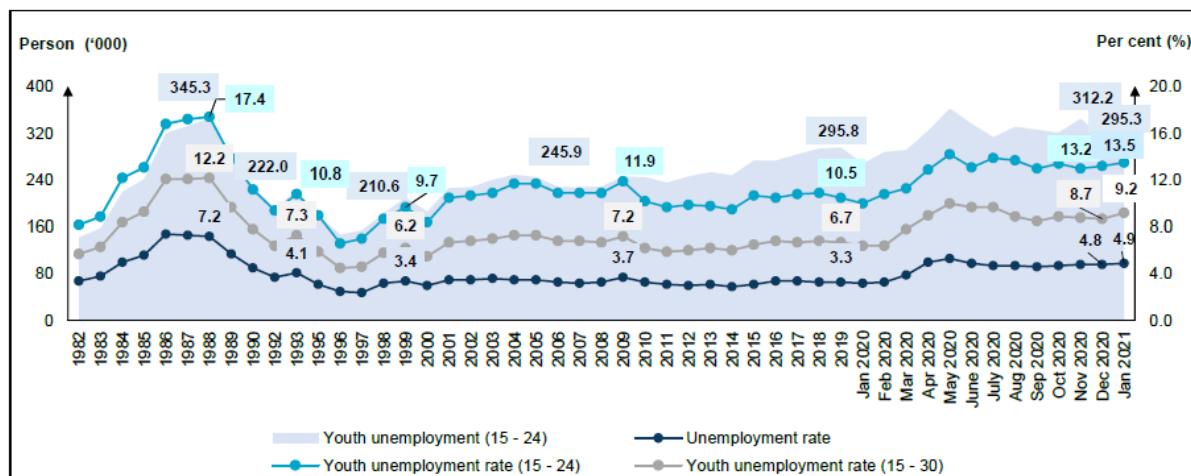
Chart 4: Unemployed category and duration of unemployment, December 2020 and January 2021



In January 2021, the youth unemployment rate for aged 15 to 24 years continued to increase by 0.3 percentage points to 13.5 per cent month-on-month. Whereas, the number of unemployed youths for age 15-24 reduced by 17.0 thousand persons to 295.3 thousand persons as compared to the previous month (December 2020: 312.2 thousand persons). Similarly, the youth unemployment rate for aged 15 to 30

years went up by 0.5 percentage points to 9.2 per cent (December 2020: 8.7%). [Chart 5]

Chart 5: Unemployment rate by selected age groups, 1982 - 2019 and January 2020 - January 2021

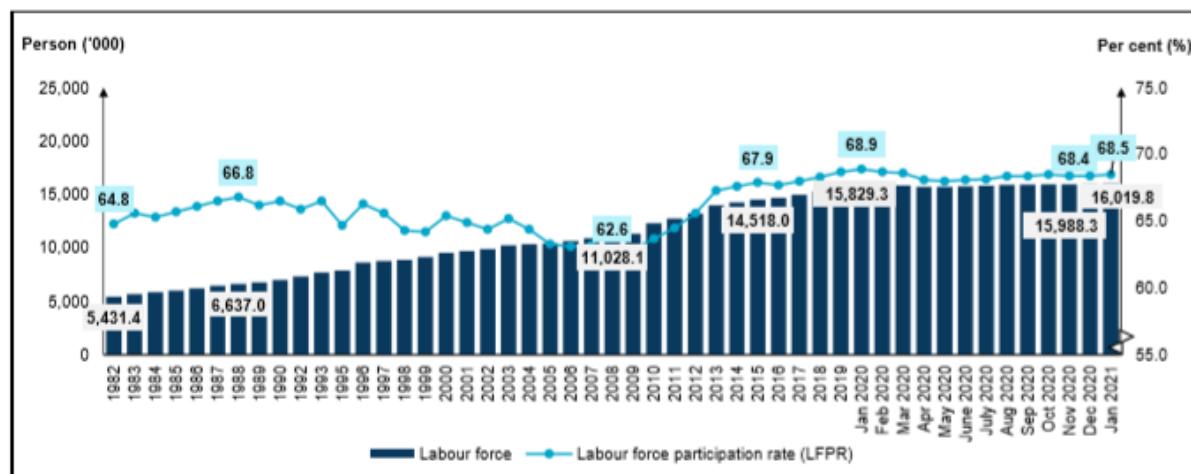


### LFPR increased slightly to 68.5 per cent

The number of labour force was higher by 0.2 per cent month-on-month with an additional of 31.5 thousand persons to record 16.02 million persons (December 2020: 15.99 million persons). A similar trend was observed year-on-year with the number of labour force ascended by 190.5 thousand persons (January 2020: 15.83 million persons).

