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KEY STATISTICS OF LABOUR FORCE IN MALAYSIA, NOVEMBER 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

- Employed persons dropped 0.1 per cent month-on-month or 11.0 thousand persons to 15.20 million persons in November 2020 after recording an upward trend for five consecutive months. The employment-to-population ratio which indicates the ability of an economy to create employment shrank by 0.2 percentage point to 65.1 per cent.
- Meanwhile, by economic sector, employed persons in Services continued to increase mainly in Wholesale & retail trade; Communication & information, Human health&social work and Education activities. However, the employment in tourism related industry such as Accommodation and food & beverages; Transports & storage; and Arts, entertainment & recreational activities still seemed to be adversely affected as a consequence of the pandemic. In the meantime, employment in the Agriculture and Mining & Quarrying sectors remained in the negative trend since August 2020, while Manufacturing and Construction sectors posted an increase month-on-month.

- As compared to the previous month, the employee's category increased by 0.2 per cent (+19.6 thousand persons) to 11.78 million persons. In contrast, own-account workers dropped by 0.6 per cent to record 2.41 million persons in November 2020.
- The unemployment rate increased slightly by 0.1 percentage points to 4.8 per cent in November 2020 as compared to the previous month. The number of unemployed persons rose by 2.2 per cent or 16.2 thousand persons to record 764.4 thousand unemployed persons (October 2020: 748.2 thousand persons).
- During the month, the labour force participation rate (LFPR) dropped marginally by 0.1 percentage point to 68.4 per cent (October 2020: 68.5%). However, the number of labour force changed little over the month with additional of 5.2 thousand persons to record 15.96 million persons (October 2020: 15.96 million persons).
- During the month, the number of persons outside labour force went up by 0.4 per cent (+27.1 thousand persons) to record 7.37 million persons (October 2020: 7.35 million persons). Housework/ family responsibility was the largest composition of outside labour force with 44.2 per cent, followed by schooling/ training with a share of 40.8 per cent.
- In the final month of 2020, the new cases of COVID-19 in Malaysia continued to record an increase which exceeded an average of 1,500 cases daily. Nevertheless, the economic activities continued to operate as usual with the compliance of strict standard operation procedures. During the month, it was also observed that more domestic travelling activities happened following the Christmas celebration, school and year-end holidays. Overall, with the continuous uncertainty of economic and health situation worldwide as well as in the country, it is foreseen a softer labour demand may continue in December 2020. Meanwhile, the labour supply will remain competitive in this challenging situation.

MALAYSIA'S LABOUR FORCE CHANGED LITTLE IN NOVEMBER 2020

Towards the end of 2020, global labour market continued to face challenges following the COVID-19 pandemic. According to Asia Pacific Employment and Social Outlook (APESO) 2020 by International Labour Organization (ILO), it was estimated that 81 million job losses occurred in the Asia Pacific region due to the COVID-19 pandemic. The number of employment in the Asia Pacific region in 2020 dropped to 1.84 billion persons from the pre-crisis estimate of 1.92 billion employed persons. Malaysia is no exception as during the crisis the unemployment rate registered more than 4.5 per cent as compared to the pre-crisis level of below 4.0 per cent.

The third wave of pandemic was prolonged in November 2020 and the Conditional Movement Control Order (CMCO) had been implemented in phases to curb a drastic spike of COVID-19 along with to balance between healthcare system and economy requirements. The implementation of CMCO was started with Wilayah Persekutuan Kuala Lumpur, Putrajaya and Selangor on 14 October 2020 and subsequently was expanded to all states except Perlis, Pahang and Kelantan. During the CMCO, inter-state travels were not allowed, while economic activities continued to operate with adherence to strict standard operating procedures. Nevertheless, as the spread of the pandemic grew in the recent months, the labour market was also affected. Based on the Loss of Employment (LOE) statistics reported by Social Security Organisation (SOCSO), it was recorded that 9,086 persons lost their jobs as against 7,416 persons registered in October 2020. In addition, Employment Insurance System (EIS) through MYFuture Jobs, reported a higher number of jobseekers with 185,236 persons (October 2020: 57,733 persons) as compared to 68,555 job vacancies (October 2020: 98,568 vacancies) in November 2020.

