

УДК 330.35:331.56(595)

Cayhi Sutera, student of the International Medical Institute, Kursk State Medical University, Kursk, Russia.

e-mail: cayhisutera@gmail.com

Science tutor: Vlasova Olga Vladimirovna, head of Economics and Management department of Kursk State Medical University

THE RELATIONSHIP BETWEEN ECONOMIC GROWTH AND UNEMPLOYMENT IN MALAYSIA

Abstract: this article examines the accurate relationship between economic growth and unemployment in Malaysia over the past three decades. The analysis reveals that how much unemployment rate influences on economic growth. The outcome emphasizes how crucial it is to keep unemployment low and promote sustainable economic growth by put certain measures in place to stop unemployment from rising.

Keywords: economic growth, unemployment, Malaysia.

Кайхи Сутера, студентка Международного медицинского института, Курский государственный медицинский университет, Курск, Россия.
электронная почта: cayhisutera@gmail.com

Научный руководитель: Власова Ольга Владимировна, и.о.заведующего кафедрой экономики и менеджмента ФГБОУ ВО «Курский государственный медицинский университет»

ВЗАИМОСВЯЗЬ МЕЖДУ ЭКОНОМИЧЕСКИМ РОСТОМ И БЕЗРАБОТИЦЕЙ В МАЛАЙЗИИ

Аннотация: в статье рассматривается взаимосвязь между экономическим ростом и безработицей в Малайзии за последние три десятилетия. Анализ показывает, насколько сильно уровень безработицы влияет на экономический рост. В результате подчеркивается, насколько важно поддерживать низкий уровень безработицы и способствовать устойчивому экономическому росту путем принятия определенных мер, чтобы остановить рост безработицы.

Ключевые слова: экономический рост, безработица, Малайзия

The relationship between economic growth and unemployment is a vital topic to be discussed in economic, and in Malaysia, this connection has changed significantly over the years due to a range of economic policies and external influences. Understanding this dynamic is crucial for those who want to create more job opportunities while improving economic growth.

This article aims to explore how economic growth affects unemployment rates in Malaysia and the specific challenge that have been face through the past thirty years by examining current data. A country is said to have sustainable growth if the unemployment rate is low. On the other hand, if the unemployment rate is high, it means that there is a waste of human resources. The problem of unemployment continues to be one of the most important economic problems addressed in the labour market. The causes of unemployment are varied and complex. For some individuals, unemployment only occurs in a short period of time which it is a natural process for individuals who move from one job to another or move from school to the job market which also called as frictional unemployment. For some other individuals think that unemployment that takes several months is possible due to difficulty finding a job or called as cyclical unemployment. In fact, the unemployment rate is an indicator which is important to the performance of the economic cycle. In economics, Okun's law is an empirically observed relationship between unemployment and losses in a country's production. It is named after Arthur Melvin Okun, who first proposed the relationship in 1962. Okun's Law states that if the actual rate of unemployment is

higher than the natural rate of unemployment by 1% it means that the actual GDP lags from the potential GDP by 2.5% [3,6].



Figure 1 – Unemployment rate in Malaysia from 1992 until 2022 [1]

Malaysia has experienced substantial economic growth since its independence in 31st of August 1957. Initially reliant on agriculture and primary commodities like rubber and tin, the country transitioned to a more diversified economy driven by manufacturing and services. The government's proactive industrialization policies during the 1980s laid the groundwork for rapid economic expansion [7].

Based on Figure 1, from the 1990s through the early 2000s, Malaysia's economy grew rapidly due to globalization and increased exports and the low rate of unemployment rate. However, the crisis that came with the Asian Financial Crisis in 1997-1998 presented some serious obstacles that led to a short-term increase in unemployment. In response, the government has formulated several policies that focus on economic stabilization and recovery and today Malaysia still on the low list of unemployment rate [1].

According to the World Bank, Malaysia's GDP grew by roughly 3.7% in 2023. The country's robust recovery from the pandemic shock is supported by both foreign investment and strong domestic demand, with FDI reaching RM 17.1 billion in Q4 of 2023 as consumer and business mood improved. The Malaysian government has also

concerted efforts on its post-COVID-19 recovery plan through the improvement of its digital economy and sectors on green technology [4,5].

