

KNOWLEDGE & RESEARCH



WORLD BANK GROUP
Global Knowledge & Research Hub
in Malaysia

SOCIAL PROTECTION AND JOBS

SEPTEMBER 2019

THE MALAYSIA DEVELOPMENT EXPERIENCE SERIES

Breaking Barriers

Toward Better Economic Opportunities
for Women in Malaysia



Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

CONNECT WITH US



wbg.org/Malaysia



[@WorldBankMalaysia](https://www.facebook.com/WorldBankMalaysia)



[@WB_AsiaPacific](https://twitter.com/WB_AsiaPacific)



http://bit.ly/WB_blogsMY

KNOWLEDGE & RESEARCH

SEPTEMBER 2019

THE MALAYSIA DEVELOPMENT EXPERIENCE SERIES

Breaking Barriers

Toward Better Economic Opportunities
for Women in Malaysia



WORLD BANK GROUP
Global Knowledge & Research Hub
in Malaysia

SOCIAL PROTECTION AND JOBS

About KNOWLEDGE & RESEARCH

The World Bank Group's current partnership with Malaysia is focused on knowledge sharing. It is centered on support for Malaysia's vision to join the ranks of high-income and developed economies through inclusive and sustainable growth, and to share its lessons with developing countries.

In March 2016, the World Bank Group officially launched its Global Knowledge and Research Hub (the Hub) in Malaysia. The Hub is the first of its kind, serving both as a field presence in Malaysia and as a global knowledge and research hub. It focuses on sharing Malaysia's people-centered development expertise and creating new innovative policy research on local, regional, and global issues.

Knowledge & Research reports are flagship work emanating from the teams based in the Malaysia Hub.

The Malaysia Development Experience Series captures key lessons from Malaysia relevant for emerging economies in Asia, Africa, and elsewhere that are transitioning out of poverty and into shared prosperity.

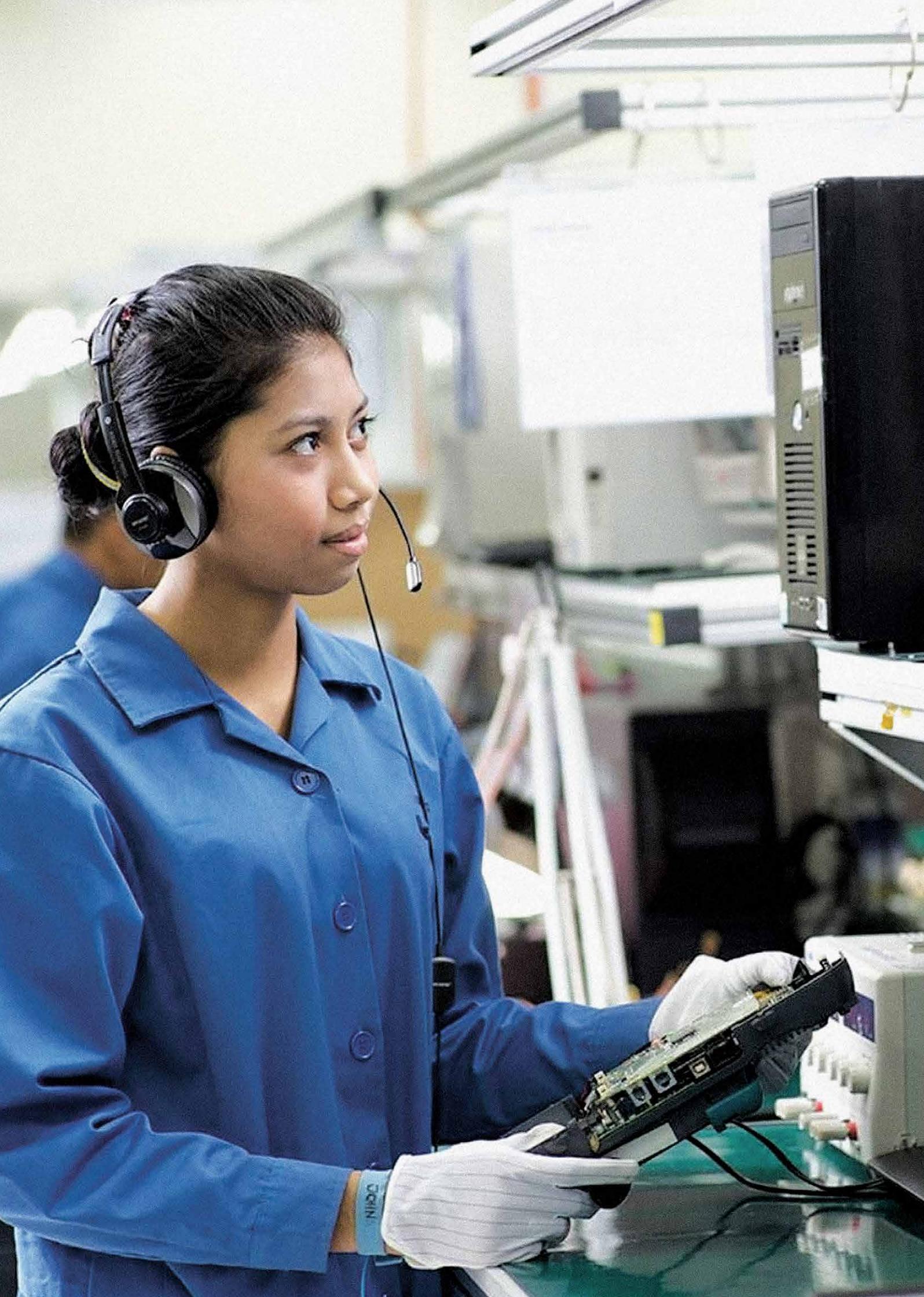
Cover Photo attribution: © Samuel Goh/World Bank

The findings, interpretations, and conclusions expressed in this report do not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent. The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of the World Bank concerning the legal status of any territory, or the endorsement or acceptance of such boundaries.

Please contact Achim Schmillen, the lead author of this report, at aschmillen@worldbank.org if you have questions or comments with respect to content.

Table of Contents

Acknowledgements.....	5
List of Figures.....	6
List of Tables.....	8
List of Boxes.....	8
List of Acronyms.....	9
Executive Summary.....	10
Chapter I. Introduction.....	18
Chapter II. Education.....	24
Enrollment and Attainment.....	25
Learning and Field of Study.....	32
Chapter III. Labor Force Participation.....	36
General Trends in Labor Force Participation.....	37
Detailed Patterns.....	40
Constraints on Women’s Labor Market Participation.....	45
Chapter IV. Employment.....	50
Type of work.....	51
Earnings, Sectors and Occupations.....	58
Leadership Positions.....	66
Chapter V. Existing Policies and Programs.....	68
Chapter VI. Recommendations and Conclusions.....	72
References.....	84
Methodological Annex.....	86
A. Definitions.....	86
B. Macroeconomic Model.....	86
C. Qualitative Research.....	88
D. Earnings Decompositions.....	90
E. Additional References.....	91



Acknowledgements

This report is a product of the **World Bank's Social Protection and Jobs Global Practice**, collaborating with the Gender Focal Point for Malaysia. It was written by Achim Schmillen, Mei Ling Tan and Amanina Abdur Rahman with key contributions from Natasha Halid and Nina Weimann-Sandig and additional inputs from Noor Aziah Awal, David Cuberes and Marc Teignier. Overall guidance was provided by Firas Raad, Philip O'Keefe and Gabriel Demombynes.

The authors thank peer reviewers Helle Buchhave and Maheshwor Shrestha as well as Mohamad Amin, Harry Moroz and Kenneth Simler for helpful discussions, comments and suggestions and Corinne Bernaldez and Li Shen Liew for first-rate administrative support. Min Hui Lee, Joshua Foong, Elisabeth Schwinn and Kane Chong provided excellent communications and editorial support. The authors are grateful to the Department of Statistics and the Ministry of Education for data access, to Norizan Abdul Razak, Helen Ting Mu Hung, Jamaluddin Aziz, Ruzy Suliza Hashim, Mohd Hariszuan Jaharudin, and Muhammad Faliq Abd Razak from the Tun Fatimah Hashim Women Leadership Centre at Universiti Kebangsaan Malaysia for the implementation of qualitative field research, and to TalentCorp for facilitating the participation of human resource managers in a focus group discussion. Very special thanks are due to all participants in focus group discussions across Malaysia, who graciously shared their knowledge and experiences.

During different phases of the project, officials of Malaysia's government from the Ministry of Women, Family and Community Development, the Ministry of Human Resources, the Ministry of Education, the Department of Statistics, the Syariah Judiciary Department and TalentCorp provided invaluable suggestions and feedback. The project benefitted from guidance on Islamic Law from YAA Dato' Dr. Hj. Mohd. Na'im Hj. Mokhtar, Director General/Syariah Chief Judge, Syariah Judiciary Department of Malaysia. The project also benefitted from consultations with Caring Moms, Sisters in Islam, the Women's Aid Organization, and Women Who Will, and from site visits to the Kindergarten of the German School Kuala Lumpur, the Buzzing Minds Kindergarten, and the Projek Perumahan Rakyat (PPR) Kota Damansara.

The findings, interpretations and conclusions expressed in this report are entirely those of the authors and do not necessarily represent the views of the World Bank, its affiliated organizations, its executive directors, or the governments they represent.