Hence, in November 2020 the employment saw a small decrease whereas the unemployment rate was slightly higher as compared to the previous month. Among others, this may be due to job losses and

cancellation or freezing of new hires. In the meantime, during the month, the small businesses were the most affected following a slower demand. Thus, the number of labour force showed a little positive change in November 2020.

In addition, the latest short-term economic indicators showed that the Industrial Production Index (IPI) dropped by 2.7 per cent month-on-month to record 114.0 contributed by IPI for Manufacturing which decreased by 3.0 per cent. Furthermore, both import and export values edged down by 1.9 per cent and 7.3 per cent month-on-month respectively after registering a positive growth in the previous month.

The Labour Force Report for November 2020 describes the labour supply situation as the country entered the ninth 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.

Employment dropped 0.1 per cent to 15.20 million persons

Employed persons dropped 0.1 per cent month-on-month or 11.0 thousand persons to 15.20 million persons in November 2020 after recording an upward trend for five consecutive months. Year-on-year comparison, the indicator continued with a decreasing trend for eight consecutive months whereby the number of employed persons declined 0.8 per cent during the month (November 2019: 15.32 million persons).

Meanwhile, by economic sector, employed persons in Services continued to increase mainly in Wholesale & retail trade; Communication & information, Human health&social work and Education activities. However, the employment in tourism related industry such as Accommodation and food & beverages; Transports & storage; and Arts, entertainment & recreational activities still seemed to be adversely affected as a consequence of the pandemic. In the meantime, employment in the Agriculture and Mining & Quarrying sectors remained in the negative trend since August 2020, while Manufacturing and Construction sectors posted an increase month-on-month.

In November 2020, the employment-to-population ratio which indicates the ability of an economy to create employment shrank by 0.2 percentage points to 65.1 per cent. Year-on-year, the employment-to-population ratio dropped by 1.5 percentage points from 66.6 per cent. [Chart 1]

Chart 1: Employed persons and employment-to-population ratio, January 2018 – November 2020
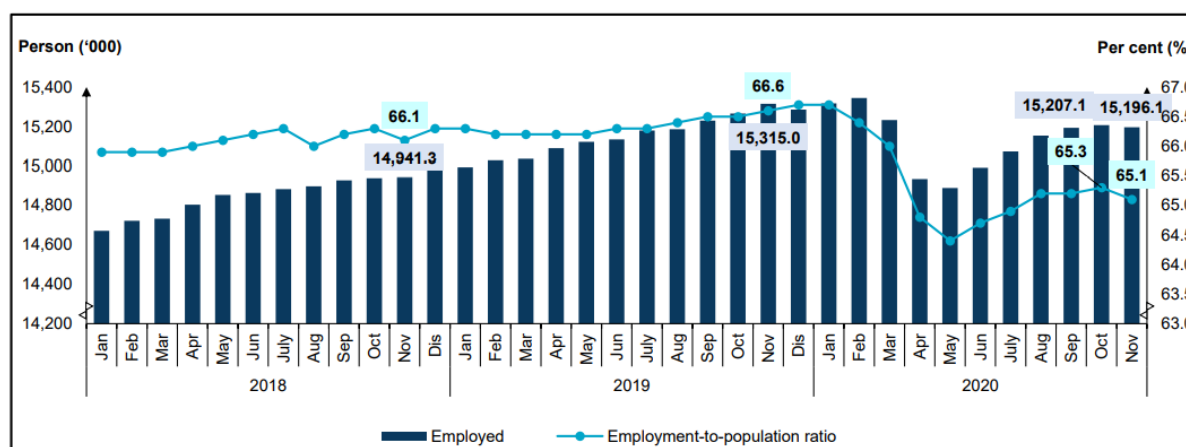
As compared to the previous month, the employee's category increased by 0.2 per cent (+19.6 thousand persons) to 11.78 million persons. In contrast, own-account workers dropped by 0.6 per cent to record 2.41 million persons in November 2020. This group comprised mostly of daily wage earners working at farmers' markets, night markets and stalls; freelancers; as well as smallholders. [Chart 2]

