

## *Confronting Unemployment Phenomenon in Society -The Malaysian experience-*

*Dr. Feddaoui Amina\**

### **Abstract**

This study aimed to shed light on the unemployment phenomenon in society and confronting it based on the Malaysian experience, to achieve the objectives of the study, it was divided into two parts, so that the first section dealt with theoretical aspects of unemployment in society, its definition, causes, types, the second section dealt with the analysis of the Malaysian experience in combating unemployment through analyzing the levels of employment and unemployment, and the strategy followed by Malaysia in combating unemployment. The study concluded that Malaysia combated unemployment through several development programs focused on supporting poor class of people and creating job positions, as well as encouraging the local industry, Malaysia also succeeded by its imitation of Japanese model and its principles based on liking work and patriotism. The study also concluded that Algeria, in turn, suffers from unemployment and it can implement Malaysia's strategy to reduce unemployment rate to the lowest possible level.

**Keywords:** Confronting, unemployment, society, the Malaysian experience.

### **المخلص**

هدفت هذه الدراسة إلى إسقاط الضوء على ظاهرة البطالة في المجتمع وكيفية مواجهتها استنادا إلى التجربة الماليزية في محاربة البطالة، ولتحقيق أهداف الدراسة تم تقسيمها إلى قسمين بحيث تناول القسم الأول الجوانب النظرية لظاهرة البطالة في المجتمع، تعريفها، أسبابها، وأنواعها، وتناول القسم الثاني التجربة الماليزية في مكافحة البطالة من خلال تحليل مستويات العمالة و البطالة والاستراتيجية التي اتبعتها ماليزيا في مكافحة البطالة، وتوصلت الدراسة إلى جملة من النتائج أبرزها أن ماليزيا حاربت البطالة من خلال عدة برامج تنموية ركزت من خلالها على دعم الطبقة الفقيرة وخلق مناصب شغل، وكذا تشجيع الصناعة المحلية، كما نجحت ماليزيا بفضل اقتدائها بالنموذج الياباني ومبادئه التي تركز على حب العمل والوطنية، كما توصلت الدراسة إلى أن الجزائر بدورها تعاني من البطالة وأنها يمكن أن تطبق استراتيجية ماليزيا لتخفيض معدل البطالة إلى أدنى مستوى ممكن.

**الكلمات المفتاحية:** محاربة، البطالة، المجتمع، التجربة الماليزية.

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\*Senior Lecturer Grade A, Faculty of Economic, Commercial and Management Sciences, ChadliBendjedid University, El tarf, email: [aminafl@live.fr](mailto:aminafl@live.fr), phone number: +213658377998.

## **I. INTRODUCTION**

Unemployment considered a widespread social scourge in the world, especially in developing countries. The main cause of unemployment is the state's inability to provide job positions, despite the availability of labor force. The causes of unemployment may also be due to the prevailing political conditions, such as spread of wars, or increased rates of population growth and the abundance of young people. Unemployment is also a social ill, it reflects negatively on economic growth rates, gross domestic product, and poverty levels in the countries that suffer from it. It is worth noting that the spread of unemployment has serious consequences for the individual and society, through the spread of other social phenomenon, such as theft, crime, drugs, etc., which requires research into this phenomenon and an attempt to reduce it.

Malaysia considered one of the countries that suffered from the scourges of British colonialism, which worked to plunder its wealth and change its social map by deporting its indigenous population named Malays, but despite those circumstances, Malaysia was able to overcome obstacles and achieve high rates of economic development. It also controlled threat of unemployment to the greatest possible extent thanks to its imitation of the Japanese model in development.

Therefore, in light of these foundations, we decided to choose the subject of this study, the problem of this study revolves around the following main question:

***How can we benefit from the Malaysian experience in confronting unemployment phenomenon in society?***

The importance of this study due to the importance of combating unemployment in Algeria, Algeria also suffered from French colonialism, which affected the national economy, which requires benefiting from the experiences of successful countries in combating unemployment. This study aims to shed light on the concept of unemployment and its causes, unemployment rate and its types, presenting the Malaysian experience in combating unemployment by analyzing employment and unemployment indicators, and presenting its successful strategy adopted in reducing the risk of unemployment.

