



NEWSLETTER

Prepared by:
SALMIAH PONGGOT
Deputy Director, BPTMS

INFORMAL SECTOR IN MALAYSIA

What is the criteria?

- The enterprise is not registered with the Companies Commission of Malaysia (CCM) or any other professional bodies, including the Local Authority (LA)
- All or at least one of the goods or services produced are meant for sale or barter transaction
- Employs 10 workers or less and workers are not covered by any social security; and
- Involves in non agricultural activities.

The informal sector refers to economic activities of workers and entities which are in law or practice not covered by formal arrangements.

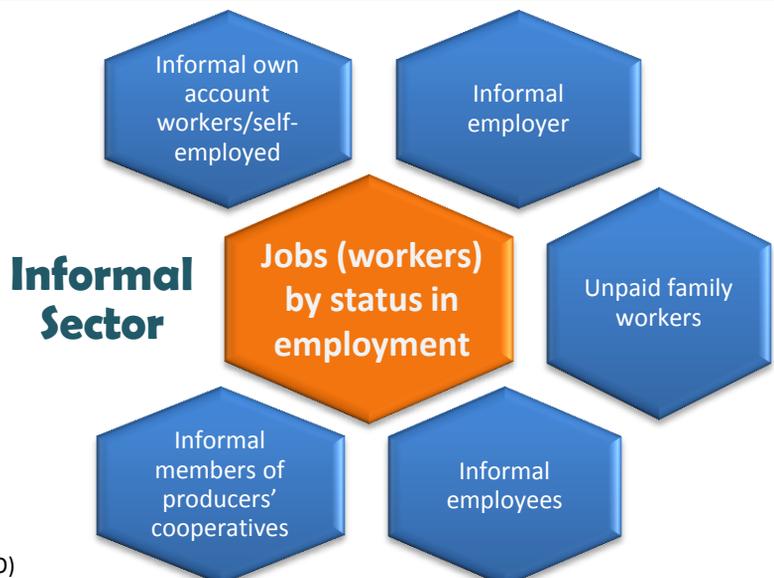
Source: International Labour Organization (ILO)



Makcik Kiah selling crispy fried banana at a stall by the roadside. She...

- ❌ business license
- ❌ covered by any social protection (eg. EPF, SOCSO etc.)
- Involves in food & beverages industry (food stall/hawker)