Chart 2: Employed person by status in employment, October and November 2020
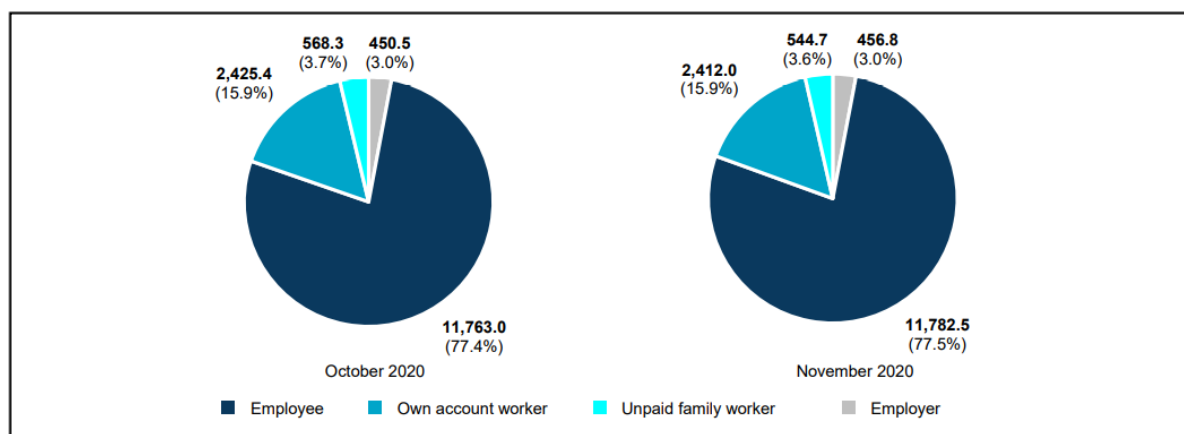
Meanwhile, in November 2020, there were 142.0 thousand employed persons who were temporarily not working as compared to 183.6 thousand persons recorded in the previous month. This group of persons, who were most likely not able to work was not categorised as unemployed as they had work to return to.

Slight increase in unemployment rate to 4.8 per cent

The unemployment rate increased slightly by 0.1 percentage points to 4.8 per cent in November 2020 as compared to the previous month. The number of unemployed persons rose by 2.2 per cent or 16.2 thousand persons to record 764.4 thousand unemployed persons (October 2020: 748.2 thousand persons).

The unemployment rate for November 2020 was higher by 1.6 percentage points year-on-year, with the number of unemployed persons registering an additional of 250.5 thousand persons (November 2019: 513.9 thousand persons). [Chart 3]

Chart 3: Unemployed persons and unemployment rate, 1982 - 2019 and January - November 2020
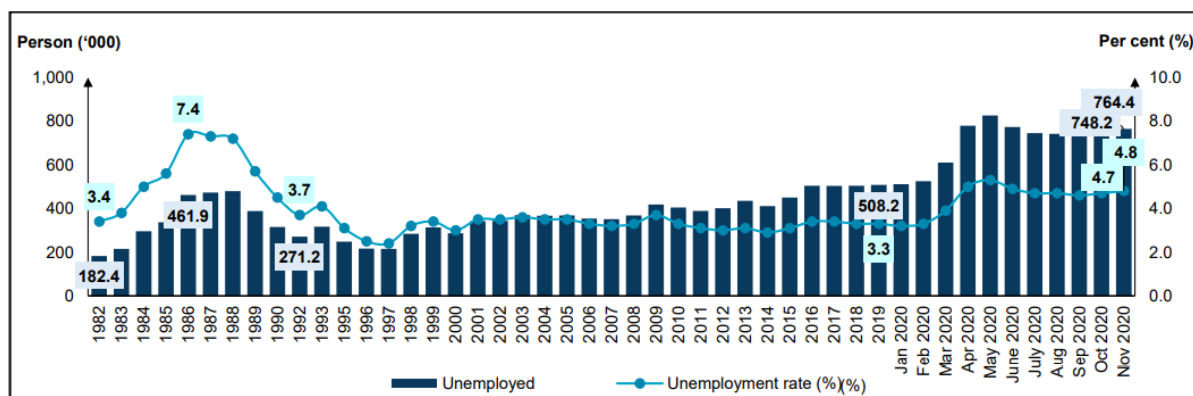
In November 2020, the actively unemployed persons which defined as persons who were available for work and were actively looking for work accounted for 83.4 per cent, went up by 2.3 per cent registering 637.7 thousand persons (October 2020: 623.1 thousand persons). The largest share of this groups was contributed by the unemployed for less than three months with 48.8 per cent. Nevertheless, 10.4 per cent or 66.3 thousand persons were in long-term unemployment1 of more than a year. [Chart 4]