To achieve the objectives of the study, we relied on the deductive approach through logical deductive analysis and the case study approach of Malaysian experience.

This study was divided into two basic components, the theoretical Framework Of unemployment phenomenon, and the Malaysian experience in confronting unemployment. In the conclusion of the study, we proposed a set of solutions to the problem of unemployment in Algeria, based on the successful Malaysian experience.

## **I. Theoretical Framework Of Unemployment Phenomenon**

Unemployment is considered one of the widespread risks in the world that negatively affects individual and society. Despite the many attempts to eliminate this social phenomenon, many countries suffer from it; in this section, we will shed light on the theoretical aspects of the unemployment phenomenon, its concept and measure and its causes and types.

### **1- Definition & Causes of Unemployment**

Understanding unemployment, its sources, incidence and socio-economic consequences, is of key concern to the social science, and is likely to remain so for a number of important reasons, rising unemployment, first, confronts societies with equity questions. The experience of unemployment puts significant costs and burdens on individuals and households; interrupting work histories, unemployment deprives households of current streams of income in the short run, until new employment has been secured again after some shorter or longer search period.<sup>1</sup>

The modern definition of unemployment emerged in the late 1930s from research conducted at the Works Progress Administration\* and the Census Bureau\*\*, under this definition, people who are not working but are actively searching for work are counted as unemployed,<sup>2</sup> So unemployment occurs when someone is willing and able to work

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\* An ambitious employment and infrastructure program created by President Franklin Roosevelt in 1935, during the bleakest days of the Great Depression, Source: <https://www.history.com/topics/great-depression/works-progress-administration> , Access date: 18-09-2023, 11:00.

\*\* A principal agency of the U.S. Federal Statistical System that produces data about the American people and the economy, by Will Kenton, 30 June 2023, website: <https://www.investopedia.com/terms/b/bureauofcensus.asp>, Access date: 18-09-2023, 11:00.

but does not have a paid job. Consequently, measuring unemployment rate requires identifying who is in the laborforce.

The labour force includes people who are either employed or unemployed. Figuring out who is employed or unemployed involves making practical judgments, such as how much paid work someone needs to undertake for them to be considered as having a job, as well as actually counting how many people have jobs or not.<sup>3</sup>

Through above Unemployment rate is defined as the ratio of the number of unemployed to the labor force, there is no consensus as to which criteria need to be fulfilled by individuals in order for them to be counted as unemployed or as part of the labor force.<sup>4</sup> When we say that unemployment rate is 5 percent, we mean that 5 percent of the population over the age of 16 who are willing and able to work are unable to get job, this 5 percent means that 5 out of 100 people in the total labor force are unemployed.

To calculate the unemployment rate, we simply divide the number of unemployed by the number in the civilian labor force<sup>5</sup>:

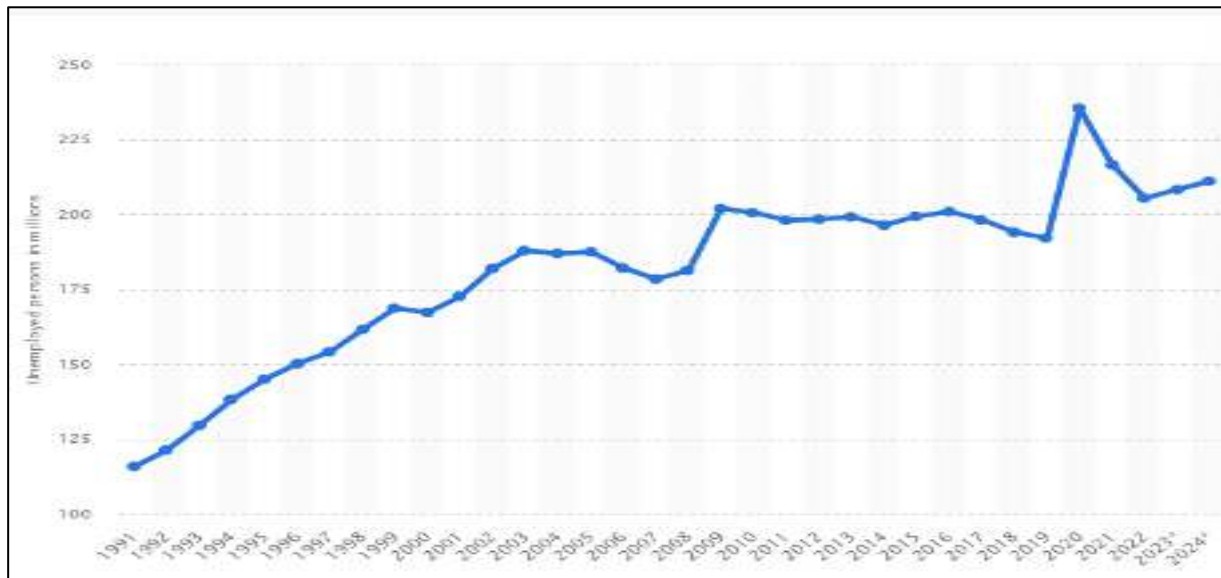
$$\text{Unemployment rate} = \text{Number of unemployed} / \text{Civilian labor force}.$$