List of Figures

Figure 0.1	Life expectancy at birth and total fertility, 1960–2050	11
Figure 0.2	Aggregate income gains from eliminating gender gaps, 2010–2017	11
Figure 0.3	TIMSS math test scores by gender, 2003–2015	13
Figure 0.4	Share of male and female higher education enrollment by field of study, 2017	13
Figure 0.5	Gender gap in labor force participation rates by country, 2018	13
Figure 0.6	Share of persons out of the labor force by reasons for not seeking work, 2010 and 2018	13
Figure 0.7	Share of female employment by employment status, 2010–2018	14
Figure 0.8	Gender earnings gap by earnings percentile, 2017	14
Figure I.1	Life expectancy at birth and total fertility, 1960–2050	19
Figure I.2	Aggregate income gains from eliminating gender gaps, 2010–2017	19
Figure I.3	Breakdown of the working age population, 2018	20
Figure II.1	Gender parity index by level of education in Malaysia, 2010 and 2017	25
Figure II.2	Gender parity index in primary, secondary, and tertiary education by country, 2017	25
Figure II.3	Human Capital Index by country group, 2017	26
Figure II.4	Expected years of school by country group, 2017	26
Figure II.5	Share of male and female graduates with post-secondary and tertiary degrees, 2017	29
Figure II.6	Share of male and female graduates from polytechnic and community colleges, 2015–2017	29
Figure II.7	Gross enrollment ratio of girls in secondary education, 2010 and 2017	30
Figure II.8	Gross enrollment ratio of boys in secondary education, 2010 and 2017	30
Figure II.9	Share of individuals enrolled in education by age and gender, 2017	31
Figure II.10	Educational attainment of male and female labor force by country, 2017	31
Figure II.11	Harmonized composite test scores by gender, 2003–2015	32
Figure II.12	TIMSS math test scores by gender, 2003–2015	32
Figure II.13	Share of female higher education enrollment by field of study, 2017	33
Figure II.14	Share of female higher education enrollment by field of study and country, latest years	33
Figure III.1	Female labor force participation rate, 1982–2018	37
Figure III.2	Labor force participation rate by gender and gap in participation rates between men and women, 1982–2018	37
Figure III.3	Female labor force participation by GDP per capita, 2018	38
Figure III.4	Gender gap in labor force participation rates by country, 2018	38
Figure III.5	Female labor force participation rate by age group and year, 2010–2018	39
Figure III.6	Male labor force participation rate by age group and year, 2010–2018	39
Figure III.7	Female labor force participation rate by age group and birth cohort, 2010–2018	40

Figure III.8	Female labor force participation rate by age group and rural-versus-urban location, 2010 and 2018	40
Figure III.9	Gap in labor force participation rates between men and women by level of education, 2010–2018	42
Figure III.10	Share of explained variation of female labor force participation by explanatory variable, 2010–2017	42
Figure III.11	Female labor force participation rate by state-level GDP per capita, 2017	43
Figure III.12	Female and male labor force participation rate by age group and ethnicity, 2018	43
Figure III.13	Share of persons out of the labor force by reasons for not seeking work, 2010 and 2018	45
Figure III.14	Share of persons out of the labor force by selected reasons for not seeking work, 2010–2018	45
Figure III.15	Agreement to the statement “When jobs are scarce, men should have more right to a job than women” by country, latest years	46
Figure III.16	Agreement by men to the statement “When jobs are scarce, men should have more right to a job than women”, 2012	46
Figure III.17	Enrollment rate in child care (ages 0–3) and preschool (ages 4–6), 2009.–2017	47
Figure III.18	Number of preschools and female labor force participation rate by state, 2010–2018	47
Figure IV.1	Share of female employment by employment status, 2010–2018	51
Figure IV.2	Share of male employment by employment status, 2010–2018	51
Figure IV.3	Share of informal employment, 2017	52
Figure IV.4	Share of informal sector employment by gender, 2011–2017	52
Figure IV.5	Share of qualitative underemployment by gender, 2010–2017	56
Figure IV.6	Share of quantitative underemployment by gender, 2010–2017	56
Figure IV.7	Share of underemployed workers by reasons for underemployment, 2010 and 2017	57
Figure IV.8	Share of underemployment by selected reasons for underemployment, 2010–2017	57
Figure IV.9	Average gender earnings gap, 2010–2017	58
Figure IV.10	Gender earnings gap by earnings percentile, 2017	58
Figure IV.11	Ratio of women's to men's average monthly earnings by education, 2018	60
Figure IV.12	Ratio of women's to men's average monthly earnings by occupation, 2018	60
Figure IV.13	Share of male and female employment by sector, 2010	60
Figure IV.14	Share of male and female employment by sector, 2018	60
Figure IV.15	Share of male and female employment by occupation, 2010	61
Figure IV.16	Share of male and female employment by occupation, 2018	61
Figure IV.17	Share of female managers by country, 2010 and 2017	66
Figure IV.18	Share of majority women-owned enterprises by country, latest years	66
Figure IV.19	Share of board positions filled by women, 2017	67
Figure IV.20	Total profits as share of sales by presence of female board members, 2017	67

List of Tables

Table 0.1	Overview of policy recommendations	16
Table I.1	Estimates of Malaysia's participation deficit, 2010 and 2018	21
Table I.2	Overview of gender gaps in Malaysia, latest years	22
Table V.1	Policies and Programs in the 10th and 11th Malaysia Plan	71
Table VI.1	Overview of policy recommendations	74
Table A.1	Composition of focus group discussions	89

List of Boxes

Box II.1	The Human Capital Project and the importance of education in realizing Malaysia's human potential	26
Box II.2	Young Malaysians and the challenge of choosing a field of study	34
Box III.1	Woman's participation in the workplace from the perspective of Islamic law	44
Box III.2	PPR residents and the challenge of accessing affordable, good-quality child care	48
Box IV.1	Single mothers and the challenge of reconciling work and family life	53
Box IV.2	Legal restrictions on gender equality	63
Box V.1	Policies and programs to increase women's labor force participation	70
Box VI.1	Building human capital through early childhood education	76
Box VI.2	Expanding pension coverage by offering matching contributions	78

List of Acronyms

ASEAN	Association of Southeast Asian Nations
B40	Bottom 40
CEDAW	Convention on the Elimination of all Forms of Discrimination against Women
DBKL	<i>Dewan Bandaraya Kuala Lumpur</i>
EPF	Employees Provident Fund
GDP	Gross Domestic Product
HCI	Human Capital Index
HCP	Human Capital Project
ICT	Information and Communications Technology
IR4.0	Fourth Industrial Revolution
KRI	Khazanah Research Institute
MCMC	Malaysian Communications and Multimedia Commission
MENA	Middle East and North Africa
MOHR	Ministry of Human Resources
MOWFCD	Ministry of Women, Family and Community Development
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
PPR	<i>Projek Perumahan Rakyat</i>
PIRLS	Progress in International Reading Literacy Study
PISA	Programme for International Student Assessment
RM	Ringgit Malaysia
SME	Small and Medium-sized Enterprise
SOCSO	Social Security Organization
SP1M	<i>Skim Simpanan Persaraan 1Malaysia</i>
STEM	Science, Technology, Engineering and Mathematics
TIMSS	Trends in International Mathematics and Science Study
UNESCO	United Nations Educational, Scientific and Cultural Organization
WP	<i>Wilayah Persekutuan</i>

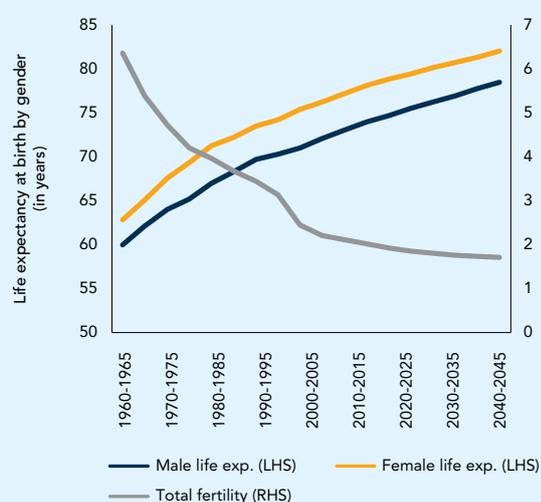


Executive Summary

The promotion of economic opportunities for women is one of the most promising avenues for Malaysia's future development. In past decades, favorable demographic conditions have played a substantial role in promoting growth and development in Malaysia. However, as visualized in **Figure 0.1**, birth rates have been dwindling and life expectancy increasing. Consequently, the working-age share of the population is expected to start shrinking in 2020. That demographic change will make it imperative for Malaysia to move to a growth model that is more reliant on the efficient use of production factors—land, labor and capital—than on the accumulation of such factors. In this context, increasing the number of women that participate in the labor market and are able to access productive jobs is not only a core development objective in its own right but also promises to help Malaysia continue its growth and development.

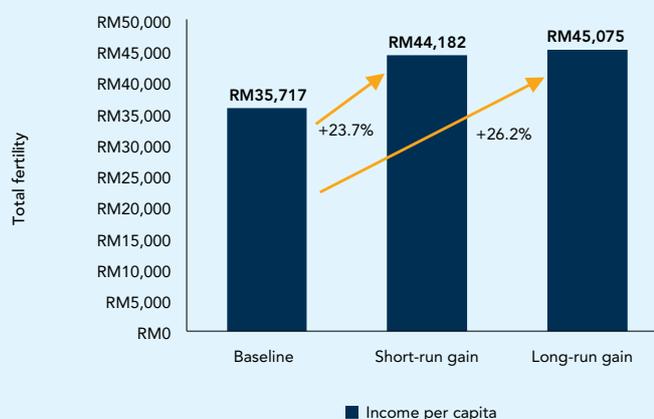
Macroeconomic simulations imply that closing gaps between men's and women's economic opportunities could in the long run boost Malaysia's income per capita by 26.2 percent—an average annual income gain of RM 9,400 for each Malaysian. Simulations conducted for this report rely on a macroeconomic general equilibrium model that incorporates three types of barriers to women's economic opportunities: barriers to participation in the labor force, barriers to self-employment, and barriers to becoming employers. A simulation of the model using individual-level micro data from the Malaysian Labour Force Survey from the 2010–2017 period implies that removing those barriers will increase income per capita by 23.7 percent in the short run and by 26.2 percent in the long run. Given that Malaysia's income per capita averaged RM 35,717 over the model's baseline period of 2010 and 2017, this implies an average annual income gain of about RM 9,400 for each Malaysian (see **Figure 0.2**). More detailed model results indicate that about one quarter of the gains would result from closing gaps in access to becoming self-employed or entrepreneurs and three quarters from closing the gap in labor force participation; a one percentage point increase in the female labor force participation rate would increase income per capita by about 0.5 percent in the short run and 0.56 percent in the long run.

FIGURE 0.1. Life expectancy at birth and total fertility, 1960–2050



Source: Authors' calculations based on estimates and projections from UN World Population Prospects

FIGURE 0.2. Aggregate income gains from eliminating gender gaps, 2010–2017



Source: Authors' calculations based on Malaysian Labour Force Survey and Cuberes and Teignier (2019).

The Government of Malaysia strongly highlighted the importance of promoting economic opportunities for women in the 10th and 11th Malaysia Plans and the Mid-Term Review of the 11th Plan. Those plans place particular emphasis on the empowerment of women in the pursuit of greater inclusiveness and the overall empowerment of human capital.¹ To meet those objectives, the Government of Malaysia is enhancing the role of women in development and

¹ Those goals are highlighted under Pillar 2 (Enhancing inclusive development and well-being) and Pillar 4 (Empowering human capital) in the Mid-Term Review of the 11th Malaysia Plan.