During the month, the inactively unemployed or discouraged group whom believed there were no jobs available registered an increase of 1.3 per cent to 126.7 thousand persons as against 125.1 thousand persons in October 2020.

Chart 4: Unemployed category and duration of unemployment, October and November 2020
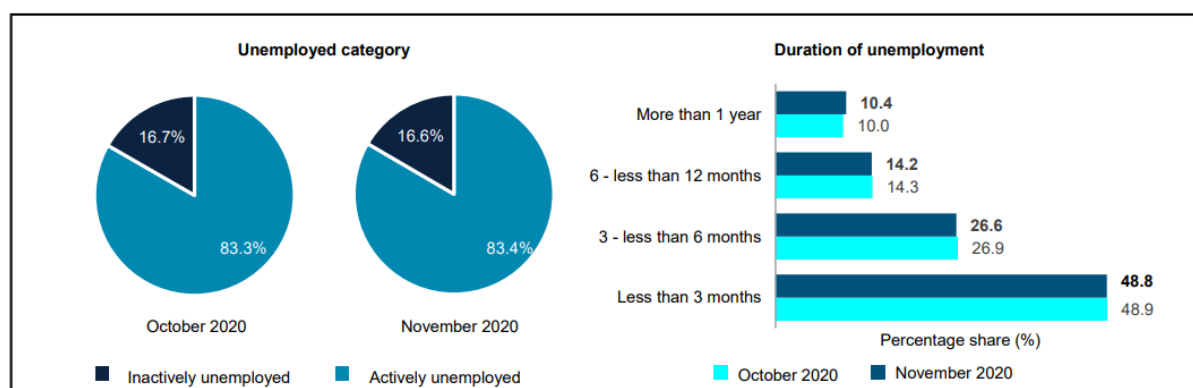
The unemployment rate of youth for aged 15 to 24 years in November 2020, edged down by 0.4 percentage points to 13.0 per cent as compared to October 2020. Similarly, the unemployment rate for youth aged 15 to 30 years decreased by 0.1 percentage point to 8.8 per cent (October 2020: 8.9%). [Chart 5]