The causes of unemployment in most cases are the failure to provide suitable work or jobs for individuals, or abandoning their current work, or replacing employees and workers with technological tools such as computers or modern devices and machines, or employing labor from outside the country, it is called expatriate labor, which leads to moving away from local employees under the guise or pretext of efficiency in completing work in industrial, agricultural professions or other sectors.

In addition the state's inability to support national work sectors, with the absence of setting strategic development plans that address these sectors and absorbing young people able to work and achieve will make the state and its institutions in constant crises that have an impact on the economic, political and social situation of the country.<sup>6</sup>

Unemployment rate in the world has increased since 1991 until 2023, and still expected to increase during the year 2024; the following figure shows the number of individuals suffering from unemployment during the same period in the world:

**Figure N°1:** Number of unemployed persons worldwide 1991-2024 (in millions).



**Source:** Aaron O'Neill, Number of unemployed persons worldwide 1991-2024, Aug 29, 2023, website: <https://www.statista.com/statistics/266414/unemployed-persons-worldwide/> , 19-09-2023, 11:00:

From the figure above, we notice that between 2019 and 2020, the number of unemployed people worldwide increased from 191.93 million to 235.21 million, the biggest annual increase in unemployment in this provided period. In 2022, the number of people unemployed decreased down to 205.25 million.<sup>7</sup>

## 2- Types Of Unemployment

Beyond voluntary and involuntary, some unemployment types take into account factors such as the strength of the economy, length of joblessness, and workplace changes. Following are eight types of unemployment, including definitions and examples<sup>8</sup>:

### a- Cyclical Unemployment

This term came from the connection between this unemployment and business cycle, which is the periodic fluctuations that occur in the total commercial and economic activity,<sup>9</sup> the term “cyclical unemployment” refers to the variation in the number of unemployed workers during cycles of economic strength and weakness.

### **b- Frictional Unemployment**

Frictional unemployment is the result of people voluntarily leaving their jobs. People who have resigned from their jobs and graduates seeking their first jobs need time to find employment, leaving them unemployed in the interim. Looking for a job, seeking a replacement employee, and finding the right employee for a job take time, but frictional unemployment is not necessarily bad. This type of unemployment usually is short term, and it is present even in a healthy economy as people leave their jobs to seek new opportunities. The economy that emerged from the COVID-19 pandemic saw frictional unemployment, for example, when employers asked employees to return to work in person after they had worked remotely for many months. Many employees who preferred to work from home voluntarily left their jobs in search of roles that better fit their needs.

### **c- Structural Unemployment**

Fundamental changes in the economy and labor markets, such as evolving technology, government policies, and competition, can create structural unemployment. This means that while jobs are available, the people who could fill those roles either do not have the right skills for them or are not in the right location.

### **d- Natural Unemployment**

Natural unemployment is the combination of frictional and structural unemployment. It refers to the lowest unemployment level a healthy economy can sustain without causing inflation.