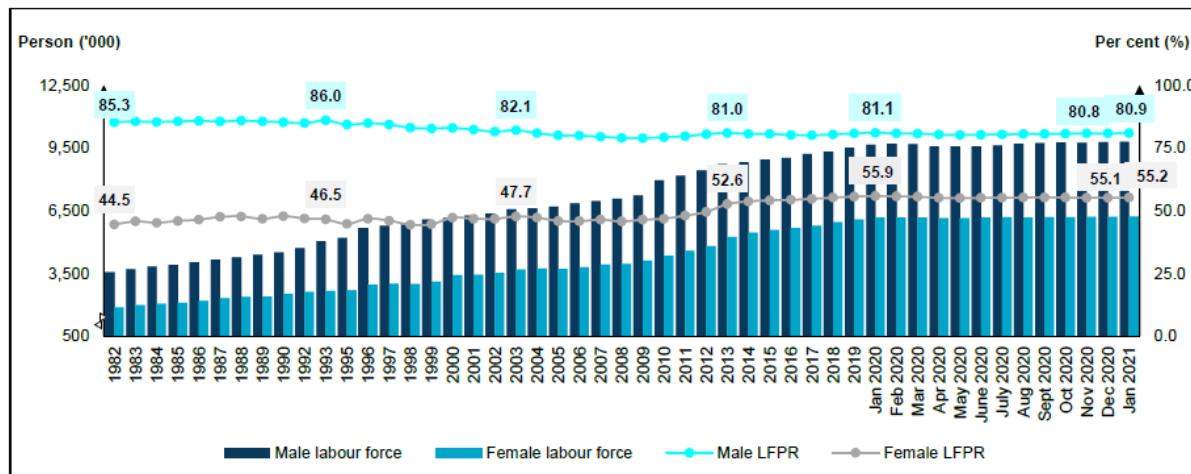
Thus, there was a slight increase of 0.1 percentage point in labour force participation rate (LFPR) to 68.5 per cent in January 2021. However, the LFPR decreased by 0.4 percentage points as compared to the same month of the preceding year (January 2020: 68.9%). [Chart 6]

Chart 6: Labour Force and LFPR, 1982 - 2019 and January 2020 - January 2021



During the month, both female and male LFPR registered an increase of 0.1 percentage point recording 80.9 per cent and 55.2 per cent respectively. Male labour force registered an increase of 0.2 per cent or equivalent to 18.9 thousand persons to record 9.80 million persons (December 2020: 9.78 million persons). Meanwhile, female labour force totalled to 6.22 million persons with an increase of 12.7 thousand persons as compared to the previous month. Year-on-year comparison, both male and female LFPR continued to drop by 0.1 and 0.7 percentage points respectively. [Chart 7]

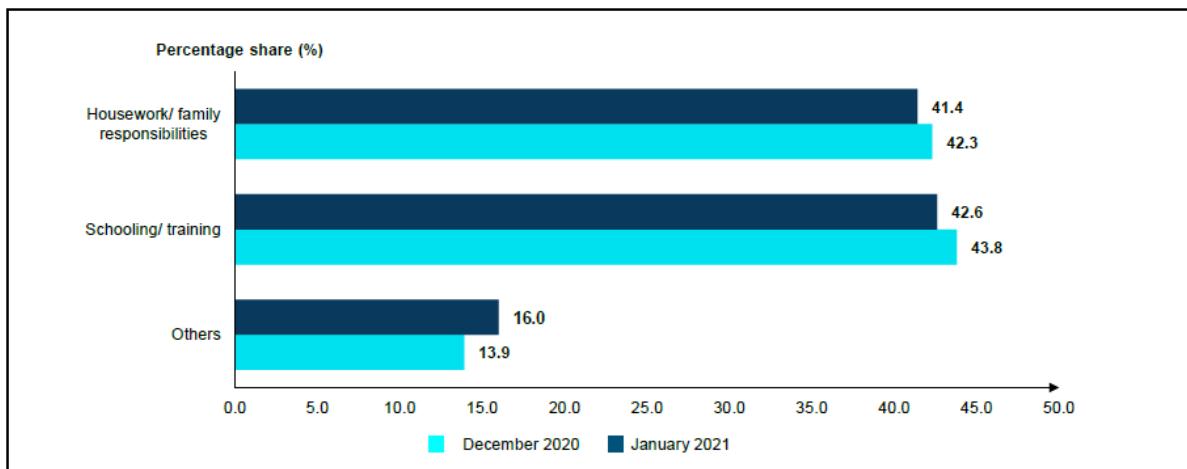
Chart 7: Labour Force and LFPR by sex, 1982 - 2019 and January 2020 - January 2021