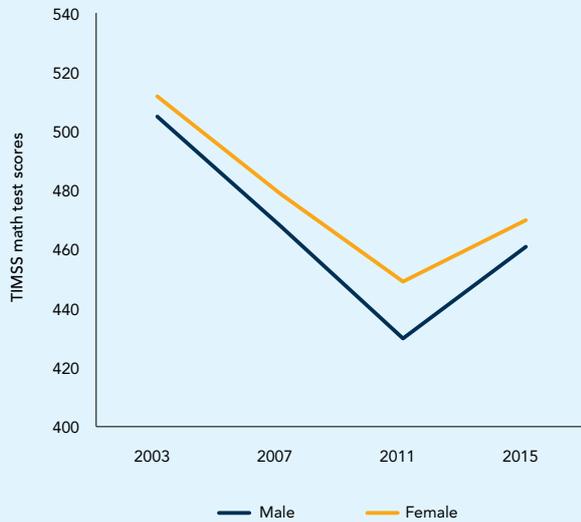
coordinating efforts of government agencies, the private sector, and civil society organizations in the 13 strategic thrusts under the National Policy on Women. In addition, the government is committed to gender equality in development programs and initiatives and educating women and girls on the importance of healthcare as well as women's rights and protection against violence. To increase labor force participation by women, the government will promote flexible working arrangements, expand maternity leave, and scale up quality improvement in child care. In addition, the government aims to increase the role of women in leadership and policymaking. The government has also set several targets: (a) increase the female labor force participation rate to 59 percent (revised to 56.5 percent as part of the Mid-Term Review of the 11th Plan); (b) increase the percentage of women among decision-makers to 30 percent; and (c) increase early childhood care enrollment to 25 percent. Currently, these targets have not yet been met.

Against this backdrop, this report relies on a comprehensive mixed-methods approach to investigate constraints on improving women's economic opportunities and to develop actionable policy recommendations. The approach combines quantitative, qualitative and legal research. The quantitative research uses nationally representative data for the 2010–2018 period from the Malaysian Labour Force Survey, the Salaries and Wages Survey, and the Informal Sector Survey implemented by the Department of Statistics. International data sources (for example, from the World Bank's World Development Indicators and ILOSTAT, the labor statistics database of the International Labour Organization) are also used for country comparisons. The quantitative analysis explores women's economic opportunities both in terms of greater labor market participation and access to more productive jobs as Malaysia becomes a developed nation and faces future workplace challenges from what has been called the fourth industrial revolution (IR4.0)—encompassing emerging technologies like the Internet of Things, robotics, virtual reality and artificial intelligence—and other megatrends. Qualitative and legal analyses are used to better understand the constraints underlying disparities identified in the quantitative analysis.

The report finds that, on average, women have greater educational attainment and show more actual learning than men—but ensuring that they have equal access to economic opportunities to utilize this potential remains a significant challenge. Since the 1970s, Malaysia has eliminated and subsequently reversed gender gaps in enrollment at all education levels. While there are still challenges regarding women's access to education—girls' enrollment rate in secondary education is lower than in comparable countries—concern about the number of boys who drop out before finishing secondary schooling has shifted the debate over access to education, toward the large number of “lost boys.” As depicted in **Figure 0.3**, girls also consistently outperform boys in standardized assessments of learning outcomes, including in math and science. At the same time, **Figure 0.4** shows that a large share of Malaysian women continue to enroll in courses traditionally characterized as “female” after secondary school, raising the question of whether women have equal access to economic opportunities that utilize their full productive potential and prepare them for the labor market challenges that are expected to be brought about by IR4.0.

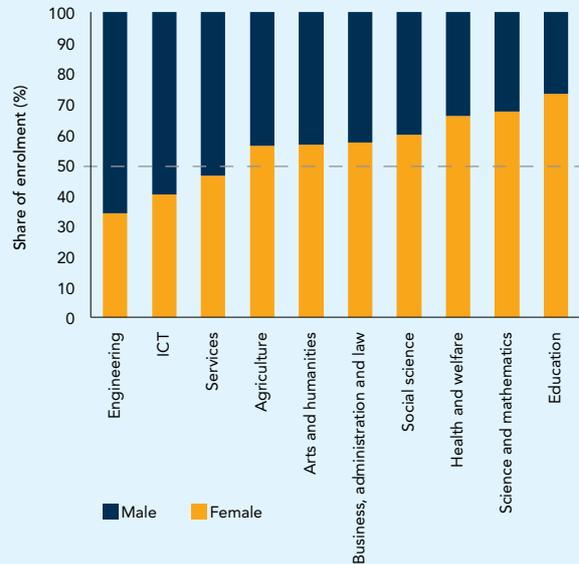
Malaysia's female labor force participation rate has risen significantly in recent years but is still low compared to other countries in the Association of Southeast Asian Nations (ASEAN). Arguably because of increased economic development, urbanization and education, and in particular because of significantly expanded early childhood care and education services, Malaysia's female labor force participation rate increased from 46.8 percent in 2010 to 55.2 percent in 2018. Nevertheless, the gap between Malaysia's labor force participation rates for men and women is high compared to other countries, as **Figure 0.5** shows. Within ASEAN, only Myanmar, Indonesia and the Philippines have a larger gap in those rates. In addition, women's age-participation profile remains single-peaked, meaning that participation is lower for middle-aged women than for young adults and lower still for older women. Several groups of women have particularly low participation rates, including women in rural areas and less developed states and those with relatively little education. **Figure 0.6** shows that most women cite housework—which in this report is defined to include both household chores and caregiving—as the reason that they cannot participate in the labor market. Because women are primarily responsible for their family's care under Malaysia's prevailing social norms, improvements in the availability, quality and affordability of care services for children and the elderly will be key to further improving women's access to economic opportunities.

FIGURE 0.3. TIMSS math test scores by gender, 2003–2015



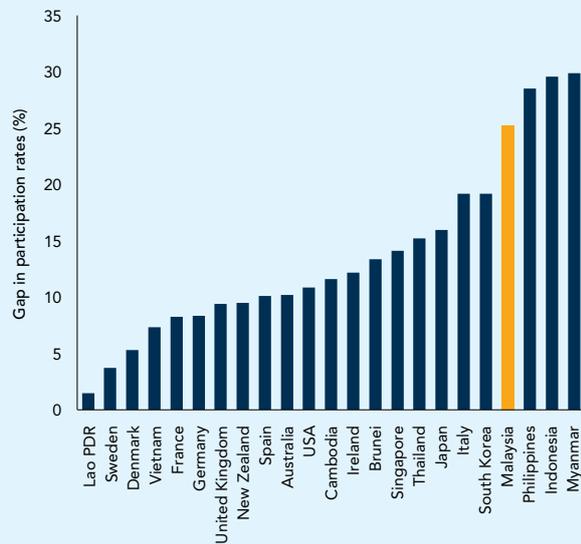
Source: Authors' calculations based on World Bank Education Statistics and TIMSS.

FIGURE 0.4. Share of male and female higher education enrollment by field of study, 2017



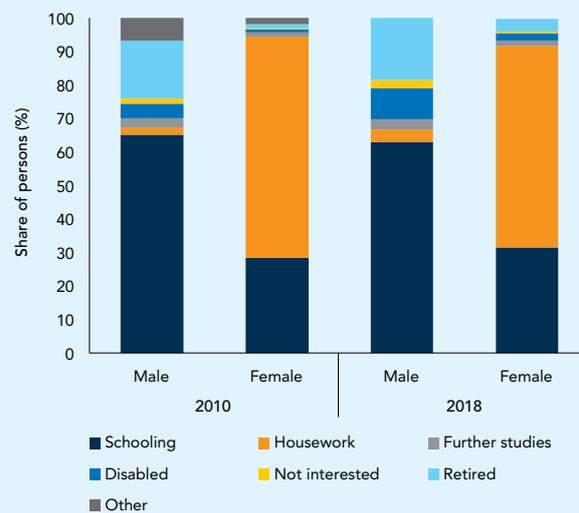
Source: Authors' calculations based on Malaysian Higher Education Statistics.

FIGURE 0.5. Gender gap in labor force participation rates by country, 2018



Source: Authors' calculations based on World Development Indicators.
 Note: Modelled ILO estimates of the labor force participation rate among the population ages 15–64.

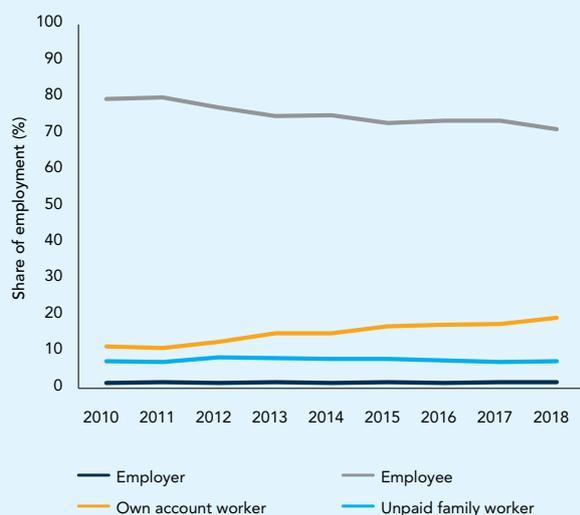
FIGURE 0.6. Share of persons out of the labor force by reasons for not seeking work, 2010 and 2018



Source: Authors' calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

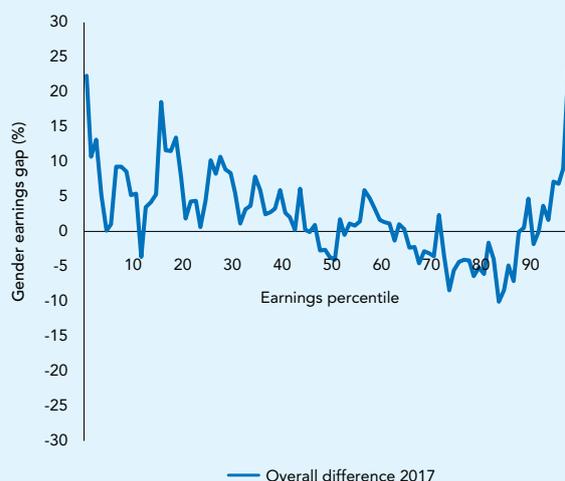
The wide gender gap in access to jobs that pay well and offer benefits, social protection, and career prospects presents a significant but sometimes overlooked challenge. As depicted in **Figure 0.7**, the share of women who are self-employed has increased over time, as has the share of women who work in the informal sector. Such work often involves low productivity, poor working conditions and a lack of benefits and social protection. A large share of women also continue to work in sectors and occupations traditionally described as “female”. Based on differences in observable productive characteristics between men and women such as their level of education, men should have earned 13.8 percent less than women in 2017. In fact, they earned 3.2 percent more. Thus, the earnings disparity between men and women appears to be relatively low in Malaysia, but there is a wide gap between what each gender earns and what it would be expected to earn based on productive characteristics. Further, men generally earned less than women if their income was within the 60 to 90 percent range of monthly earnings; however, above 90 percent, the difference between men and women was greatest (see **Figure 0.8**). In addition, the share of women in management, on boards and owning firms in Malaysia is less than in other comparable countries. That is true even though, on average, publicly traded companies with female board members have a higher profit rate than companies with all-male boards.

