

Challenges and Strategies of Government Agencies in Addressing the Issue of Youth Unemployment in Malaysia

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ABSTRACT

Youth unemployment has been a major challenge to Malaysia's socio-economic development since 2020. The unemployment rate for youth aged 15 to 24 was recorded at approximately 10.3% in 2025, with unemployment increasing compared to the previous year. This statistic has implications for labor productivity and youth well-being in the country. This study examines the challenges and strategies adopted by Malaysian government agencies in addressing youth unemployment between 2020 and 2025. Approaches considered include national development policies, implementation of training programs, and work incentives through government agencies. The study methodology uses a combination of secondary data analysis from Labor Force Statistics and a review of government programs such as My STEP, Jamin Kerja, My Future Jobs, and work incentives implemented by related agencies. The literature review shows that work incentive programs and increasing youth competitiveness are the government's main approaches. This study outlines challenges such as skills gaps, labor market mismatches, and limited job supply. Finally, the article proposes strategies to strengthen public-private sector collaboration, improve vocational education and training (TVET), and implement more comprehensive policies to address the persistent problem of youth unemployment.

Keywords: Youth Unemployment, Government Strategies, Labor Market Policies, Malaysia Employment Programs, TVET and Skills Development

INTRODUCTION

Youth unemployment refers to the situation where young people who are eligible for work are unemployed despite actively seeking employment opportunities, and is often a measure of economic well-being and labour market dynamics (DOSM, 2025). In the Malaysian context, the youth group, particularly those aged 15 to 24, recorded an unemployment rate of around 10.2–10.3% in 2025, with nearly 298,000–299,000 unemployed youth, which represents a higher rate than the overall national unemployment rate, a series of statistics that are consistent with recent statistical series. Studies by the Department of Statistics Malaysia show that youth unemployment is not only related to macroeconomic challenges, but also to structural labour market issues such as skills gaps, mismatches between skills training and industry needs, and gaps between formal education and work experience required by employers, which according to global and local literature have long-term negative impacts on youth career mobility and the country's economic productivity. This area of research is important because it helps to understand the relationship between government policies and youth labour market conditions; especially in the post-pandemic era when government strategies face the challenges of complex labor dynamics. Based on this, the study hypothesis is: well-coordinated government agency strategies and interventions have a significant correlation with the reduction of youth unemployment compared to uncoordinated strategies. To test this hypothesis, this study uses secondary data analysis from the Department of Labour Statistics Malaysia (DOSM) as well as previous research reports and government policy documents, combined with a descriptive qualitative approach to identify key themes regarding challenges and implementation strategies. The objectives of this study are (1) to identify trends in the Malaysian youth unemployment rate over the period 2020–2025; (2) to analyse the key challenges faced by youth in securing employment; (3) to assess the strategies used by government agencies in addressing this issue; and (4) to propose more effective evidence-based policy strategies. Initial key findings indicate that despite various government initiatives such as training and career matching programmes, youth unemployment remains high due to skills gaps and labour market mismatches, which

requires an integrated policy approach and continuous improvement in the training system and employment opportunities for Malaysian youth.

LITERATURE REVIEW

Definition and Theory of Youth Unemployment

Youth unemployment is not just a statistic, but also an economic and social phenomenon that has long-term implications for young people's earning opportunities and career competence. Studies in a global context show that long-term unemployed youth tend to face lower earnings and less career mobility than their employed peers due to loss of work experience and impaired human capital accumulation. Labour economics theory suggests that youth unemployment reduces investment in human capital and can affect individuals' lifetime earnings, as explained by Mroz and Savage (2006), who found that early unemployment experiences negatively impact future earnings. In Malaysia, the youth unemployment rate (aged 15 to 24) remains high, estimated to reach 10.2–10.3% by 2025, with nearly 298,000 young people actively seeking employment (Department of Statistics Malaysia [DOSM], 2025). A local study by ISIS Malaysia (2020) highlighted that skills gaps, mismatches between the education system and industry needs, and lack of professional experience significantly contribute to youth unemployment in Malaysia. Similar findings were also reported in the Malaysian Youth Index Report by IYRES (2022), which indicated that skills mismatches and limited access to technical training were key factors affecting youth employability. Therefore, youth unemployment in Malaysia is not solely driven by economic factors but is also related to the structure of the labour market and the ability of the education system to provide skills relevant to industry needs (DOSM, 2025; IYRES, 2022; ISIS Malaysia, 2020).