Chart 5: Unemployment rate by selected age groups, 1982 - 2019 and January - November 2020
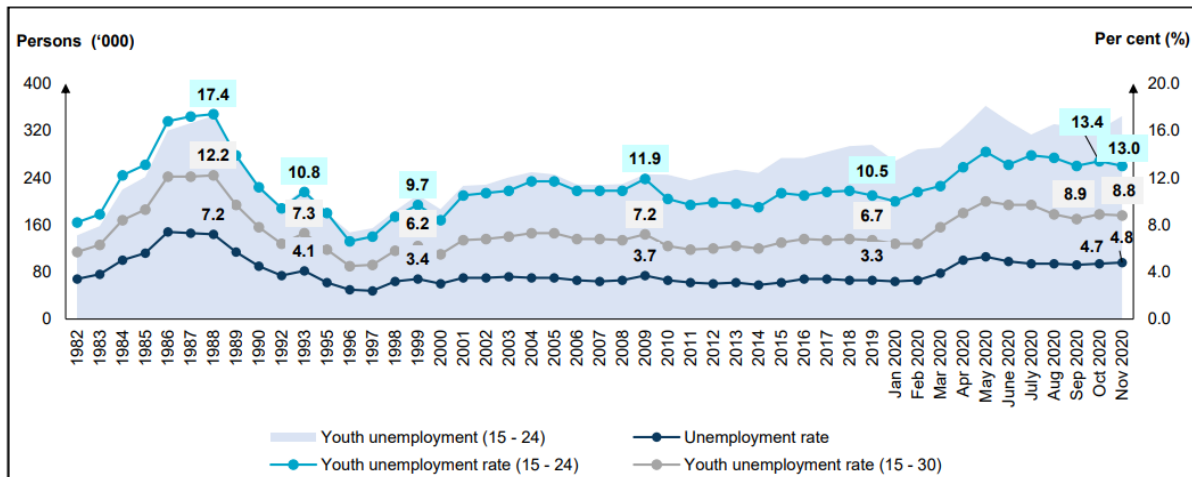
Marginal dropped of 0.1 percentage point in LFPR to 68.4 per cent

During the month, the labour force participation rate (LFPR) dropped marginally by 0.1 percentage point to 68.4 per cent (October 2020: 68.5%). However, the number of labour force changed little over the month with additional of 5.2 thousand persons to record 15.96 million persons.
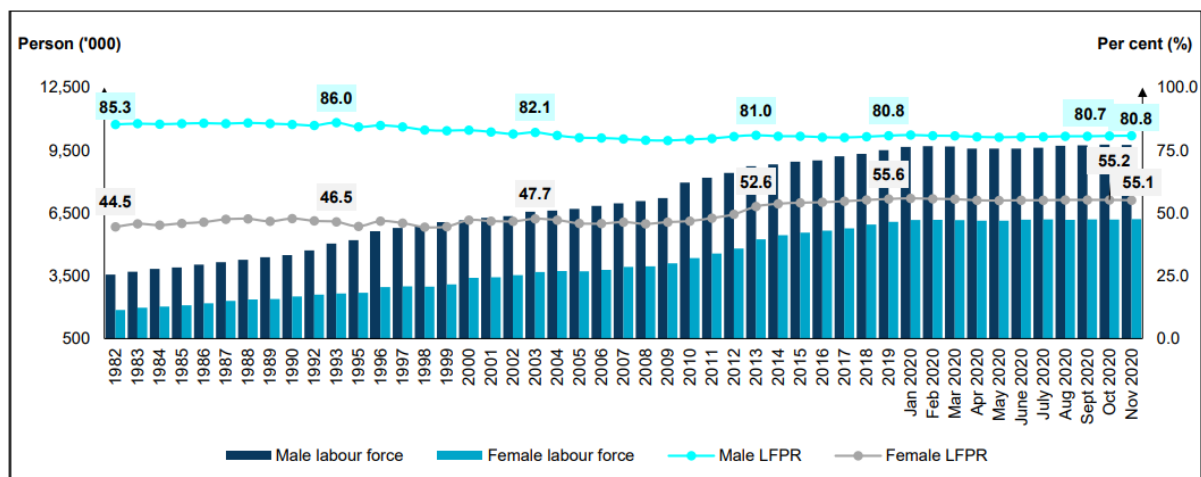
Year-on-year comparison, the number of labour force improved by 131.6 thousand persons (November 2019: 15.83 million persons). In the meantime, the LFPR edged down by 0.4 percentage points (November 2019: 68.8%). [Chart 6]