FIGURE 0.7. Share of female employment by employment status, 2010–2018



Source: Authors' calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

FIGURE 0.8. Gender earnings gap by earnings percentile, 2017



Source: Authors' calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia). Note: The gender earnings gap is calculated by taking the difference between male earnings and female earnings at every percentile. A positive value indicates that men earn more than women at the given percentile.

There remains significant room for Malaysia to improve its laws and regulations and to better enforce existing laws. The World Bank’s report *Women, Business and the Law* (World Bank Group, 2019) places Malaysia last of 18 countries in the East Asia and Pacific Region, in terms of the number of differences in the law’s treatment of men and women. Malaysia scores particularly poorly on the *Getting Married* and *Having Children* indicators, with scores of 40 and 0 out of 100, respectively, and *Starting a Job* and *Getting Paid*, both with scores of 50 out of 100.

The promotion of economic opportunities for women will require expanding the availability, quality and affordability of child and elder care as part of a comprehensive policy approach. General policies and more specific policies that reinforce the general policies can help Malaysia meet the targets set in the 10th and 11th Malaysia Plans and will help further the goals of the 12th Malaysia Plan (see **Table 0.1**). Improvements in the availability, quality



and affordability of child care and elderly care will be particularly crucial to ensure that a larger percentage of women participate in the labor market and have access to productive and protected jobs. A number of policy actions are recommended. First, expand the definition of child care services to cover children from ages 0 to 17 years, and improve the provision and quality of child care by updating and simplifying policies, procedures, standards and data systems. Second, prioritize competing public resources to provide for the B40 families, recognizing the particular challenges faced by the urban poor. Third, increase options for child and elder care provision and financing to cater for different needs of families. Fourth, provide more adequate resources and develop regulations for public-private partnerships to address the rising need for elder care.

Given the large share of working women who are micro-entrepreneurs or hold other informal jobs, improving social protection and productivity for informal workers is critical. Expanding old-age income protection for informal workers is particularly important. As part of a broader formalization strategy, this expansion could include both a non-contributory social pension and an increased matching contribution for informal workers' pension payments.² International evidence shows that precise design features, including the amount of the matching contribution, are crucial to the success of a matching scheme. Therefore, increasing amounts paid by the government in the existing matching scheme would best be preceded by study of design options for the scheme and the implications of those options. In addition, it is important to increase micro-enterprises' productivity by improving their access to markets and production factors. Although Malaysia already offers a wide range of interventions, strengthening, simplifying, and consolidating those will improve their effectiveness, equity, and efficiency. Finally, improvements in the monitoring and evaluation of interventions are needed.

² In contrast, Hinz et al. (2013) document international experience that shows that traditional approaches for increasing the pension coverage of informal workers such as tax incentives have little relevance to those not paying income taxes, and participation mandates are difficult to enforce in the informal sector.

TABLE 0.1. Overview of policy recommendations

General policy direction	Specific policy recommendations
<p>Policy direction ①: Expand the availability, quality and affordability of child and elder care to enable more women to stay in the labor market and to work in more productive jobs.</p>	<p>Expand the definition of child care services to cover children ages 0 to 17 years, and increase the provision and quality of child care by updating and simplifying policies, procedures, standards and data systems.</p> <hr/> <p>Prioritize competing public resources to provide for the B40 families, recognizing the particular challenges faced by the urban poor.</p> <hr/> <p>Increase options and types of child and elder care provision and financing to cater for different needs of families.</p> <hr/> <p>Provide more adequate resources and develop regulations for public-private partnerships to address the rising need for elder care.</p>
<p>Policy direction ②: Strengthen the protection of informal workers and the productivity of workers and business owners to harness women's full economic potential.</p>	<p>Expand old-age protection for informal workers by increasing the government's match of voluntary pension contributions and considering introducing social pensions for informal workers over a certain age.</p> <hr/> <p>Study ways to improve informal workers' income security in the face of loss of demand, injury, or disability that are independent of the existence of a traditional employer-employee relationship.</p> <hr/> <p>Strengthen, simplify and consolidate financing and training for women-owned and -operated micro-businesses.</p> <hr/> <p>Improve the monitoring and evaluation of interventions.</p>
<p>Policy direction ③: Pursue planned reforms of the legal environment and strengthen the implementation, monitoring and enforcement of laws and regulations.</p>	<p>Abolish restrictions in Sections 34 and 35 of the Employment Act on women working at night or underground.</p> <hr/> <p>Legally mandate nondiscrimination in employment based on gender and equal remuneration for work of equal value.</p> <hr/> <p>Pass the Gender Equality Act and the Sexual Harassment Act and introduce criminal penalties or civil remedies for sexual harassment in employment.</p> <hr/> <p>Strengthen monitoring of gender-specific indicators and enforcement of the implementation of the Employment Act and other relevant labor laws.</p>
<p>Policy direction ④: Improve support for parents, in line with international legal norms.</p>	<p>Prohibit the dismissal of pregnant women and ensure that this prohibition cannot be circumvented by private contracts or collective agreements.</p> <hr/> <p>Provide paid maternal leave for at least 14 weeks after childbirth and introduce paid paternity leave or paid parental leave of substantial duration.</p> <hr/> <p>Promote women's return to work by strengthening and expanding existing programs and interventions.</p> <hr/> <p>Facilitate flexible forms of work such as part-time or home-based work and jobs with flexible working hours.</p>
<p>Policy direction ⑤: Address gender norms and attitudes in education and among the wider population.</p>	<p>Foster a public discussion about the norms and values underlying the widespread gender disparities in the labor market between the government, labor unions, employers' associations, NGOs and other stakeholders.</p> <hr/> <p>Highlight the importance of gender equality and flexible work arrangements in the labor market and showcase modern male and female role models, including through testimonials in mass media.</p> <hr/> <p>Address gender bias and stereotyping in education, including in text-books, instruction, sports, and extracurricular activities.</p> <hr/> <p>Increase women's (and men's) awareness of the government's support for women and of their and legal rights and obligations under both civil and Islamic law.</p>

Recommended changes also include completion of planned reforms to Malaysia's laws and regulations, including regarding the support for parents. Recommended changes—some already planned—include abolishing restrictions on women working at night or underground, mandating equal pay for work of equal value, and banning discrimination based on gender in hiring. Legal reforms could also include criminal penalties or civil remedies for sexual harassment in the workplace and a prohibition on terminating a woman's employment during pregnancy. Closing the gap in terms of protecting mothers and fathers would also include paid paternity or parental leave of substantial duration and the extension of mandatory maternity leave in the private sector to the internationally recognized minimum of 14 weeks. Planned amendments to the Employment Act and the planned introduction of a Gender Equality Act and a Sexual Harassment Act create a window of opportunity to introduce such reforms. However, achieving full equality between the genders will require more than changes to laws: Those laws also need to be implemented, enforced, and monitored. It is also important to promote the notion of women returning to work and to reinforce measures that facilitate flexible forms of work such as home-based work, flexible working hours and part-time work.

Finally, a public discussion should be fostered about the norms and values underlying the widespread gender disparities in the labor market. During the public discussion, it will be helpful to publicly showcase modern male role models from different ethnicities and religions who are ready to share family responsibilities, as well as modern female role models who show that it is possible to have both a family and a career. Addressing gender biases and stereotyping in education is also key, whether in the roles and occupations ascribed to men and women during instruction, the portrayal of male and female characters in textbooks, or the types of sports boys and girls play. Finally, initiatives through conventional and social media and community engagement could contribute to increasing the wider population's awareness of available government support and of legal rights and obligations within both civil and Islamic law.





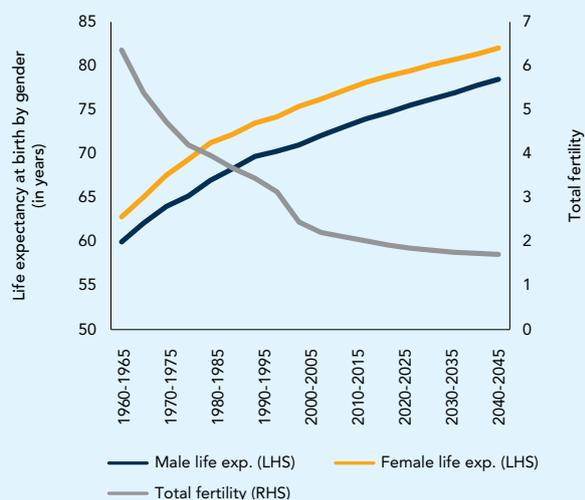
CHAPTER I

Introduction

Gender equality in access to economic opportunities is at the heart of development, both as a development objective, and because it is smart economic policy. As emphasized in the World Bank’s World Development Report *Gender Equality and Development* (World Bank, 2011), and its regional companion report *Toward Gender Equality in East Asia and the Pacific* (World Bank, 2012a) closing the gap between genders in access to economic opportunities, earnings, and productivity matters both for development outcomes and for policymaking. In the first place, gender equality is a core development objective in its own right. Moreover, greater gender equality is also smart economics, enhancing productivity and improving other development outcomes, including prospects for the next generation and for the quality of societal policies and institutions. The World Development Report also emphasized that economic development is not by itself sufficient to shrink all gender disparities—proactive policies that focus on closing gender gaps are essential.

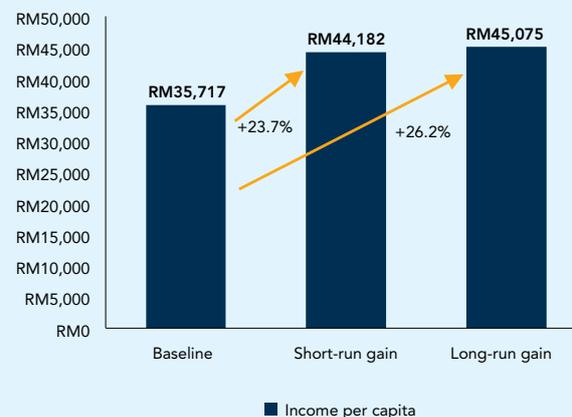
For Malaysia, the promotion of economic opportunities for women is one of the most promising avenues for fulfilling the country’s development potential. In recent decades, favorable demographic conditions have played a substantial role in promoting growth and development in Malaysia. However, birth rates dwindled from an average of 6.37 per women in the 1960–1965 period to 2.11 in the 2010–2015 period. Over the same time period, life expectancy increased from 60.0 years to 73.0 years for men and 62.8 years to 77.2 years for women (see **Figure I.1**). Because fertility is projected to decrease further and life expectancy to increase further, the working-age share of the population is expected to start shrinking in 2020. By 2030, Malaysia will have become an aging society, that is, a society with more than 14 percent of the population aged 65 and over. Demographic change will make it imperative to move to a growth model that relies more on making more efficient use of labor than on increasing the number of workers through population growth. In this context, the greater labor market participation of women in more productive jobs is one of the most promising avenues for fulfilling Malaysia’s development potential.