### **e- Long-Term Unemployment**

The BLS classifies people who have been unemployed for 27 weeks or more and who have actively sought employment in the past four weeks as long-term unemployed. Cyclical and structural unemployment drive long-term unemployment. The 2008 recession, for example, caused a large increase in cyclical unemployment.

### **f- Seasonal Unemployment**

Seasonal jobs are limited to a certain period, sometimes leaving people who work in those jobs without employment after the season ends. Seasonal unemployment is the result of the decreased demand in labor that occurs at each season's end, making the seasonal rate more predictable than other types of unemployment. Seasonal

unemployment often occurs in tourist areas, where attractions often are open only during a certain time of the year.

#### **g- Classical Unemployment**

Classical unemployment, also known as real-wage unemployment, occurs when real wages, or the cost of employing a worker, are too high. This circumstance leaves companies unable to afford all the workers who are available. When real wages are too high, they are greater than the benefit the employer gets from the labor an employee provides.

#### **h- Underemployment**

Underemployment differs from unemployment in that it describes people who are working, but not employed at their full capability. Measuring underemployment shows how effectively the economy is using the labor force's skills, experience, and work availability. The Following are the categories of underemployment:

- **Visible underemployment:** With visible underemployment, employees work part time despite their desire to work more hours.
- **Invisible underemployment:** When individuals who cannot find a job in their chosen field take a job that is not in line with their experience and skills, they represent invisible underemployment.<sup>10</sup>

## **II. The Malaysian Experience in confronting Unemployment**

The Malaysian experience considered one of the largest and leading global experiences in the field of sustainable development, and studying it is of great importance because it presented to the world a contemporary development model that combines modernity and Islam.

### **1- Analysis Of Unemployment And Employment Rates In Malaysia**

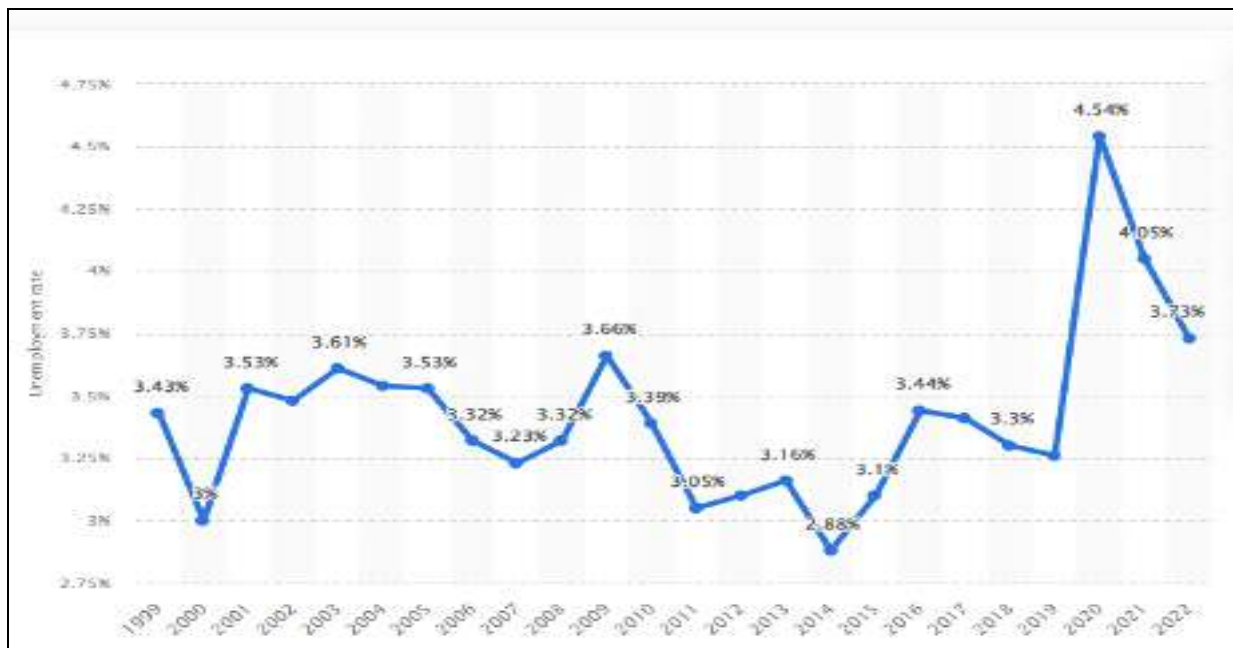
The importance of the Malaysian experience stems from the fact that it combines societal values and economic performance. The basic point from which Malaysia started in the development process is the policy of self-reliance, and thus the revival of the foundations, pillars, and characteristics provided by society first and foremost.<sup>11</sup>