Chart 6: Labour Force and LFPR, 1982 - 2019 and January - November 2020
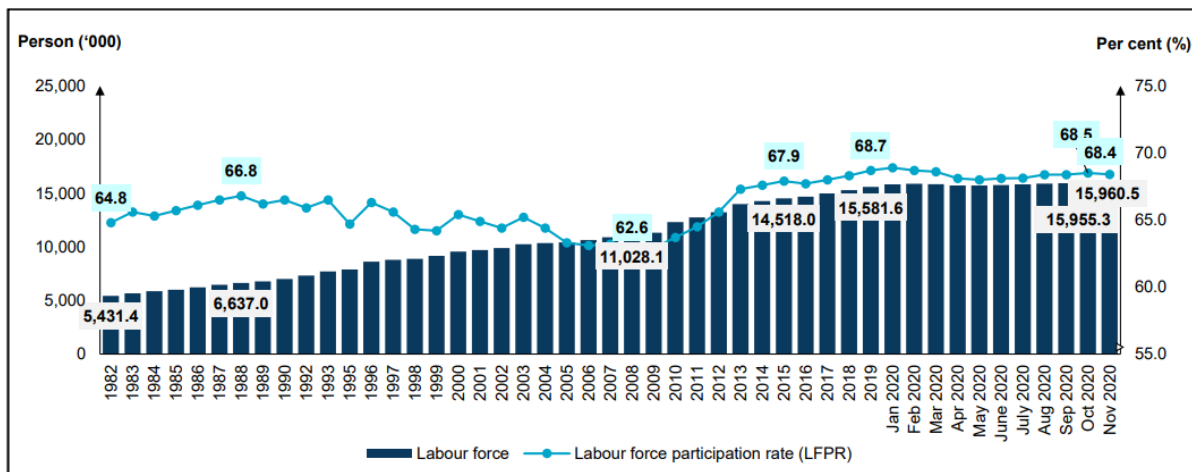
In November 2020, male LFPR continued to trend up by 0.1 percentage point to 80.8 per cent with the number of male labour force recorded 9.75 million persons as compared to the previous month (October 2020: 9.77 million persons). Meanwhile, female LFPR reduced by 0.1 percentage point to 55.1 per cent recorded a total female labour force of 6.21 million persons (October 2020: 6.19 million persons). Both male and female LFPR dropped by 0.2 and 0.7 percentage points respectively year-on-year. [Chart 7]

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

Person ('000) / Per cent (%)

85.3	86.0	82.1	81.0	80.8	80.7 80.8
44.5	46.5	47.7			55.2 55.1

Legend: Male labour force — Female labour force — Male LFPR — Female LFPR

Housework/ family responsibility was the largest composition of outside labour force

During the month, the number of persons outside labour force went up by 0.4 per cent (+27.1 thousand persons) to record 7.37 million persons (October 2020: 7.35 million persons). Among others, the increase might be due to persons taking a break in job seeking for family reasons. Likewise, outside labour force augmented by 2.8 per cent during the same month in the previous year (+200.6 thousand persons). Housework/ family responsibility was the largest composition of outside labour force with 44.2 per cent, followed by schooling/ training with a share of 40.8 per cent. [Chart 8]

Chart 8: Share of outside labour force by reasons for not seeking work, October and November 2020
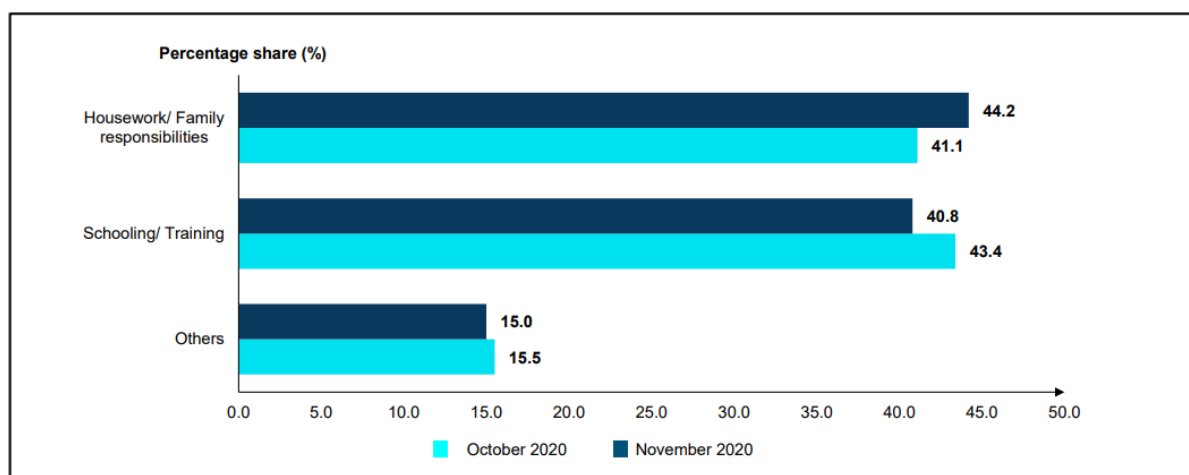
GOVERNMENT'S INITIATIVES