FIGURE I.1. Life expectancy at birth and total fertility, 1960–2050



Source: Authors’ calculations based on estimates and projections from UN World Population Prospects

FIGURE I.2. Aggregate income gains from eliminating gender gaps, 2010–2017

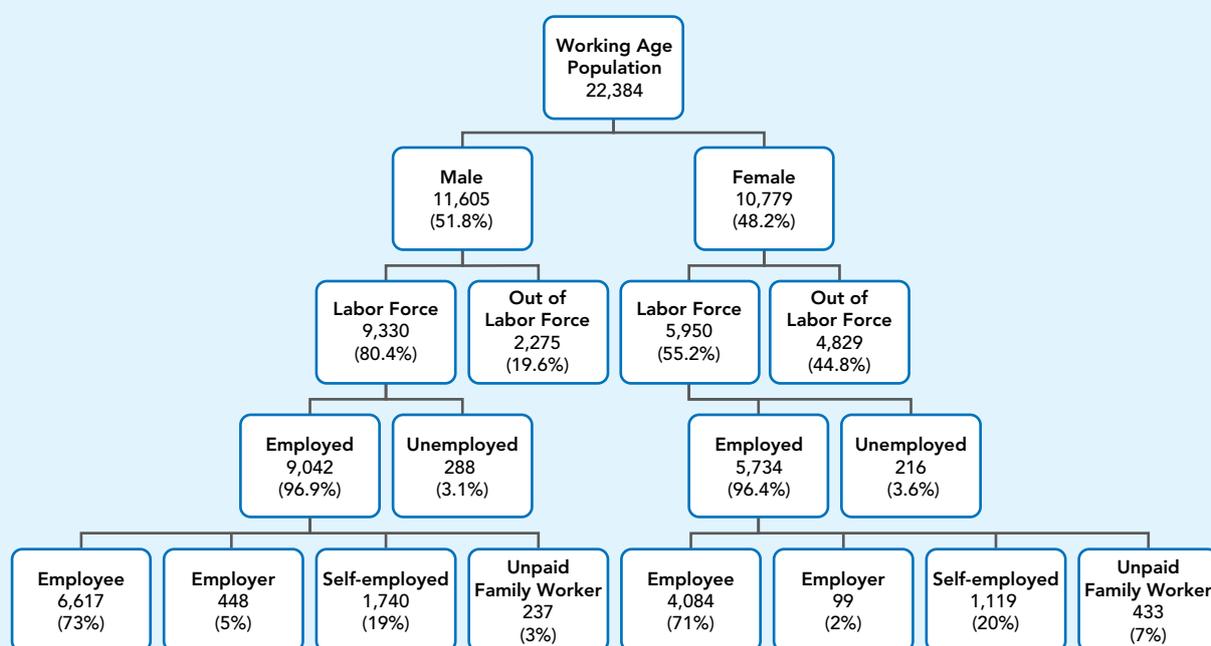


Source: Authors’ calculations based on Malaysian Labour Force Survey and Cuberes and Teignier (2019).

Macroeconomic simulations imply that closing gaps between men’s and women’s economic opportunities could boost Malaysia’s income per capita by 26.2 percent—an average annual income gain of RM 9,400 for every Malaysian. Simulations conducted for this report rely on a macroeconomic general equilibrium model that incorporates three types of barriers to women’s economic opportunities: barriers to labor force participation, barriers to self-employment, and barriers to becoming employers. A simulation of the model using micro data from the Department of Statistics’ Labor Force Survey from 2010 to 2017 suggests that removing those three barriers will increase income per capita by 23.7 percent in the short run and by 26.2 percent in the long run (once the economy has fully adjusted to the removal of the barriers). Given that Malaysia’s income per capita averaged RM 35,717 over the 2010–2017 baseline period in the model, that increase would represent an average annual income gain of about RM 9,400 for every Malaysian (see **Figure I.2**). More detailed results indicate that about one-quarter of the gains would result from removing barriers that prevent women from becoming self-employed or entrepreneurs, and the other three-quarters from removing barriers to women entering or remaining in the labor force.³

The human capital of women in Malaysia is underutilized. Malaysia has a working-age population—defined as individuals aged 15 to 64—of about 22.4 million people. At least in principle, most members of the working-age population can contribute productively to Malaysia’s development. However, in practice Malaysia needs to find ways to realize the potential of its human capital, especially of that of its women. A breakdown of the working-age population shows that in 2018, 80.4 percent of working-age men were in the labor market but only 55.2 percent of women were. That works out to 6.0 million in the labor force, out of 10.8 million women of working age. In addition, a relatively high share of employed women are engaged in jobs that are not likely to make best use of their productive potential. For instance, women are half as likely as men to be employers but twice as likely to be unpaid family workers (see **Figure I.3**).

FIGURE I.3. Breakdown of the working age population, 2018



Source: Authors’ calculations based on Malaysian Labour Force Survey.
Note: Working age defined as 15–64. All numbers in 1,000 individuals.

³ According to the model, it takes about 15 years for half of the long-run gains to take place. For precise definitions of labor force participation and other terms used in this report, see Annex A. For methodological details on the macroeconomic model, see Annex B and Cuberes and Teignier (2019).

About 500,000 women in Malaysia should be working who are not, based on Malaysia's current level of income per capita. Numerical estimates computed by comparing the number of women who would be expected to be active in the labor market based on Malaysia's current income level, benchmarking with all countries worldwide for which comparable data is available, shows that Malaysia would be expected to have an additional 498,921 women in the labor force (see **Table I.1**). This number exceeds 800,000 when countries located in the Middle East and North Africa (MENA), which typically have exceptionally low female labor force participation rates, are excluded from the comparison group. Using the developed nations of Singapore and the United Kingdom as benchmarks, the number of women that do not participate in Malaysia's labor market exceeds one million. Benchmarking with Canada, which is among the high-income countries with the highest female labor force participation rate (at 75.1 percent as compared to Malaysia's 55.2 percent), shows that there is a deficit of potentially even more than two million women in Malaysia's labor market. Furthermore, while there has been an increase in Malaysia's female labor force participation rate in the last decade, the estimated participation deficit in the country's labor force between 2010 and 2018 has largely stagnated or increased as measured against relevant comparator regions and countries. This means that progress in promoting economic opportunities in Malaysia has not been as fast as elsewhere.

TABLE I.1. Estimates of Malaysia's participation deficit, 2010 and 2018

	2010		2018	
	Comparator FLFP (%)	Participation deficit	Comparator FLFP (%)	Participation deficit
Compared to all countries	52.3	504,169	59.8	498,921
Compared to all countries outside MENA	57.0	576,419	62.7	813,458
Compared to Singapore	62.9	1,386,748	69.1	1,507,608
Compared to United Kingdom	69.3	1,921,397	72.8	1,908,914
Compared to Canada	74.2	2,330,738	75.1	2,160,543

Source: Authors' calculations based on World Development Indicators and World Bank (2012b).
Notes: Comparisons control for GDP per capita. FLFP denotes female labor force participation rate.

While significant gender gaps in access to opportunities persist, in some areas Malaysia has made noteworthy advances. **Table I.2** provides an overview of various gender gaps in Malaysia. It contains some reassuring findings. Malaysian girls now outperform boys in terms of educational enrollment and attainment. Although the rate at which women participate in the labor force is still low when compared to that of men, it has been steadily increasing. Average earnings continue to be higher for men than for women but the average earnings gap between the genders has declined. At the same time, there are still significant challenges in maximizing the potential of women to participate in and productively contribute to Malaysia's development. Even though women in Malaysia are on average better educated than men, their labor force participation rate in Malaysia continues to be among the lowest of all countries in the Association of Southeast Asian Nations (ASEAN): At 55.2 percent in 2018, that rate only exceeds those in Indonesia, Myanmar and the Philippines. Moreover, there are growing concerns about the ways employment varies between men and women—including differences in their earnings, productivity and social security. As more and more women enter the "gig" economy and other nonstandard forms of employment, maximizing the potential gains for them and minimizing associated risks will be crucial.

TABLE I.2. Overview of gender gaps in Malaysia, latest years

Area	Indicator	Gender Gap	
Education	1. Literacy (population 15 and older)	W: 91.1%	M: 96.3%
	2. Primary enrollment	W: 103.8%	M: 103.1%
	3. Secondary enrollment	W: 87.9%	M: 82.6%
	4. University enrollment	W: 48.3%	M: 40.3%
Home vs Market Work	1. Labor force participation	W: 55.2%	M: 80.4%
Sectoral and occupational segmentation	1. Education sorting	W: 33.9% in engineering	
	2. Earnings gap	W: 97% of M	
	3. Management positions	W: 22.1%	M: 77.9%
	4. Employers	W: 18.1%	M: 81.9%

Source: Authors' calculations based on UNESCO Institute for Statistics and Malaysian Labour Force Survey.

Notes: Data are for 2018 (labor force participation, employers), 2017 (education sorting, earnings gap, management positions), and 2016 (literacy, primary, secondary, and tertiary enrollment).

The Government of Malaysia recognizes the importance of promoting economic opportunities for women for the socio-economic development and growth of the country. That agenda has been reflected in the 10th and 11th Malaysia Plans and the Mid-Term Review of the 11th Plan. Particular emphasis has been placed on the empowerment of women in the pursuit of greater inclusiveness and the overall empowerment of human capital.⁴ In the 10th and 11th Malaysia Plans, the government set several targets to reach by 2020. The 11th Plan aims to increase female labor force participation to 59 percent in 2020 (revised to 56.5 percent as part of the Mid-Term Review), to increase the percentage of women in key-decision making positions to 30 percent; and to increase child care enrollment for ages 0 to 4 to 25 percent. Those targets have not yet been met. In 2018, female labor force participation stood at 55.2 percent and 15.7 percent of board members were women in a typical Malaysian public-listed firm. In the same year, 6.9 percent of children ages 0 to 4 years were enrolled in child care, even though 84.3 percent of children ages 4 to 6 years enrolled in preschool.

Against this backdrop, this report focuses on promoting women's access to opportunities and overcoming barriers to greater education, labor force participation and employment. The World Development Report *Gender Equality and Development* (World Bank, 2011) discusses gender equality in three domains: (a) endowments—human and productive capital, (b) economic opportunity—participation and returns to the economy; and (c) agency. This report focuses on the second domain, specifically on barriers that women may face in realizing their full economic potential, the constraints that underlie those barriers, and the resulting gap in economic outcomes for men and women. Similar to the barriers described previously by the formal macroeconomic model, the barriers discussed in this report relate to education (including enrollment, attainment, learning, and field of study), labor force participation (including broad trends, detailed patterns, and underlying constraints), and employment (including type of work, earnings, sectors and occupations, and leadership positions). While the report focuses on economic opportunities, it also discusses educational endowment as a form of human capital and a prerequisite for accessing opportunities. A comprehensive analysis that includes the other two domains—agency and endowments as a whole (including health and access to capital or credit)—is beyond the scope of this report.