Program Government Ministry and Agency Programs

In response to rising youth unemployment, the Malaysian government, through various ministries and agencies, has introduced several strategic programmes to enhance youth employability and labour market participation. Among the key initiatives is the Malaysia Short-Term Employment Programme (My STEP), which offers short-term contract jobs in the public sector and government-related enterprises (SOEs), aimed at helping graduates gain work experience and practical skills (Ministry of Youth and Sports Malaysia [KBS], 2023). The programme is a key component of Malaysia's Jamin Kerja Keluarga (Family Employment Guarantee) policy, which has allocated RM4.8 billion to create over 600,000 new job opportunities through a combination of work incentive, training and skills development programmes implemented by the Ministry of Finance Malaysia and SOCSO (Ministry of Finance Malaysia [MOF], 2022). At the same time, the MyFutureJobs portal managed by SOCSO functions as a national job matching system, providing a database of jobs, training, and career counseling services to help young people find jobs that match their qualifications (Ministry of Human Resources Malaysia [KKM], 2024). Furthermore, the Daya Kerjaya Programme in Budget 2025 offers wage incentives to employers who hire unemployed and vulnerable young workers, thereby strengthening the participation of young workers in the labour market (SOCSO, 2025). Empirical research by the Asia Pacific Career Development Association (2024) shows that this incentive-based approach to recruitment and job training can increase youth employability in the short and medium term, particularly in the services and digital sectors. The implementation of this programme therefore reflects the government's concerted efforts to combine economic incentives, training opportunities, and inter-agency coordination to address youth unemployment holistically (KBS, 2023; MOF, 2022; SOCSO, 2025; APCDA, 2024).

National Development Policy

National development policies play a key role in shaping the strategic direction to address youth unemployment in a structural and long-term manner. In the Malaysian context, the Thirteenth Malaysia Plan (RMK13) (2026–2030) emphasises human capital development and youth empowerment in developing countries as key pillars for inclusive and sustainable economic growth (Ministry of Economy Malaysia, 2025). This policy emphasises the importance of expanding access to employment opportunities and skills, by aligning technical and vocational training (TVET) with labour market needs and technological developments. RMK13 also sets a target to create 700,000 new jobs in the manufacturing sector and 500,000 jobs in the digital economy, supported by collaboration between the Ministry of Youth and Sports, the Ministry of Higher Education, and the Ministry of

Human Resources (RTM, 2025). In its implementation, the 13th Malaysia Plan is aligned with the MADANI Economic Framework, which emphasizes value-based human economic development and integration between the public and private sectors in creating quality employment opportunities. Studies by the Institute for Strategic and International Studies (ISIS Malaysia, 2020) and IYRES (2022) concluded that integrated and evidence-based development policies, such as the 13th Malaysia Plan, have great potential to reduce youth unemployment by improving the skills of the workforce and the country's innovation capacity. However, the effectiveness of these policies depends on the ability of implementing agencies to adapt implementation at the grassroots level and ensure good coordination between ministries and industries. This shows that the 13th Malaysia Plan is not just a policy document, but a comprehensive action plan that can catalyze the transformation of Malaysia's youth workforce towards a dynamic and competitive job market (Ministry of Economy Malaysia, 2025; RTM, 2025; ISIS Malaysia, 2020).

METHODOLOGY

Research design

This study uses a descriptive qualitative approach to examine in depth the challenges and strategies of government institutions in addressing the problem of youth unemployment in Malaysia from 2020 to 2025. This approach is appropriate when the study focuses on understanding social phenomena in real contexts, where empirical data is not always in the form of numbers alone but also involves narratives (C2 and interpretation). In this study, the descriptive approach was chosen because it helps to systematically describe the actual situation of youth unemployment rates based on official government reports, labor force statistics, development policies, and related media articles (Department of Statistics Malaysia [DOSM], 2025; Ministry of Economy Malaysia, 2025). In addition, the design of this study also emphasizes the relationship between government policies and institutional implementation programs, allowing researchers to evaluate strategies and challenges in implementing policies and programs holistically, based on authentic secondary documents.