The development strategy adopted by Malaysia in combating unemployment prompts us to be curious to know its details.



In the following Figure, we present the development of unemployment and employment index in Malaysia during the period 1999-2022.

**Figure N°2:**Unemployment rate in Malaysia from 1999 to 2022.



**Source:** Aaron O'Neill, **Malaysia: Unemployment rate from 1999 to 2022**, Aug 17, 2023, website: <https://www.statista.com/statistics/319019/unemployment-rate-in-malaysia/> , Access date: 19-09-2023, 11:00.

From the figure above, we can say that unemployment rate in Malaysia of the year 2022 was at approximately 3.73 percent. Malaysia's unemployment is relatively low and stable at around three percent means the population is experiencing close to full employment. The country reached its lowest level of unemployment in 2014, with a rate of 2.85 percent. Malaysia's vibrant economy considered one of the strongest in South East Asia. Together with years of political stability, it has been supporting such a low unemployment rate and good growth rates each year. Industry has been a strong contributor to GDP and currently provides around 30 percent of employment opportunities.

Even more - about 50 percent - of GDP generated by the services sector. Given the country's strong and growing economy, average GDP per capita is growing at increasing rates as well. However, despite these positive statistics, news reports state

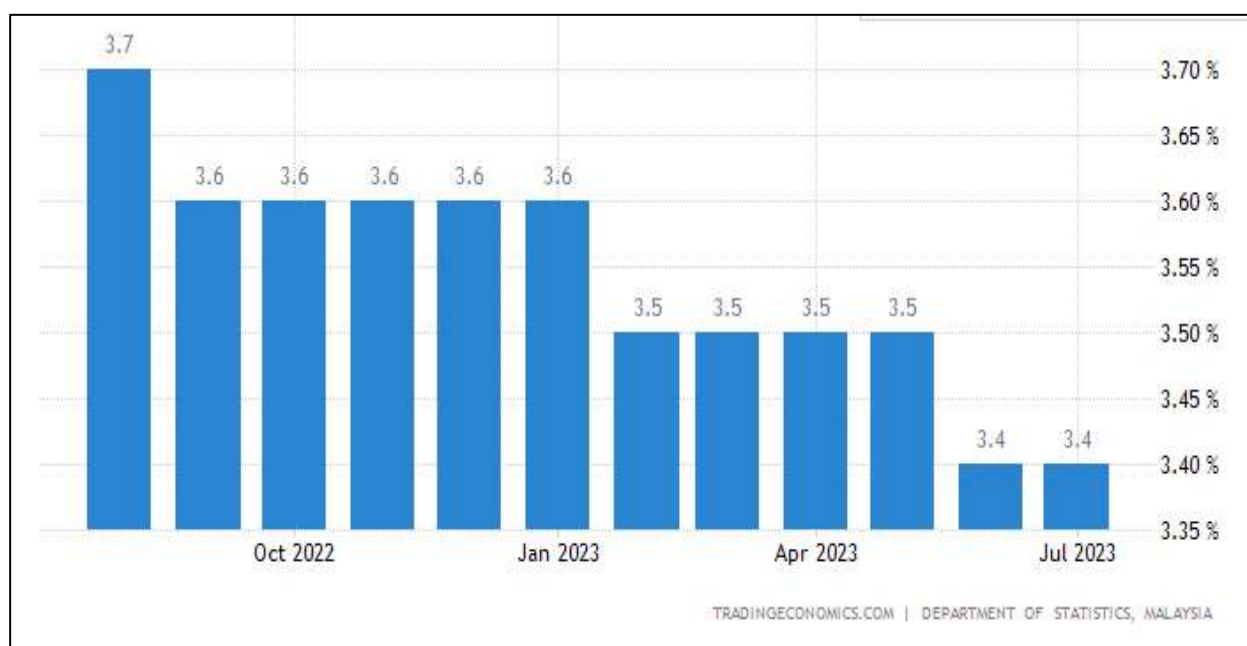