⁴ This is highlighted under Pillar 2 (Enhancing inclusive development and well-being) and Pillar 4 (Empowering human capital) in the Mid-Term Review of the 11th Malaysia Plan, respectively.

The report relies on a comprehensive, mixed-methods approach to investigate the factors that constrain the promotion of women’s economic opportunities and to develop actionable policy options. The mixed-methods approach combines quantitative, qualitative and legal research. The quantitative research is conducted using recent, nationally representative data for the 2010–2018 period from the Malaysian Labour Force Survey, the Salaries and Wages Survey, and the Informal Sector Survey, all of which are conducted by the Department of Statistics. International data sources (the World Bank’s World Development Indicators and ILOSTAT, for example) are used to compare Malaysia with other countries. The report’s quantitative analysis updates and extends the approach outlined in the Malaysia Economic Monitor *Unlocking Women’s Potential* (World Bank 2012b) and explores the issue of promoting economic opportunities for women within the context of Malaysia’s transition into a developed nation. Additional in-depth quantitative analysis is conducted into issues such as the gender earnings gap and the rise of informal work.

Complementing the quantitative investigation, qualitative and legal analyses are used to improve understanding of the constraints behind the most significant disparities identified by quantitative data. The qualitative analysis employs focus groups to answer three related questions. One, what gender disparities on the labor market can be identified or confirmed through qualitative research? Two, how are labor market disparities related to indicators such as ethnicity, income level, education, and what are underlying reasons? Three, are current efforts by the government and employers to address gender disparities enough, and how might they be improved? The qualitative analysis also enables a deep dive into the unique experiences of specific groups, a selection of which are featured in this report. The legal analysis includes a review of both common law and *Syariah* law regarding issues such as labor market participation, workplace discrimination, and life events and social protection. The report considers both international conventions and Malaysia’s constitutional provisions. Its structure is guided by the findings from the quantitative approach, interspersed with summaries of select key findings and implications from the qualitative and legal analyses.⁵



⁵ For the precise methodological approach of the qualitative analysis, see Annex C. The complete sets of findings and implications from the qualitative and legal analyses are documented in background papers to this report by Weimann-Sandig (2019) and Mohamad Awal (2019), respectively.



CHAPTER II

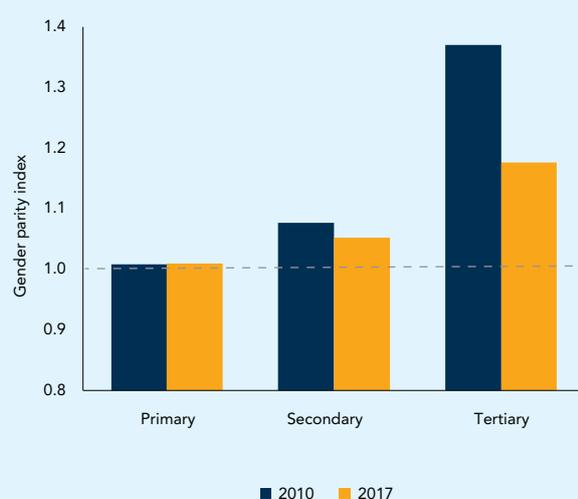
Education

Enrollment and Attainment

According to the World Bank's Human Capital Index (HCI), Malaysia's education system has significantly increased enrollment rates and learning outcomes but there remains room for further improvement. In recognition of the importance of human capital for economic growth, the World Bank launched the Human Capital Project (HCP), through which the HCI was introduced in October 2018. The HCI is a metric designed to forecast a country's human capital in terms of the future trajectory, from birth to adulthood, of children born today. It quantifies the level of human capital that a child can expect to attain by the end of secondary school, given the risks of poor health and inadequate education in that country at the time of the child's birth. Overall, Malaysia ranks 55th out of 157 countries in the HCI, performing well in some components and less well in others. The HCP recognizes that Malaysia has achieved universal access to primary education and high levels of access to preschool and secondary education. However, there is room to improve enrollment rates at preschool and secondary school. Also, while Malaysia's learning outcomes are strong, they are significantly lower than the average for high-income countries and standout regional peers (see **Box II.1** for background on the HCP and its assessment of Malaysia's education system).

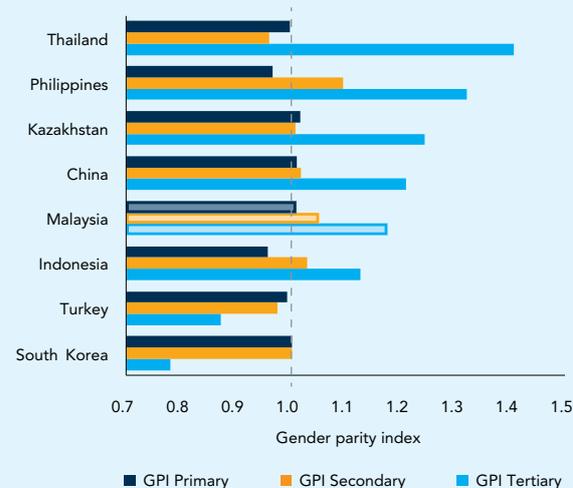
Since the 1970s, Malaysia has first eliminated and then reversed gender gaps in enrollment at all educational levels. At present, there is a reverse gender gap at all levels: More girls and women are enrolled in school than boys and men. That is evident from the gender parity indices depicted in **Figure II.1**. The indices divide enrollment rates for girls by enrollment rates for boys. A gender parity index greater than one indicates that a higher proportion of girls is enrolled at a particular level of education. As shown in the figure, Malaysia's reverse gender gap in educational enrollment is higher at higher levels of education. As of 2017, the reverse gender gap in secondary education is about 4.3 percentage points, while the reverse gender gap in tertiary education is about 6.8 percentage points. That said, the reverse gender gaps in secondary and tertiary education declined between 2010 and 2017, with a marked decline of almost 4.9 percentage points for tertiary education. A reverse gender gap in education is also observed in many other countries in the East Asia and Pacific region. With some notable exceptions, throughout the region the reverse gender gap is particularly large for tertiary education (see **Figure II.2**).

FIGURE II.1. Gender parity index by level of education in Malaysia, 2010 and 2017



Source: Authors' calculations based on UNESCO Institute for Statistics.

FIGURE II.2. Gender parity index in primary, secondary, and tertiary education by country, 2017



Source: Authors' calculations based on World Development Indicators.

BOX II.1

The Human Capital Project and the importance of education in realizing Malaysia's human potential

Human capital—the knowledge, skills, and health that people accumulate over their lifetime—was a key factor in the sustained economic growth and poverty reduction rates of many countries in the 20th and early 21st century, especially in East Asia. With rapid technological change, nations' wealth has become even more closely tied to the human capital of its people. Production processes in industry, agriculture and services have all become highly human capital and technology intensive. Greater policy focus on human capital is needed to build people's knowledge, competencies, and skills to enable an economy to achieve high rates of inclusive economic growth in this rapidly evolving context.

Education, along with health and social protection, plays an important role in the development of human capital. In high-income countries, levels of educational attainment are closely linked to economic performance. Further, the interplay between education, health, and social protection has an important role in the determining human capital outcomes. On average, well-educated individuals, especially women, take better care of the health and nutrition of their families and children. In turn, this results in improved labor productivity, increased economic growth, and higher life expectancies.

FIGURE II.3. Human Capital Index by country group, 2017

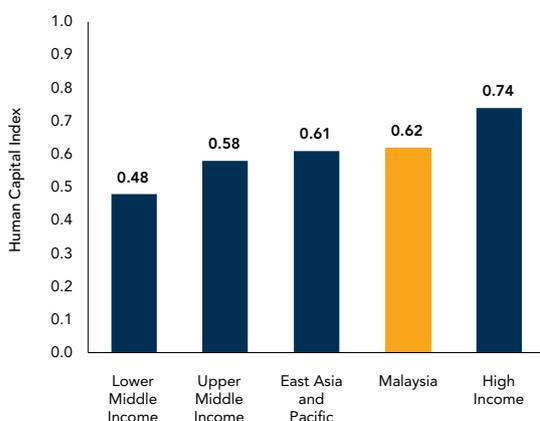
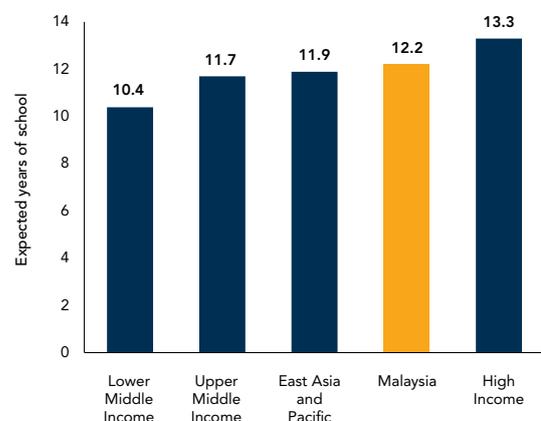


FIGURE II.4. Expected years of school by country group, 2017





In recognition of the importance of human capital for economic growth, the World Bank introduced the Human Capital Index (HCI) in October 2018 as part of the Human Capital Project (HCP). The HCI is a metric designed to forecast a country's human capital. The index tracks the future trajectory, from birth to adulthood, of a child born today. It quantifies the level of human capital that a child can expect to attain by the end of secondary school, given the risks of poor health and inadequate education in that country at the time of the child's birth. The expected years of quality-adjusted education, a metric that combines information on the quantity and quality of schooling, is one of the components of the HCI, as are the proportion of children that survive from birth to school age (age five), child stunting rates and adult survival rates.

For Malaysia to fulfil its aspiration to be a high-income, developed nation, it will need to make further advances in education, health, nutrition and social protection. According to the HCI, children in Malaysia born today will be only 62 percent as productive as they could be in adulthood compared to optimal outcomes, given current education and health outcomes (see **Figure II.3**).