### Schooling/ training contributed the largest share of outside labour force

In January 2021, outside labour force continued to decline for the second month, with a decrease of 6.0 thousand persons to 7.37 million persons as compared to December 2020. Whereas, year-on-year, outside labour force rose by 3.3 per cent (+237.3 thousand persons). Schooling/ training was the largest share of outside labour force with 42.6 per cent or 3.13 million persons and followed by housework/ family responsibility comprising of 41.4 per cent or 3.05 million persons. [Chart 8]

Chart 8: Share of outside labour force by reasons for not seeking work, December 2020 and January 2021



### GOVERNMENT'S INITIATIVES

As of 12 February 2021, a total of RM12.76 billion was distributed through Wage Subsidy Program (PSU 1.0) covering 2.64 million registered employees from 322,177 employers. Subsequently, for the Wage Subsidy Programme (PSU) 2.0, a total of RM770.31 million had been distributed to 65,398 employers for 534,183 employees to help maintaining their operation and retaining their employees. Furthermore, through the Hiring Incentive Programme and Training Assistance, there were 130,871 employees who secured employment through this programme. Among the industries, Manufacturing and Wholesales & retails trade were the major sector and industry in hiring workers. Over this programme, there were 7,536 apprentices and 494 Persons with Disabilities (PWD) had managed to secure jobs. Additionally, for

Reskilling and Upskilling Programme, a total of 135,751 individuals had been approved to participate in the provided programmes.

Meanwhile, a total of 6,731 SME applications had been approved for the PENJANA SME Financing with a total value of RM1.26 billion to enhance SMEs' businesses. Moreover, a total of 579 applications were recorded under the PENJANA Tourism Financing. Out of this total, 282 financing applications were approved totalling of RM57.1 million. As for the Micro SMEs, a total of RM363.4 million had been distributed to benefit 10,774 SMEs through the PENJANA Micro Credit Financing under Bank Simpanan Nasional (BSN) which also includes retail and services sectors of SMEs. Additionally, to assist Bumiputera SMEs through the Bumiputera Relief Financing (BRF), 572 SMEs were funded through a total of RM161.7 million.

Subsequently, to assist the Arts, Culture and Entertainment Sector, there were RM100 millions of funding in the form of loans with interest rates of 3.5 per cent and RM30 million grants for the creative industry, events and exhibitions organisation allocated under the MyCreative Ventures. As of 12 February 2021, a total of 221 applications were received for MyCreative Ventures with 35 approved applications for a total value of RM13.6 million. Additionally, under the CENDANA initiative, RM1.6 million was allocated to 317 recipients including artists, collectives and organisations that are actively involved in the Malaysian arts and culture industry. Also, to support the Agriculture and Food Industry, a total of RM85.6 million had been allocated to 7,723 Agricultural Micro SMEs under the Agrobank Micro Credit Financing. Meanwhile, in aiding the SMEs and Mid-Tier Companies (MTCs) under the Technical and Digital Utilisation support initiative, there were 8,580 businesses benefited through the grants and loans for subscription to digitalisation services involving RM40.5 million.

Therefore, with a various implementation of government's initiatives that focusing on each layer of the targeted groups, it is hoped that the labour market momentum will be regained continuously in the upcoming months in spite of the massive transition made by the COVID-19 pandemic to the labour market in the previous year.

## LOOKING AHEAD

In 2021, Malaysia continued to report a higher number of new daily COVID-19 cases with an average of more than 3,000 cases daily. In spite of the implementation of MCO 2.0, the essential services of five economic sectors were allowed to operate as usual with compliance of strict standard operating procedures. Hence, this has enabled some balance between the economic consequences and the public health, while adapting the new norm. Looking at the health crisis situation in early of 2021, the labour market is expected to face a little bumpy road in the first quarter. Nevertheless, as the first phase of vaccination programme was started from 24 February 2021 to April 2021 for the front liners, followed by second phase to the PWDs and senior citizen from April to August 2021, the effort seemed to give some positive insight of the health crisis situation in Malaysia. Furthermore, with the various initiatives under PENJANA, PRIHATIN and PERMAI Assistance Package, may support the survival of businesses and enhance the labour force situation. With these efforts, the uncertainties in the labour market will possibly be alleviating and subsequently the recovery momentum of labour market may be accelerated.

## 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](http://www.dosm.gov.my)

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