that the number of job seekers and those unemployed – the three percent - are generally young people, both graduates and non-graduates, who have had trouble entering the job market. Because of this, the Malaysian government is encouraging companies to open up employment opportunities specifically to young adults. The favorable economic climate should help. Yet, there have also been some complaints about underemployment and gender discrimination within the country.<sup>12</sup>

We also note that the highest unemployment rate Malaysia witnessed is 4,54 % during the COVID pandemic period, between the end of 2020 and the beginning of 2021, but the country quickly remedied the danger and witnessed a gradual decline since the end of 2022.

In 2023, as shown in the figure N°2, Unemployment rates in Malaysia witnessed a gradual decline until July 2023:

**Figure N°3: Malaysia Unemployment Rate in 2023.**



**Source :** <https://tradingeconomics.com/malaysia/unemployment-rate> , Access date : 19-09-2023, 11 :00 .

The table N °1 summarizes the unemployment situation in Malaysia in July 2023:

**Table N° 1:** Unemployment Situation In Malaysia In The Period 2022- 2023.

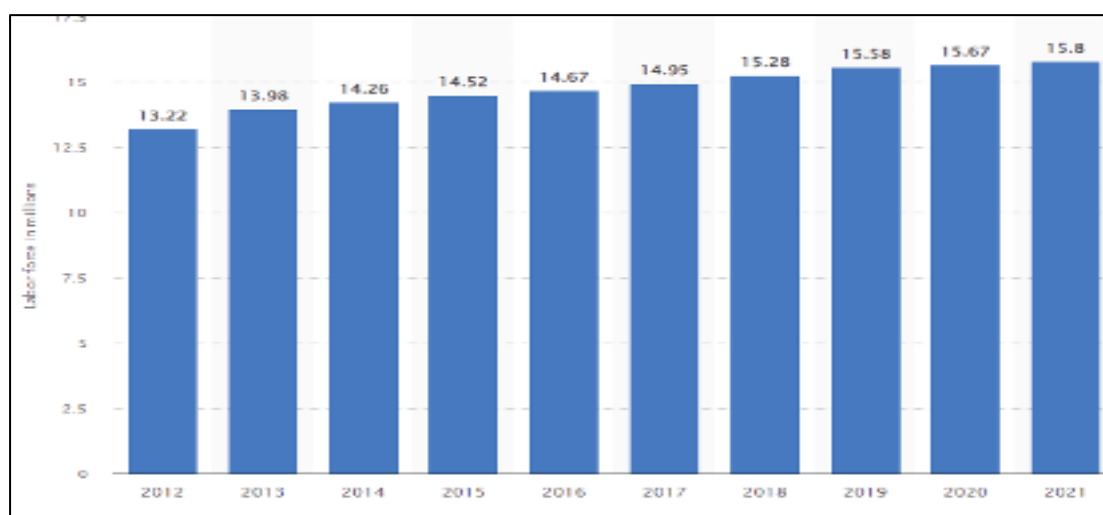
Related	Last	Previous	Unit	Reference
Unemployment Rate	3.40	3.40	Percent	Jul 2023
UnemployedPersons	579.00	582.00	Thousand	Jul 2023
EmployedPersons	16335.00	16307.80	Thousand	Jul 2023
Labor Force Participation Rate	70.10	70.00	Percent	Jul 2023
Population	33.00	32.60	Million	Dec 2022

Source :<https://tradingeconomics.com/malaysia/unemployment-rate> , Access date : 19-09-2023, 11 :00 .