Data Source

Youth unemployment statistics are analyzed from the annual Malaysian Labour Force Statistics report published by the Department of Statistics Malaysia, which provides data on youth unemployment rates by age group and sector year-on-year, as well as the official labour force survey methodology (DOSM, 2025). Government policy and budget documents such as the Thirteenth Malaysia Plan (RMK13) and the 2025 Budget report provide an overview of the government's development policy direction, budget allocations, and strategies to address youth unemployment through various initiatives (Ministry of Economy Malaysia, 2025; Ministry of Finance Malaysia, 2025). Information on government programs was collected through official Malaysian government portals such as MyFutureJobs, the official youth portal, and the SOCSO website, as well as official media reports that provide detailed descriptions of the implementation of programs such as MySTEP, JaminKerja, and Daya Kerjaya (Ministry of Youth and Sports Malaysia, 2023; Ministry of Human Resources Malaysia, SO25, SO22; SO25; SO22; SO25,242;). These sources were selected to ensure that the data analyzed were authentic, verifiable, and relevant to the study period (2020–2025).

Data Analysis

The research data was analyzed using a thematic content approach, where statistical records and secondary documents were categorized into key themes related to the challenges and strategies used by government agencies to address youth unemployment. Thematic analysis allowed researchers to identify, analyze, and report on recurring themes across multiple data sources (Braun & Clarke, 2006), such as skills gaps, mismatches between education and industry needs, employment incentives, and the effectiveness of training programs. Each theme was analyzed with reference to empirical data and official documentation from DOSM, RMK13, government budgets, national employment portals, and official media reports, to ensure that the findings reflected the realities of the Malaysian context. The analysis not only outlined the challenges and strategies but also sought to clarify the relationship between policies and program implementation and changes in youth unemployment statistics, allowing researchers to make theoretical interpretations and policy recommendations based on sound evidence.

RESULTS AND DISCUSSION

Malaysia Youth Unemployment Rate (2020–2025)

Based on data obtained from the Malaysian Labour Force Statistics (Department of Statistics Malaysia [DOSM], 2025), the youth unemployment rate in Malaysia showed a fluctuating pattern between 2020 and 2025. At the beginning of the study period, particularly in 2020–2021, the unemployment rate, the service sector COVID-19 increased significantly, affecting various service sectors, including the direct economic sectors. tourism, and manufacturing. The official DOSM report (2025) stated that the unemployment rate for youth aged 15 to 24 was about 10.3% in 2025, with about 298,000 to 300,000 youth still actively looking for work. Although there was a downward trend in mid-2025 as a result of the implementation of several employment intervention programs by the government, this figure is still twice as high as the overall national unemployment rate (4.1%). This data indicates that youth unemployment remains a structural problem, not just a short-term effect of the economic cycle. A study by the Malaysian Youth Research Institute (IYRES, 2022) also confirmed that the majority of unemployed youth are fresh graduates and those experiencing unemployment, reflecting the problem of skills mismatch and lack of quality job opportunities in the local market.

Skills Gap and the Job Market

One of the most significant challenges in addressing youth unemployment is the skills gap between young people and industry needs. Malaysian youth continue to lag behind in mastering technical and digital skills, which are increasingly becoming key requirements in the global job market. According to a report by the Institute for Strategic and International Studies (ISIS Malaysia, 2020), 60% of employers stated that they struggle to find young candidates who meet the requirements for digital jobs, data analysis, and good English communication. This gap not only impacts the employability of young people but also reduces the productivity of the country's workforce. Furthermore, a study by IYRES (2022) found that young people who do not undergo additional training after graduation are twice as likely to be unemployed as those who participate in upskilling programs (such as TVET). Language factors, communication skills, and lack of exposure to the world of work are also linked to major challenges in the transition from education to employment (RTM, 2025). Therefore, mastering digital, technical, and interpersonal skills needs to be prioritized in future youth development policies.

