

# Employment on uptrend

## Labour market recovery expected in H2

### ECONOMY

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**KUALA LUMPUR:** While the unemployment rate is improving and may reach 3.8% in 2022, underlying structural labour market issues remain which should be addressed, according to AmBank Research.

The research unit noted that more people are moving into self-employment, and they make up 16.2% of the labour force.

Using the number of own-account workers as a proxy for self-employment, this segment grew by 0.6% or 16,000 persons to 2.66 million persons.

“A telling point from the high number of own-account workers is that job openings in organisations and companies may not be as rapid as what is being envisaged based on the headline unemployment data.

“It is not surprising as many companies are still reeling from the pandemic impact and yet to operate at full capacity,” said AmBank Research.

The research unit added that besides the increasing level of uncertainties, other factors that could have contributed to slower job openings include the growing trend towards automation and advancement of technology, downsizing and relocation.

Also, locals are trending towards self-employment and openings in the gig economy, due to the loss of jobs as a result of the pandemic plus the ongoing mismatch between supply and demand of labour as well as jobs taken up by foreign workers.

Meanwhile, the challenge of being self-employed, especially opening micro businesses, is the competition with foreign workers.

“They too are involved in micro businesses and are seen to be aggressively cutting prices vis-a-vis local business operators. Should this trend continue without any form of regulation, local self-employed businesses will suffer,” said AmBank Research.

The labour force participation rate in January 2022 was 69.1% compared with 69% in December 2021.

The research unit pointed out that despite a drop in overall unemployment, youth unemployment (aged 15 to 24 years) remained high.

“Although it only accounted for 2.2% of the

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MIDF Research

labour force, this segment of unemployment stood at a high double-digit of 13.2%,” said AmBank Research.

January 2022’s unemployment rate was unchanged at 4.2% (4.2% in December 2021), the lowest level since March 2020 when the pandemic began.

AmBank Research said the labour market trend improved due to a higher number of self-employed compared with jobs created by organisations and companies.

Thus, the number of unemployed persons fell by 7,300 or 1.1% month-on-month to 680,000 persons (December 2021: 687,000 persons).

MIDF Research also noted that in January, Malaysia’s labour market improved further as employment increased 2.9% year-on-year, the biggest gain since June 2021.

As overall economic activities stay in recovery mode, total unemployed persons fell further by 13% year-on-year in January 2022, the largest contraction rate ever recorded.

“The resumption of domestic spending and continuous upbeat momentum of external demand, as well as elevated commodity prices, were among key supportive factors for the recovery in the labour market,” said MIDF Research.

The research unit also expects a smoother labour market recovery in the second half of 2022 as Malaysia’s international borders are set to fully re-open on April 1, 2022.

“Hence, we shall see the return of non-citizens employment this year after more than 100,000 workers left the job market during the pandemic years.

“Looking ahead, we view Malaysia’s labour market to continue on a steady recovery pace as indicated by the steady pick-up in job-to-va-

cancy rate which hit a new record high at 47.1% in December 2021,” said MIDF Research.

Meanwhile, Hong Leong Investment Bank (HLIB) Research said Malaysia’s transition to an endemic phase on April 1, 2022 is anticipated to benefit the tourism-related activities and late-night eateries, which bodes well for the labour market recovery, especially in the services sector:

“With the transition to endemic phase and reopening of international borders, this could also bode well for foreign labour shortage issue prevalent across sectors, especially agriculture sector,” said HLIB Research.

According to TA Securities Research, in tandem with a better recovery pace and continued pickup in external demand, the unemployment rate is expected to improve gradually and to trend lower at 4% in 2022 (2021: 4.6%).

Moreover, the labour market will continue to be supported by the excellent progress of the vaccination rates, improving business sentiment and various government initiatives.

The research firm also pointed out that in January 2022, employment in services sector remained the major catalyst, mainly in food and beverages services, wholesale and retail trade; and information and communication activities.

Manufacturing and construction sectors also recorded growth in January 2022.

“The expansion in the labour force signals more people entered the job market as the government had introduced various programmes to ensure employees are able to retain their jobs or to assist jobseekers,” said TA Securities.