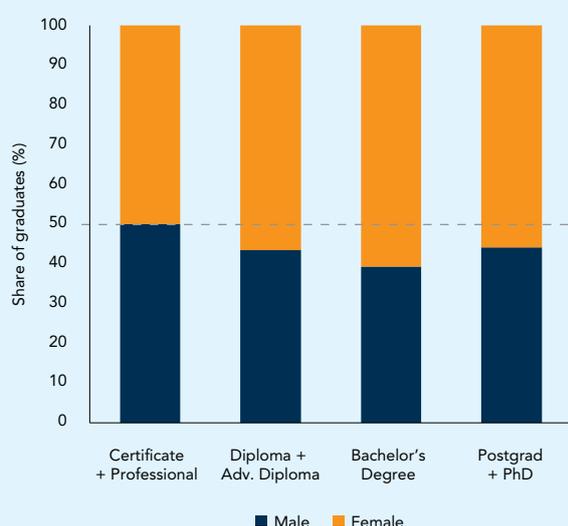
Despite significant progress in the past few decades, there is room to improve Malaysia's educational outcomes. As shown in **Figure II.4**, the expected years of schooling for an individual up to the age of 18 in Malaysia is 12.2, significantly lower than the average for high-income countries, which stands at 13.1. Malaysia's upper-secondary enrollment rates are lower than some upper-middle-income and lower-middle-income in the region, such as Thailand and Indonesia. Top-performing education systems, such as those of Korea, Hong Kong SAR, China, and Japan are all characterized by high upper-secondary enrollment rates. Malaysia's upper secondary enrollment rate (Form 4 and Form 5) currently stands at 85 percent, with a lower rate for boys than girls. Also, it has not yet achieved universal preschool coverage.

Source: Authors based on World Bank (2018a) and World Bank (2018c).



More women than men are graduating with all types of degrees and from all types of institutions, including polytechnic and community colleges. As recently as 2010, there had been significantly more male than female graduates at the certificate and diploma level (see World Bank, 2012b). In contrast, **Figure II.5** shows that in 2017, women represented nearly half of graduates at the certificate level, and significantly more than half of graduates at the diploma and advanced diploma level. At the degree level, almost 60.0 percent of graduates in 2017 were women, and women also had a higher share of graduates at the postgraduate and PhD levels. Similarly, even though polytechnic and community colleges are still sometimes regarded as male-dominated institutions, this report shows that is not the case. **Figure II.6** depicts the share of male and female graduates from polytechnic and community colleges for the 2015–2017 period. In 2017, women for the first time represented more than 50 percent of graduates from those types of institutions.⁶

FIGURE II.5. Share of male and female graduates with post-secondary and tertiary degrees, 2017



Source: Authors' calculations based on Malaysian Higher Education Statistics.

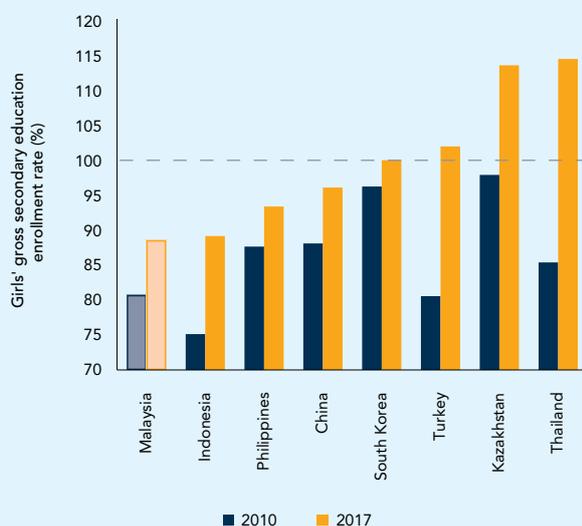
FIGURE II.6. Share of male and female graduates from polytechnic and community colleges, 2015–2017



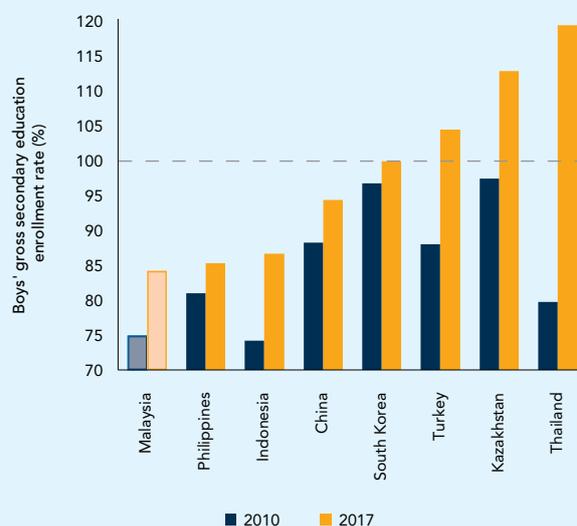
Source: Authors' calculations based on Malaysian Higher Education Statistics.

Although more women than men are being educated in Malaysia, the enrollment rate of girls in secondary education remains low compared to that in other countries. Except for a relatively small number of communities that are either remote or particularly precarious (such as stateless or refugee populations), primary enrollment is almost universal in Malaysia. In contrast, there are still noteworthy enrollment gaps in secondary education. **Figure II.7** shows that at 88.4 percent of girls in the relevant age groups in 2017, the gross enrollment ratio of girls in secondary education is lower in Malaysia than in Indonesia, the Philippines, China and a range of other middle-income countries in Asia. While Malaysia has made steady progress in increasing enrollment, over the past decade that increase was slower than in many other countries. For instance, in 2010, Malaysia's gross enrollment ratio for girls in secondary education was almost equal to Turkey's: 80.5 percent. However, by 2017, the gross enrollment ratio in Turkey was 101.7 percent, outperforming Malaysia's ratio by more than 10 percentage points.

⁶ Even though more women than men graduate with all types of postsecondary and tertiary degrees and from all types of higher educational institutions, the overall number of men graduating from tertiary education is increasing at a higher rate than that for women. Therefore, the gender parity index for tertiary education has declined in recent years (see Figure II.3).

FIGURE II.7. Gross enrollment ratio of girls in secondary education, 2010 and 2017

Source: Authors' calculations based on UNESCO Institute for Statistics.

FIGURE II.8. Gross enrollment ratio of boys in secondary education, 2010 and 2017

Source: Authors' calculations based on UNESCO Institute for Statistics.

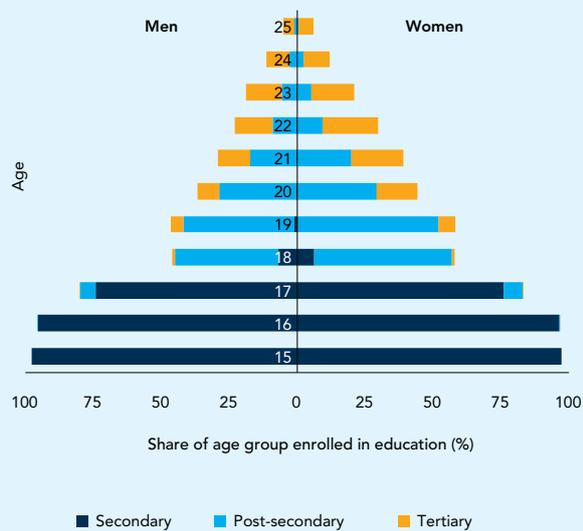
The enrollment rate of boys in secondary education is even lower than that of girls, raising concern about “lost boys.” According to **Figure II.8**, in 2017 boys' gross secondary education enrollment rate stood at 84.1 percent. This was 4.2 percentage points lower than the relevant rate for girls. It was also low compared to other middle-income countries in Asia. Some of these countries also see lower gross secondary school enrollment rates for boys than girls (for instance the Philippines) whereas in others (for instance in Thailand) the opposite is the case. While labor force participation rates for men are generally very high, the elevated proportion of “lost boys”—boys who do not enroll in or do not graduate from secondary school—raises concerns that a large share of young men entering the labor market will not be ready for jobs that increasingly demand both a high level of formal education and in-depth expertise, skills and knowledge. Differences in enrollment patterns between boys and girls are also apparent if one looks at the share of individuals enrolled in education by age and gender. As shown in **Figure II.9**, from around age 17 to around age 23, women and girls are considerably more likely to be enrolled in education than men and boys. Differences are most pronounced at age 18, when 58.0 percent of women but only 46.0 percent of men are in education.

Women in Malaysia's labor force are, on average, better educated than men, but both genders lag behind comparable countries. In 2017, 17.54 percent of women and 10.1 percent of men in Malaysia's labor force had attained tertiary education. The share of the labor force with upper secondary education was also higher among women (57 percent) than among men (53.3 percent). Thus, among women in Malaysia, not only recent graduates but also older cohorts generally have a higher level of formal education. However, tertiary educational attainment is less common in Malaysia's labor force than among younger Malaysians, reflecting the rapid expansion of access to higher education in recent decades. In addition, it is less common than in other countries in the OECD for which comparative data are available. For instance, in Singapore 58.9 percent of women and 56.3 percent of men in the labor force have tertiary education. Like in Malaysia, in most comparator countries higher shares of women than men have attained upper secondary and tertiary education (see **Figure II.10**).⁷

⁷ Patterns are qualitatively and quantitatively very similar if one compares the educational attainment of the working age population by country.

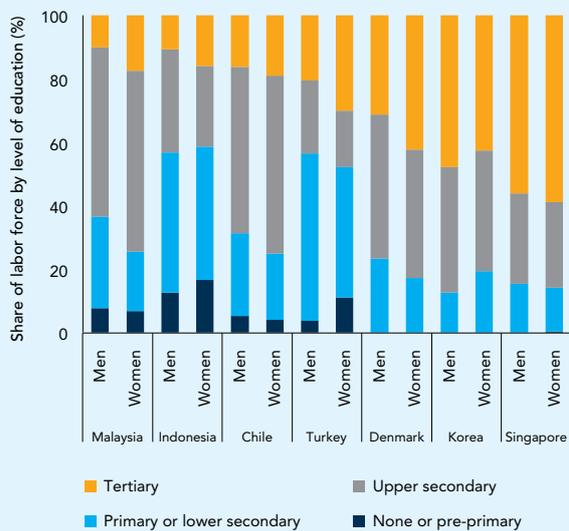


FIGURE II.9. Share of individuals enrolled in education by age and gender, 2017



Source: Authors' calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

FIGURE II.10. Educational attainment of male and female labor force by country, 2017



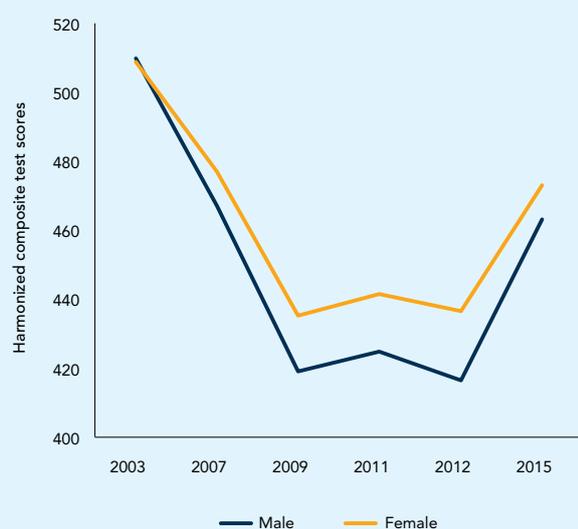
Source: Authors' calculations based on ILOSTAT and micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

Note: Labor force defined for ages 15+ for Korea and for ages 15-64 for other countries.