From the table above, the unemployment rate in Malaysia fell to 3.4% in July 2023 from 3.7% in the same month a year earlier. The number of unemployed declined by 6.7% from a year ago to 579.2 thousand, while employment grew 2.2% to 16.34 million. Meanwhile, the labor force participation rate went up to 70.1% from 69.6% in the corresponding month of the prior year. In June, the jobless rate also stood at 3.4%.<sup>13</sup>

Figures 4 and 5 show the development of Malaysian labor force in the period 2012-2023:

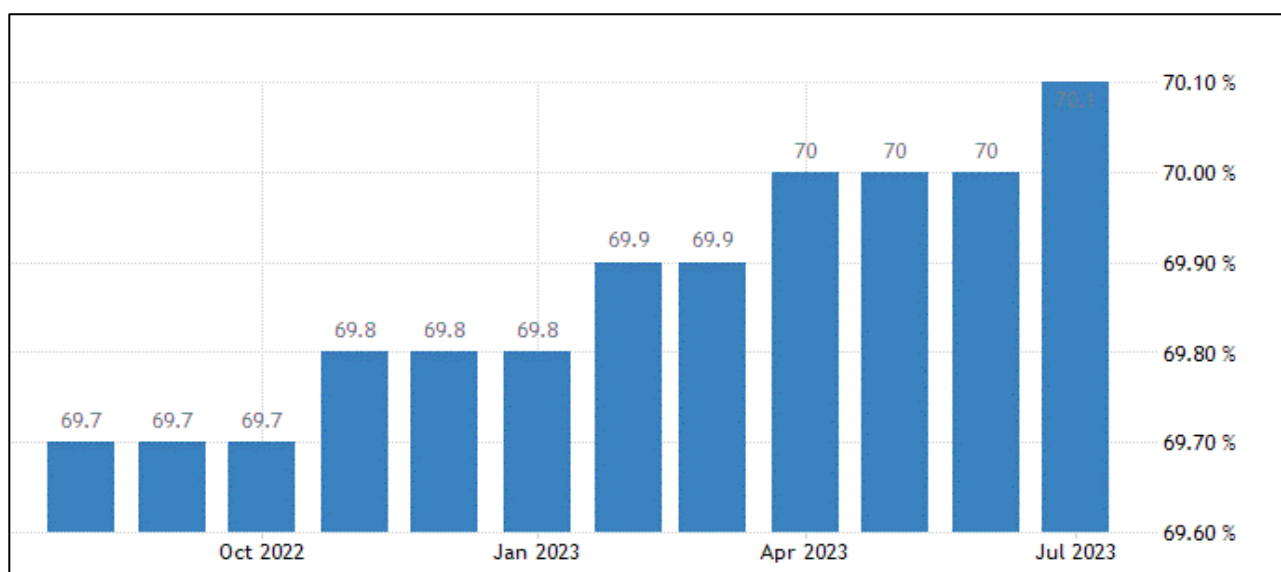
**Figure N° 4:**Labor force In Malaysia from 2012 to 2021 (in millions).



**Source :** Statista Research Department, 09-01-2023 , website: <https://www.statista.com/statistics/621300/labor-force-in-malaysia/> , Access date : 19-09-2023, 11 :00 .

From the figure above, in 2021, the number of people within the Malaysian labor force was approximately 15.8 million. The size of Malaysia's labor force had been increasing in the last ten years. In that year, around 15 million people were in employment in Malaysia.<sup>14</sup> Figure N° 5 shows the rate of contribution of the Malaysian labor force during the period 2022-2023:

**Figure N° 5:**Malaysia Labor Force Participation Rate between 2022 and 2023.



**Source:** <https://tradingeconomics.com/malaysia/labor-force-participation-rate> , Access date : 19-09-2023, 11 :00 .

The Labor Force Participation Rate in Malaysia increased from 69,7% in October 2022, to 70.10 % in July 2023.