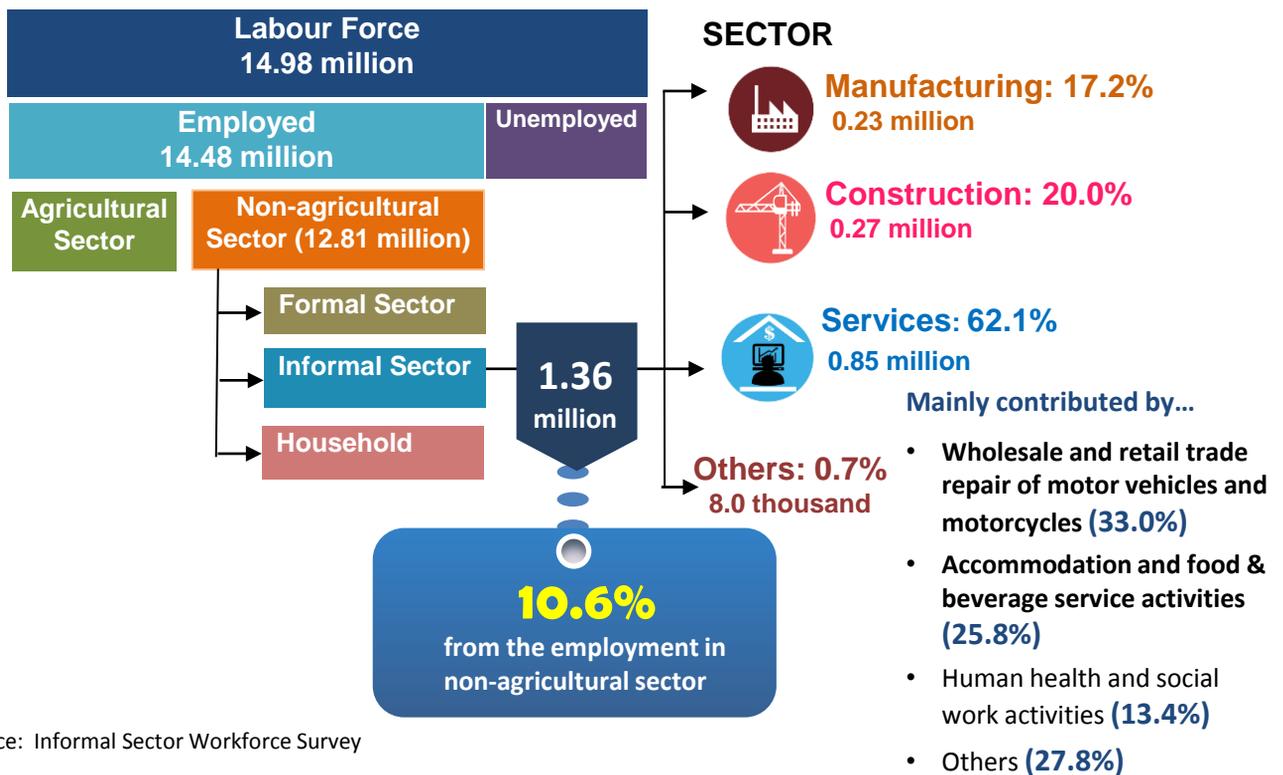
Informal Employment in Informal Sector



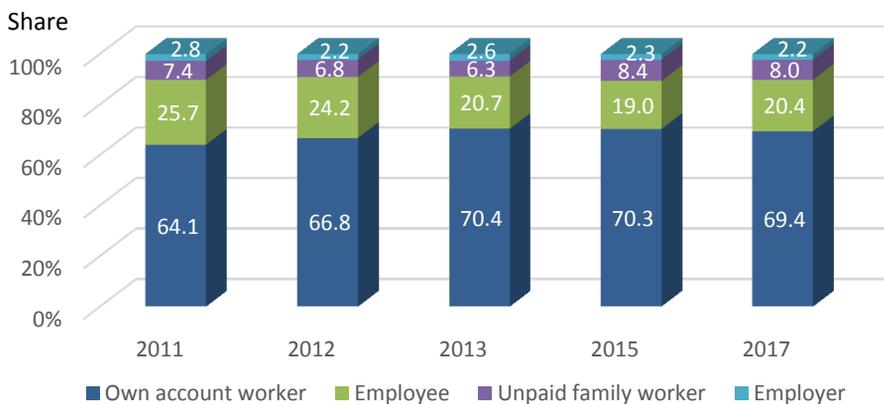
Source: International Labour Organization (ILO)



Share of informal employment in the informal sector in the labour market, Malaysia, 2017



Informal employment in the informal sector by status of employment, Malaysia, 2011–2013, 2015 and 2017



Almost **90 per cent** of informal employment in 2017 comprised of **own account worker** and **employee**

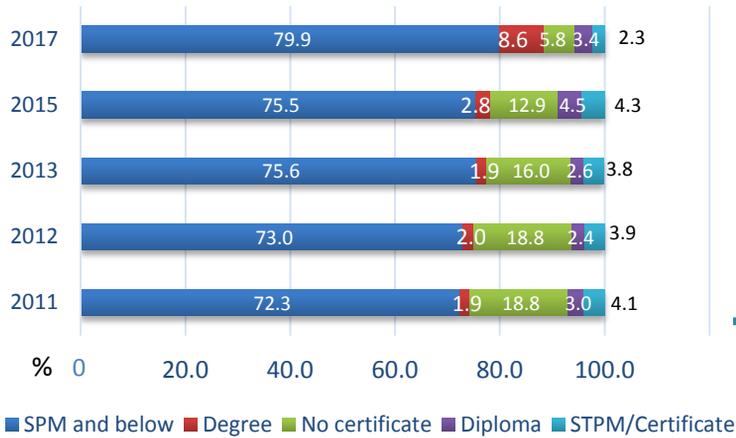
Source: Informal Sector Workforce Survey

The informal sector workers are among the vulnerable groups that lost most of their income during the Movement Control Order (MCO) due to COVID-19 outbreak. Is it true?

According to Malaysia Rating Corporation Berhad (MARC), government could also look at measures to help the informal sector, in which employees are **paid daily** or are on short-term employment contracts. As such, they do not have access to financing and do not benefit much from the voluntary EPF withdrawals.