In Malaysia, the rate of unemployment has remained quite low compared to global standards. In the year 2023, it was approximately 3.86%. While there is still high national unemployment in general, the rate of unemployment among the youth is high, among the factors are the mismatches between the skills they have been studied and the actual skills that demanded by the job. As reported, in the recent years it reached up to about 10% [2].

What is even interesting is the fact that the unemployment rates are pretty disparate among different demographic groups. The overall might be low, but significant segments-such as the latest graduates-have high unemployment due to a mismatch in their skills and market requirements. The mismatch is worsened by rapid advancements being made in technology that require new skills.

Okun's Law states that there is a correlation between economic growth and unemployment rates, indicating that GDP increase is usually accompanied by a decline in unemployment. In Malaysia, this association seems to be true, but structural problems in the labor market make it more difficult. While economic growth reduces general unemployment, it cannot guarantee employment for any section of the population. As indicated earlier, throughout history, there has been a rule of thumb that a 0.5% decline in unemployment equated to a 1% rise in GDP above potential output. The unemployment of youth is still a cause of great concern because many youngsters who are qualified are unable to find jobs that satisfy them due to their talents failing to meet market demands. The Malaysian government, to this end, has instituted the bridging of this gap with policies such as the "National Employment Policy," which tries to make the matching better and provide relevant training. The COVID-19 pandemic further exacerbated these labour market issues, as more businesses folded, thus increasing unemployment. Reviving the impacted industries and coordinating the creation of new ones might be important in such mitigation. jobs with emerging economic trends are the main goals of recovery initiatives [3].

Many current factors stand in the way of regularizing the economy of the country, such as when workers' skills cannot meet job requirements, there is structural unemployment. Therefore, the industry and institutions of education should come up with ways in which curricula can meet the demands of the market. Legalizing Malaysia's large workforce, who are currently informal workers earning without benefits and no job security, can help labor market stability. The labor market of Malaysia has to accommodate the changing demographics of its maturing population without losing high levels of productivity. Because workers must continually update their skills to stay competitive in a time of rapid technological progress, legislators should promote lifelong learning programs that assist individuals in developing their talents throughout their careers. Besides, economic development is uneven in Malaysia; specific policies to attract investment are much required for the underdeveloped areas, as metropolitan areas gain more than the rural. A series of critical policy recommendations can be put into place to meet these challenges in employment and to maximize the fruits of economic growth for Malaysians. The strengthening of the linkage between institutions of higher learning and industries will ensure that graduates have relevant employable skills. Access to finance for entrepreneurship may incentivize innovation and new job creation. Ongoing training programs will also help current employees and young job seekers alike to adapt to the developments attained by technology. The movement from informal into formal employment status will also reduce precariousness, apart from enhancing fiscal receipts. Coordinating national policies with SDGs will ensure growth that is inclusive and environmentally sustainable economic growth; investments targeted at developing regions will promote balanced growth [2].

References

1. Macrotrends. (2024). Unemployment rate in Malaysia from 1991 to 2023. Retrieved from <https://www.macrotrends.net/global-metrics/countries/MYS/malaysia/unemployment->

2. Yen Vun Fung & Janice L.H Nga (2023). Economic Growth and Youth Unemployment in Malaysia: An Analysis of Labor Market Dynamics.
3. Okun's Law (Wikipedia) https://en.wikipedia.org/wiki/Okun's_law
4. Ministry of Finance Malaysia (2024). Economic Growth Normalised: Supported By Recovery In Economic Activities And Labour Market Conditions.
5. World Bank (2024). Overview: Development news, research data | World Bank - Malaysia. <https://www.worldbank.org/en/country/malaysia/overview>
6. Youth Unemployment in Malaysia and The Region <https://www.isis.org.my/2020/01/10/youth-unemployment-in-malaysia-the-region/>
7. Economic History of Malaysia https://en.wikipedia.org/wiki/Economic_history_of_Malaysia