Malaysia had focused on the Islamic principle that makes the human being the center and instrument of development activity, and stressed its adherence to moral values, justice and economic equality, with an interest in developing the Muslim majority of the indigenous Malay population, and encouraging them to work in the productive sectors. The thought of the former Prime Minister of Malaysia, "**Mahathir Mohamad**", is the development thought that motivates Malaysia to become a distinguished industrial country on the Asian level, at the very least.<sup>15</sup>

## **2- Lessons Learned In Confronting Unemployment From Malaysian Experience:**

Within a short period of time, Malaysia was able to create a pioneering model for itself in confronting the phenomenon of unemployment and eliminating its negative effects, despite what it suffered from British colonialism, which not only controlled the country's resources, but also changed the social map of this country by expelling the Malays, who are the indigenous people of Malaysia.<sup>16</sup>

This country shares with Algeria its exposure to French colonialism, which negatively affected it socially and economically, so we need to benefit from the strategy followed by Malaysia in combating unemployment through the following strategy:

**a- Social Policies:**

Malaysia has transformed from an agricultural country that relied on the production and export of raw materials, especially tin and rubber, to an advanced industrial country in which the industry and services sector contribute about 90 percent of its gross domestic product, using the following policies<sup>17</sup>:

- **Adopting a development program for the poorest families:** This program provides new opportunities for income-generating work for poor and increases services directed to poor areas with the aim of improving the quality of life, constructing and renovating housing, providing water, electricity and sanitation, etc,
- **Adoption of the AmanatEkhtiar Malaysia Program:** It is a non-governmental program implemented by some national organizations. Its goal is to reduce poverty by increasing incomes of the poorest families by providing interest-free loans to the poor. The government also provides interest-free loans to the program in order to finance their projects in the field of agriculture and small business projects,
- **Adopting a program to reduce social disparities:** Malaysia fought all forms of discrimination and social disparities by establishing a financing program that provides interest-free loans to indigenous people with grace periods of up to four years. The poor can invest part of this money in buying stocks, the government also established a fund to support the poor affected by the Asian currency crisis, it also worked to support medicines consumed by the poor, and

provided the opportunity for the private sector to open health centers and private clinics.

**b- Economic and operational policies:**

In its strategy to combat unemployment, Malaysia has followed a set of economic and operational policies, the most prominent are the following:

- Interest in establishing economic growth areas,
- Following a strategy of self-reliance largely by relying on the indigenous population of the country, who represent the Muslim majority,
- Malaysia's dependence on internal resources to provide the necessary capital for financing investments,
- Growth, modernization, industrialization, and focus on the concept of Malaysia as a partnership, as a business company that combines public and private sectors on the one hand, and a partnership that brings together different races and social groups,
- Orientation towards export and focus on manufacturing electronic components that depend on labor-intensive,
- Providing many job opportunities for young people by establishing major projects, attracting foreign investments, and focusing on industry and agriculture,
- Amending the Malaysian educational curricula to build students and workers able of keeping pace with progress, and giving utmost importance to education, and this is evident in the huge budget allocated to this sector,
- Malaysia has emulated Japan and considered it the best model of values and business ethics to the extent that workers feel shame if they are not proficient in their work,
- Sending student scholarships abroad, especially to Japan, to learn modern technology, and hosting Japanese experts to train Malaysian workers on the latest technological techniques, with the aim of providing distinguished qualified labor cadres for the world of work,
- Linking educational and training system to the labor market, which has contributed to absorbing all available job opportunities. The Ministry of Human

Resources, in cooperation with the Ministry of Manpower, works to identify those wishing to work and inform them of advanced job opportunities,

- Every Malaysian citizen who has graduated from university six months ago has the right to file a complaint at the job centers against institutions that refused to employ him,
- Employment and social inclusion policy for Malays.<sup>18</sup>

### **III. CONCLUSION**

Through the study, we concluded that the Malaysian experience could be emulated in combating unemployment phenomenon; Malaysia has succeeded in providing job positions through its social and economic strategies, Malaysia cared for people from poor class in society to improve their living conditions, then providing job for them, as well as its reliance on development programs. It relies on interest-free lending in order to encourage implementation of projects. Malaysia also relied in its strategy on the local market, reducing imports and focusing on exports. The Japanese model was a role model for Malaysians in their work and advancement of their country, and this experience can benefited in Algeria, which suffers from high levels of unemployment despite the presence of youth labor force, by trying to implement the successful Malaysian strategy in combating unemployment.

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<sup>17</sup> Opcit, pp162-163.

<sup>18</sup> Opcit, pp163-164.

***Thank You for Your Kind Attention!***