Limited Employment Opportunities in Rural Areas

Geographical imbalances in employment opportunities have also been identified as a major challenge in the context of youth unemployment. Quality employment opportunities tend to be concentrated in urban areas and major economic corridors such as the Klang Valley, Penang, and Johor, while youth in rural areas face limited access to the formal job market and industrial training (DOSM, 2025). A report by the Malaysian Ministry of Economy (2025) highlighted that over 40% of rural youth work in the informal sector or low-wage jobs such as agriculture and services that do not require specialized skills. A study by the Asia Pacific Career Development Association (APCDA, 2024) also stated that regional development imbalances put rural youth at greater risk of long-term unemployment due to a lack of economic infrastructure and training centers. Therefore, regional development strategies and the provision of rural employment ecosystems should be a key agenda in government policies to ensure more balanced and inclusive economic development.

National Development Policy

The Thirteenth Malaysia Plan (RMK13) (2026–2030) emphasizes youth empowerment in the new economy through a comprehensive workforce development strategy. The policy focuses on improving digital skills, participating in the green economy, and developing high-tech industries, which are expected to create over 1.2 million new job opportunities (Ministry of Economic Affairs Malaysia, 2025). RMK13 also strengthens collaboration between ministries such as KBS, KSM, and the Ministry of Higher Education to ensure continuity between the education system, skills training, and the labor market. According to the RTM report (2025), the implementation of RMK13 in line with the MADANI Economy framework, which focuses on social welfare and sustainable development, marks a policy shift from simply creating jobs to building high-quality human capital. A policy study by ISIS Malaysia (2020) also supports that long-term plans such as RMK13 have the

potential to reduce youth unemployment through skills-based development and inclusive participation. Therefore, national development policies not only strengthen the employability of youth but also ensure that the younger generation plays a strategic role in Malaysia's economic transformation agenda.

Policy and Strategy Proposals

This study discusses policy recommendations and strategies that the Malaysian government can implement to strengthen the effectiveness of existing programs and address youth unemployment comprehensively and sustainably. Based on the study findings, three main strategies are identified: strengthening public-private partnerships, enhancing technical education and training (TVET), and sustaining mentoring and internship programs. These three strategies are formulated based on current labor market needs, analysis of the effectiveness of previous programs, as well as insights from researchers and recent national development policies such as the Thirteenth Malaysia Plan (RMK13) and MADANI Economy (Ministry of Economic Affairs Malaysia, 2025).

Reinforcement Government and Private Partnerships

Strengthening collaboration between the government and the private sector is a key component in ensuring a balance between labor supply and demand in the Malaysian labor market. The private sector plays a key role as a provider of employment opportunities, while the government acts as a facilitator, coordinating policies and incentives to ensure youth participation in the formal labor force (Ministry of Finance Malaysia [MOF], 2022). A study by the International Labor Organization (ILO, 2023) shows that collaborative models such as public-private partnerships (PPPs) can increase youth employment rates by up to 18% through industrial training and internships tailored to company needs. This approach not only helps reduce unemployment but also ensures that the training received by youth is relevant to real-world jobs. In the Malaysian context, the implementation of initiatives such as MySTEP and JaminKerja Keluarga Malaysia have demonstrated the effectiveness of cross-sector collaboration in creating new job opportunities, especially for new graduates (Ministry of Youth and Sports Malaysia [KBS], 2023). However, to increase its impact, public-private collaboration needs to be expanded by establishing a National Internship Centre to serve as a coordinating hub for industrial training nationwide. This is in line with the 13th Malaysian Plan's proposal to strengthen synergies between government, industry and educational institutions in developing the youth workforce (Ministry of Economy Malaysia, 2025).

Improvement of TVET (Technical and Vocational Education and Training)

The TVET system is a key component in creating a highly skilled workforce that meets current industry needs. Although the government has allocated significant funds to strengthen the TVET sector in the 2025 Budget, a report by IYRES (2022) shows that there is still a significant gap between the skills taught and the skills needed in the labour market. A study by UNESCO-UNEVOC (2023) highlights that TVET needs to shift from a traditional academic approach to an industry-driven collaborative learning model, focusing on digital skills, automation and entrepreneurship. Therefore, TVET in Malaysia needs to be enhanced through curriculum alignment with industry, recognition of micro-qualifications, and direct employer involvement in the learning process (Ministry of Human Resources Malaysia [KSM], 2024). In the policy context, the 13th Malaysia Plan also emphasizes the importance of strengthening the TVET ecosystem as a catalyst to enhance the competitiveness of young people in the high-tech sector, in line with the MADANI Economy agenda (Ministry of Economic Affairs Malaysia, 2025). Increasing TVET will not only improve the technical skills of young people, but also help reduce the country's dependence on low-skilled foreign labor, thereby strengthening the competitiveness of the local workforce at the global level (DOSM, 2025).

