

Measures of Labour Underutilisation

WHAT IS LABOUR UNDERUTILISATION ?

Labour underutilisation refers to the inefficient use of the workforce, including the unemployed, underemployed and those who are available but not actively engaged in work

COMPONENT OF LABOUR UNDERUTILISATION

Time Related Underemployment

All persons in employment who, during a reference period, wanted to work additional hours, whose working time in all jobs was less than a specified hours threshold, and who were available to work additional hours given an opportunity for more work.

Unemployment

All those of working age who were not in employment, carried out activities to seek employment during a specified recent period and were currently available to take up employment given a job opportunity.

Potential Labour Force

Persons not in employment who express an interest in this form of work but for whom existing conditions limit their active job search and/or their availability.

LABOUR UNDERUTILISATION FRAME WORK

Working Age Population

Labour Force

Outside Labour Force

Employed

Unemployed

- Seeking & Available to work

Potential Labour force

- Seeking, not available
- Available, not seeking
- Not seeking nor available but wanting to work

Other Outside Labour Force

Time Related Underemployment

Source: International Labour Organization, (ILO)



INDICATORS OF LABOUR UNDERUTILISATION

LU 1 Unemployment rate

$$LU1 = \frac{\text{Unemployment}}{\text{Labour Force}} \times 100$$

LU 2 Combined rate of time-related underemployment and unemployment

$$LU2 = \frac{\text{Time-related underemployment} + \text{Unemployment}}{\text{Labour Force}} \times 100$$

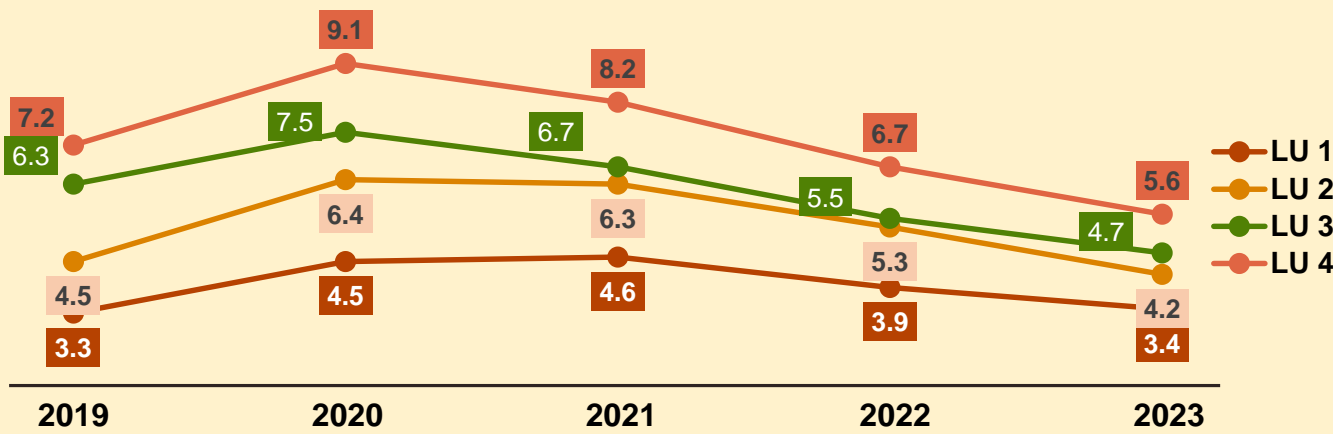
LU 3 Combined rate of unemployment and potential labour force

$$LU3 = \frac{\text{Unemployment} + \text{Potential Labour Force}}{\text{Labour Force} + \text{Potential Labour Force}} \times 100$$

LU 4 Composite Measure of Labour Underutilisation

$$LU4 = \frac{\text{Time-related underemployment} + \text{Unemployment} + \text{Potential Labour Force}}{\text{Labour Force} + \text{Potential Labour Force}} \times 100$$

Labour Underutilisation, 15-64 years, Malaysia, 2019-2023



Source: Labour Market Review, Q4 2024

The findings derived from Malaysia's labour underutilisation indicators underscore persistent challenges in maximising workforce potential. While the unemployment rate (LU1) has traditionally served as the primary benchmark for assessing labour market performance, it does not adequately capture the complexities faced by workers, such as underemployment, unmet employment needs, and barriers to workforce entry. Expanding the analytical framework to include LU2, LU3, and LU4 provides a more comprehensive and nuanced perspective on the inefficiencies within Malaysia's labour market. This approach facilitates the development of targeted strategies to address these issues effectively. Thus, these findings can be used as preliminary measures of labour underutilisation in Malaysia