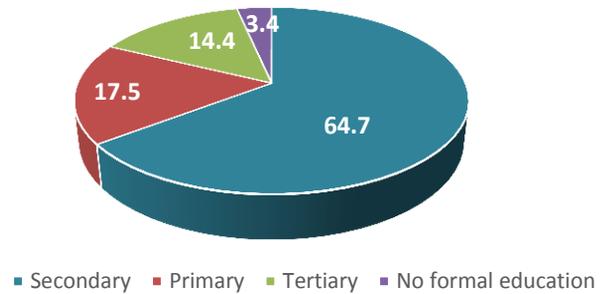
Source: <https://www.marc.com.my/index.php/marc-news/1201-prihatin-rakyat-economic-stimulus-package-wider-scope-broader-target-groups-20200330>

Informal employment in informal sector by the highest certificate obtained, 2011-2013, 2015 and 2017



A majority of informal employment in the informal sector has SPM & below followed by degree and no certificate in 2017.

Percentage share of informal employment in the informal sector by educational attainment, 2017



The trend is almost consistent with the level of education attainment where 64.7 per cent of informal employment had secondary education, followed by primary (17.5%) and tertiary (14.4%).

The percentage share of informal employment with degree in the informal sector increased by 5.8 percentage points in 2017 to 8.6 per cent as compared to 2.8 per cent in 2015 with an annual growth rate of 48.1 per cent.

Source: Informal Sector Workforce Survey

Is the rise in gig economy in Malaysia contributed to the increase of participation of graduates in informal employment?

The graduates unemployment rate always higher than the unemployment rate at national level¹. According to JobStreet.com Fresh Graduate Report 2018, the top five factors that contributed to the unemployment of fresh graduate were: asking for unrealistic salary/benefits, choosy about the job/company, poor character attitude or personality, poor command of the English language and poor communication skills.

Due to this issue, **Pelan Tindakan Keusahawanan IPT 2016-2020** was launched by Ministry of Higher Education on 15 April, 2016. It was a continuation from *Dasar Pembangunan Keusahawanan IPT*, launched on 3 April 2010 and *Pelan Strategik Keusahawanan IPT 2013-2015*. Various programmes conducted by the government mainly in entrepreneurship scheme and incentives fund for graduates such as TEKUN Nasional, TERAJU, state's government fund and other financial incentives. The programmes are aimed to encourage graduates into being entrepreneurs/jobs creator and serve as part of the government initiatives to solve the issue of unemployment among graduates. On the other hand, the rise in gig economy in Malaysia due to technological advancement and the rise in digital platforms provide job opportunities particularly to fresh graduates (The Edge Malaysia, November 13, 2017).

Source:

¹ Labour Force Survey, Department of Statistics Malaysia

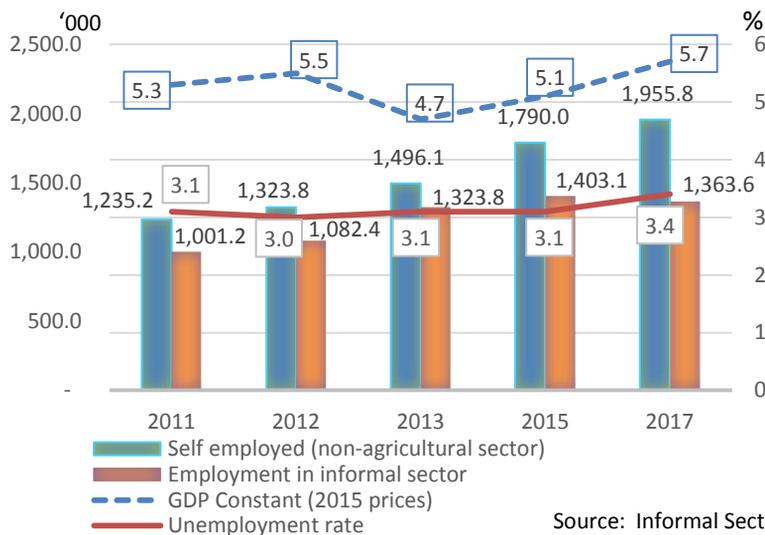
https://www.jobstreet.com.my/announcement/FTP/FACT-SHEET_Fresh-Graduate-Survey-2018.pdf

<https://www.theborneopost.com/2014/05/23/kerajaan-harap-lebih-ramai-graduan-ceburi-bidang-keusahawanan/>

<http://www.astroawani.com/berita-malaysia/pelan-tindakan-keusahawanan-ipt-bakal-lahir-ramai-pencipta-kerja-idris-102519>