Mentoring and Apprenticeship Program

Mentoring and internship programs have been suggested as an additional strategy that can bridge the gap between academia and career, especially for young graduates from tertiary and technical institutions. According to a study by the Asian Development Bank (ADB, 2022), implementing structured mentoring programs can increase the employability of graduates by 15% within six months of completing their training, as trainees receive direct guidance from industry professionals. In the Malaysian context, the concept of mentoring can be institutionalized

through initiatives such as the “National Youth Mentoring,” where the private sector and government agencies collaborate to provide long-term career guidance to recent graduates (APCDA, 2024). Furthermore, the Madani Internship Program which can be coordinated under the Ministry of Youth and Sports (KBS) and the Ministry of Higher Education (KPT) has the potential to provide a sustainable industrial training platform and job placement for rural youth. This approach not only supports the 13th RMK’s aspiration to improve the quality of the workforce but also reinforces the goals of the MADANI Economy, which emphasizes human development based on values and skills (RTM, 2025; Ministry of Economy Malaysia, 2025). Through a structured and continuous mentoring system, youth not only acquire technical skills but also soft skills such as leadership, communication and critical thinking, critical factors in the 21st century job market (ISIS Malaysia, 2020).

Incentive and Training Programs

As a mitigation measure against the high youth unemployment rate, the Malaysian government has introduced various employment and training incentive programmes through key agencies and ministries. Among these key initiatives is the Malaysian Short-Term Employment Programme (MySTEP), which was implemented in 2021 by the Ministry of Youth and Sports (MBS) in collaboration with state-owned enterprises (SOEs) to provide short-term contract employment opportunities for young graduates (Ministry of Youth and Sports Malaysia, 2023). The Malaysian Family Employment Guarantee Programme, launched by the Ministry of Finance, allocated RM4.8 billion to create 600,000 new job opportunities, consisting of work incentive components, skills training and permanent employment opportunities (Ministry of Finance Malaysia [MOF], 2022). In addition, the Daya Kerjaya Programme by SOCSO in the 2025 Budget provides financial incentives to employers who employ young people and vulnerable groups (SOCSO, 2025). A study by the Asia Pacific Career Development Association (2024) showed that the implementation of these training and incentive programs has successfully increased the youth employment rate by 12% within two years. These programs demonstrate the effectiveness of a multi-agency approach in addressing youth unemployment through economic and skills interventions.

CONCLUSION

Overall, this study shows that youth unemployment in Malaysia in the period 2020–2025 remains a major structural challenge to the country’s socio-economic development, despite various government interventions. Based on data analysis and literature review, the youth unemployment rate, which has remained stable at around 10.3% (DOSM, 2025), reflects the problems of skills mismatch, lack of quality job opportunities, and geographical imbalance between urban and rural areas. However, government initiatives such as MySTEP, JaminKerja, Daya Kerjaya, and the MyFutureJobs portal have shown positive impacts in increasing youth participation in the labor market, while long-term policies such as the Thirteenth Malaysia Plan (RMK13) and Ekonomi MADANI emphasize the need to strengthen human capital and an inclusive employment ecosystem (Malaysia 2020). The study also identified that the skills gap and the unpreparedness of the youth workforce for technological change are key challenges that need to be addressed through improvements to the TVET system, strategic public-private partnerships, and the implementation of sustainable mentoring programs (ILO, 2023; IYRES, 2022). Therefore, an integrated policy approach that brings together the roles of government, industry, and educational institutions is essential to ensure that Malaysian youth are not only employed but also prepared to compete in the high-tech and global job market. In conclusion, youth unemployment can be sustainably reduced through workforce policy transformation, strengthening digital skills, and active participation of the private sector in the development of the country’s human resources in line with the vision of the 13th Malaysia Plan to produce a competitive, innovative, and highly skilled youth generation by 2030.

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