As of 11 December 2020, a total of RM12.61 billion of Wage Subsidy Programme had been approved to benefit over 2.64 million employees from 322,177 employers. Furthermore, through the Hiring Incentive Programme and Training Assistance, a total of 106,443 employees had secured jobs including 6,420 apprentices and 1,268 persons with disabilities (PWD). Through this programme, it was reported that Manufacturing and Wholesale & retail trade were among the main industries that actively hired workers. In addition, for the Reskilling and Upskilling Programme, a total of 129,144 individuals had been approved to participate in the programmes largely in entrepreneurial knowledge course.

Meanwhile, a total of 5,576 SME applications had been approved with a financing value of RM1.1 billion to

assist SMEs entrepreneurs. To support the micro, small and medium enterprises in tourism sector which were affected by COVID-19, the allocation of RM1 billion through the PENJANA Tourism Financing had benefited 245 SMEs with a total funding of RM49.9 million. Additionally, TEKUN Business Recovery Scheme (TBRS) which were created especially for Micro SMEs has aided 14,861 Micro SMEs with a total of RM99.2 million. To support the retail and services sectors, through PENJANA Credit Micro Financing under the Bank Simpanan Nasional (BSN), has channelled RM253.1 million benefitting 7,252 Micro SMEs.

Moreover, to assist Bumiputera SMEs which were affected by COVID-19, Bumiputera Relief Financing (BRF) was introduced by Perbadanan Usahawan Nasional Bhd (PUNB) with a special fund allocation of RM200 million. This fund has been distributed to 160 SMEs with a total of RM40.8 million as of 11 December 2020. Therefore, with various assistance and support from the government to those who were affected in the labour market, it may reinforce the recovery momentum of the labour market which was severely affected by the spread of the COVID-19 pandemic for almost a year.

LOOKING AHEAD

In the final month of 2020, the new cases of COVID-19 in Malaysia continued to record an increase which exceeded an average of 1,500 cases daily. Nevertheless, the economic activities continued to operate as usual with the compliance of strict standard operation procedures. During the month, it was also observed that more domestic travelling activities happened following the Christmas celebration, school and year-end holidays.

As of 18 December 2020, it was reported that 4,722 persons had lost their jobs, while jobseekers' number is increasing with 145,466 persons although there were only 41,638 job vacancies according to PERKESO. On the other hand, towards the end of December, a flood disaster had occurred in few states particularly in Terengganu, Johor and Pahang including Sabah and Sarawak.

With the current pandemic situation, the SMEs were among the affected groups. In Malaysia, almost 98 per cent of registered businesses are SMEs which accounted for nearly two-thirds of the employees in the private sector. Thus, with various incentives introduced by the government to the SMEs, it could help to sustain the businesses as well as to retain employees. Among the initiatives are Targeted Assistance and Rehabilitation Facility (TRRF), High Technology Fund - National Investment Aspirations (HTF - NIA), Micro Enterprises Facility (MEF), All-Economic Sector Facility (AES), Agrofood Facility (AF), Automation & Digitalisation Facility (ADF) as well as PENJANA Tourism Financing (PTF). Hence, it may cushion the impact to businesses and subsequently secure jobs.

Overall, with the continuous uncertainty of economic and health situation worldwide as well as in the country, it is foreseen a softer labour demand may continue in December 2020. Meanwhile, the labour supply will remain competitive in this challenging situation.

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, November 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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