<https://www.theedgemarkets.com/article/rise-malysias-gig-economy>

Number of informal employment in the informal sector, self-employed, unemployment rate and GDP growth rate (constant at 2015 prices), Malaysia, 2011-2013, 2015 and 2017



GDP recorded a slower growth rate from 5.5 per cent in 2012 to 4.7 per cent in 2013, while informal employment in the informal sector increased 22.3 per cent to 1,323.8 thousand employees in 2013 as compared to 2012. The number of self-employed (non-agricultural sector) was also increased 13.0 per cent to 1,790.0 thousand persons from 1,496.1 thousand person.

Source: Informal Sector Workforce Survey and Annual GDP Malaysia, DOSM

Informal employment in the informal sector by type of workplace, Malaysia, 2015 and 2017



More than **40 per cent** of the activity in the informal sector operated at home, **one third** with no fixed location (mobile) and **18.1 per cent** at market or street stalls.

Source: Informal Sector Workforce Survey

IMPACT OF COVID-19 TO INFORMAL EMPLOYMENT IN THE INFORMAL SECTOR

According to the Informal Sector Workforce Survey, almost 70 per cent of informal employment in the informal sector comprised of self-employed. Based on the Labour Force Survey for the first quarter of 2020, there was 2.66 million persons working as self-employed or 17.4 per cent of total workforce in Malaysia. Meanwhile, unpaid family worker accounted for 0.62 million (4.1%). It was estimated that almost half of self-employed employees have lost their jobs¹ and 0.62 million unpaid family worker might be directly affected by the Movement Control Order (MCO) from 18 Mac-28 April 2020 due to COVID-19 outbreak. Based on the MIER's study on macroeconomics impact of MCO, in worst-case scenario: 1.46 million job losses in 2020 (after PRIHATIN and SME stimulus packages; and presumed MCO extended until the first two weeks in quarter 2, 2020). While, best-case scenario: 951,000 job losses in 2020 (out of 16 million employed labour in 2019, presumably mainly non-salaried jobs). Women's Aid Organisation (WAO) in The Star (April 4, 2020), commented that the stimulus package PRIHATIN was not widen to vulnerable group, the most at-risk due to MCO. This wage subsidy policy narrowly targets workers in formal employment, ignoring a substantial segment of individuals in vulnerable employment, including the self-employed, informal workers and unpaid family workers who are disproportionately women.

¹ Report of Special Survey on Effects of COVID-19 on Economy and Individual-Round-1

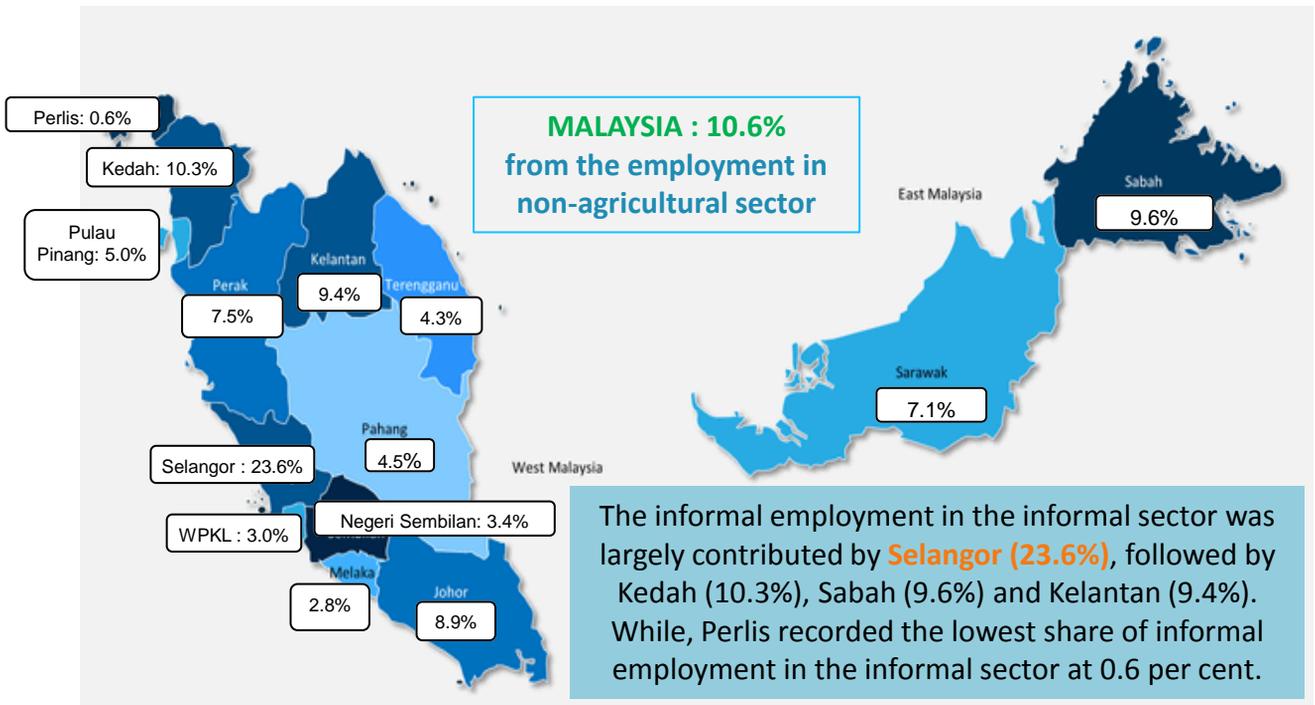
Source:

<https://www.thestar.com.my/opinion/letters/2020/04/04/prihatin-stimulus-package-does-not-reach-women-who-are-most-at-risk>

<https://www.mier.org.my/the-economic-impacts-of-covid-19/>

<https://www.theedgemarkets.com/article/special-report-covid19-fallout-jobs-under-threat>

Informal employment in the informal sector by state, Malaysia, 2017

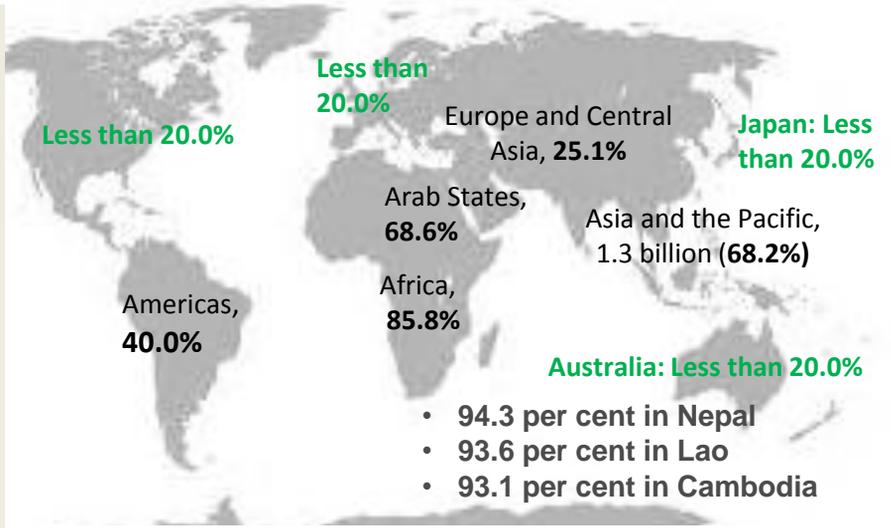


Informal Employment as a Percentage of Total Employment, 2016 (Including Agriculture)

The components of informal employment are informal employment in the:

- **informal sector**,
- **formal sector** (e.g. employees and contributing family workers who do not receive social protection contributions by their employer, paid annual and paid sick leave; and
- **households** (domestic worker employed by households who do not receive social protection contributions, paid annual and paid sick leave.

Source: International Labour Organization (ILO)



Source: Women and Men in the Informal Economy, A Statistical Picture (ILO 2018)

According to the report of Women and Men in the Informal Economy, A Statistical Picture (ILO 2018), estimates that;

- two billion (61.2 per cent) of the global employed population aged 15 and above earn their living in the informal economy with men, 63.0 per cent and women, 58.1 per cent; and
- when excluding agriculture, 50.5 per cent of the employed population are in the informal employment with men, 53.1 per cent and women, 46.4 per cent.

Source: https://www.ilo.org/asia/media-centre/news/WCMS_627585/lang--en/index.htm

DISCLAIMER: The article in this newsletter is the initiative of DOSM officers based on ad-hoc observation and collection of brief information in the field during the Movement Control Order. It does not meet the country's official statistics released standards. Therefore, the content of this newsletter cannot be interpreted as DOSM's official statistics.