Learning and Field of Study

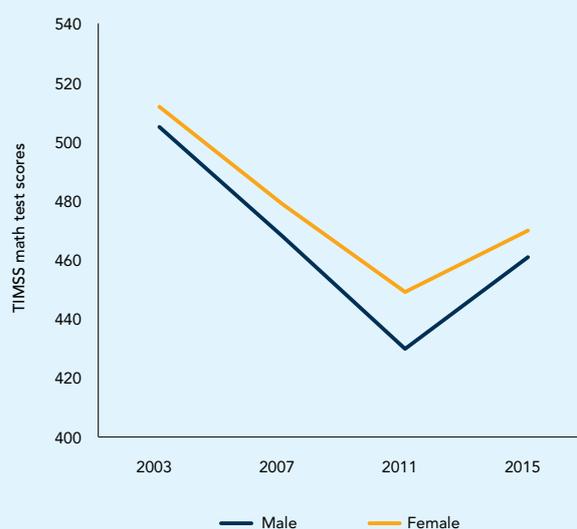
Female students outperform male students in composite learning outcomes as captured by international standardized tests. Figure II.11 illustrates harmonized composite test scores from the most widespread international testing programs, which include the Trends in International Mathematics and Science Study (TIMSS) program and the Progress in International Reading Literacy Study (PIRLS), both carried out by the International Association for the Evaluation of Educational Achievement. Also included are test scores from the Programme for International Student Assessment (PISA) administered by the Organization for Economic Development and Cooperation (OECD). Those tests separately evaluate the performance of students in mathematics, science, and reading and also allow for the computation of composite test scores capturing learning in all three subjects. The composite test scores show that in Malaysia girls have consistently outperformed boys, particularly after 2007. In 2015, boys on average achieved a value of 463.2 on a globally standardized scale with a mean of 500 and a standard deviation of 100. On the same scale, girls reached an average value of 472.9.⁸

FIGURE II.11. Harmonized composite test scores by gender, 2003–2015



Source: Authors' calculations based on Patrinos and Angrist (2018).
Note: Figures are harmonized test scores from major international testing programs. Test scores for 2003, 2007, 2011, and 2015 are from TIMSS and PIRLS, those for 2009 and 2012 are from PISA.

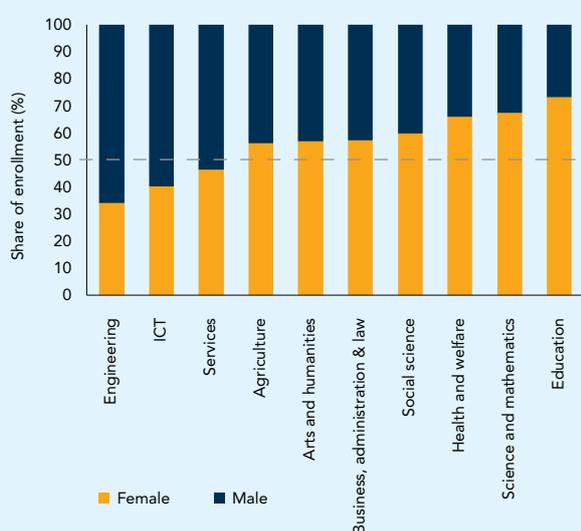
FIGURE II.12. TIMSS math test scores by gender, 2003–2015



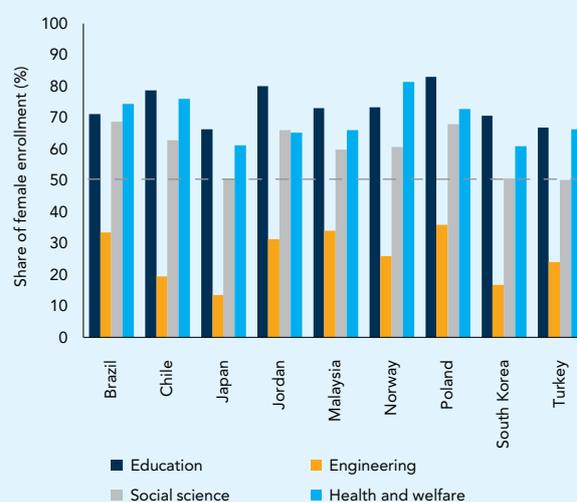
Source: Authors' calculations based on World Bank Education Statistics and TIMSS.

Female students not only outperform male students in composite learning outcomes but also in mathematics and science. In Malaysia and elsewhere, there is growing fear that recent and emerging breakthroughs in technologies such as artificial intelligence and robotics, often summarized under the designation Fourth Industrial Revolution (IR4.0), will lead to the wholesale replacement of human workers who are not able to complement machines and robots (see Chua, Loayza and Schmillen, 2018). As a result, Malaysia has emphasized education in science, technology, engineering and mathematics (STEM) as a tool for preparing students for the technological changes brought about by IR4.0. Reassuringly—from the perspective of promoting economic opportunities for women—female students outperform male students in standardized assessments of math and science proficiency (see Figure II.12 for the time series of TIMSS math test scores by gender). That gives girls and young women a better starting position to cope with the labor market challenges that are expected to be brought about by IR4.0.

⁸ Thus, in 2015 the average learning outcomes of both boys and girls in Malaysia were below the international average. See World Bank (2018a) for a dedicated analysis of learning outcomes in Malaysia.

FIGURE II.13. Share of female higher education enrollment by field of study, 2017

Source: Authors' calculations based on UNESCO Institute for Statistics.

FIGURE II.14. Share of female higher education enrollment by field of study and country, latest years

Source: Authors' calculations based on UNESCO Institute for Statistics.
Note: Selected fields of study only.

After secondary school, a large share of Malaysian women enrolls in courses traditionally characterized as “female”. As visualized in **Figure II.13**, in 2017 two of the three fields of study in higher education with the highest share of female enrollment were education and health and welfare. In contrast, there were more male than female students in information and communications technology (ICT): Women made up 73.1 percent of enrollment in education courses and 66.0 percent of enrollment in health and welfare courses. In contrast, men made up 66.1 percent of enrollment in engineering courses and 59.8 percent in ICT courses. The dominance of male students in engineering is noteworthy given the fact that girls have outperformed boys in standardized math and science tests for the past 10 years. To be sure, the same pattern is also common in other countries. **Figure II.14** shows that, compared to Malaysia, the share of female enrollment in engineering is about the same in Jordan, Brazil and Poland, and even lower in Chile, South Korea and Japan. In addition, there are actually more male than female students in science and mathematics. Nevertheless, the continued sorting of men and women into different fields of study is noteworthy because of the widespread emphasis on engineering education as a tool for preparing Malaysia for IR4.0.

Qualitative evidence suggests that the continued sorting of male and female students into different fields of study is due to different career expectations for men and women. Both young men and young women tend to select their fields of study and career direction with a view to long-term employment possibilities—but with different priorities. While many young women tend to look for stable employment paths and fields where they can combine a career with family responsibilities, many young men are most interested in fields that promise a good income and opportunities for quick promotion. In addition, a large proportion of young women and men strongly depend on their family's advice when choosing a field of study. This advice is often tends based on traditional views and experiences of Malaysia's society and labor market (see **Box II.2** for the experiences of young Malaysians).

BOX II.2

Young Malaysians and the challenge of choosing a field of study

Education is highly valued and attending university, especially at the postgraduate level, is seen as a privilege. When male and female students who participated in focus group discussions conducted for this report were asked about their happiest moments in life, most of them concentrated on successes during their time at the university. Male students particularly cherished getting extraordinary results and participating in and winning competitions. In contrast, female students emphasized that extracurricular activities or exchange programs increased their self-esteem and encouraged them to believe in their talents.

"[Before entering university,] I was in a matriculation program so all I did was study, study and study. Of course, I had high grades, but it was tiring. So, when I entered university, I joined a lot of programs. [. . .] When I joined all the programs my grades dropped a bit because I had little time to study. I could not commit to my studies because I didn't know how to manage my time. But the best moment for me was when I was given the chance to handle a big program [. . .]. We went to Cyberjaya in order to get funds and when we did get the funds, [. . .] I was happy because I ventured out of my studying cocoon. I realized when I went out of my cocoon, I met different people and learned a lot of new things."

(Respondent F9, female, age 21, focus group discussion 3)

From the perspective of both male and female students, university life is partly but not completely gender-balanced. According to many students of both genders, they all have the same possibilities, take part in basically the same activities and are encouraged to give their best. Female students generally feel supported by academic staff, regardless of whether they study traditionally female subjects or more male-dominated fields like engineering, microbiology or IT. Nevertheless, many female students feel that male students have a different attitude toward leisure time; in particular, they feel that while female students must concentrate on their studies and spend a lot of time learning new materials, male students can enjoy a more relaxed university life and still get good grades.

"In my opinion, there are no [gender] differences. It all depends on the man's or woman's drive to learn something new that will benefit them. So, to me, men and women have the same chances [. . .], no one is favored more than the other."

(Respondent F2, female, age 23, focus group discussion 3)

"In my opinion, men are smarter, and women are more hard-working. Like, for example, the women will study and study and they will [hardly] stop. But for men, they will study for a short period of time, but they can still score [high grades]."

(Respondent F7, female, age 22, focus group discussion 3)



Young women as well as young men tend to select their fields of study and career directions on the basis of future employment possibilities, but they have different priorities. Although many young women tend to look for stable employment paths and fields of work where they can combine a successful career with family responsibilities, a large share of young men are more interested in fields that promise a good income and opportunity for quick promotion.

"At first, my interest was in history. History was what I was good at. But since we were young, we were exposed to the problems of unemployment, that's why we cannot just choose our interest, we have to look for employment marketability [. . .]. For some, they're lucky [. . .] that their interest could actually give them good jobs but for those unfortunate, we have to curb our desire to do what we want."

(Respondent M9, male, age 22, focus group discussion 2)

Many students strongly depend on their family's advice when choosing a field of study. While many students feel they were free to choose their subjects, they were almost universally influenced by their family. Such advice was particularly important for those who could not enroll in preferred subjects. Many students stressed that their parents advised them to pursue traditional, well-established professions with high social status (such as law or medicine). At the same time, they thought that parents were not always aware of labor market trends and demands. Parents, especially those from rural areas, were perceived to know little of modern developments and the emergence of new types of jobs.

"So, I took a microbiology course." Moderator: "But you consulted with your family first, right?" "It wasn't consulting. They TOLD me to take that course."

(Respondent M6, male, age not given, focus group discussion 2)

Source: Authors based on Weimann-Sandig (2019).

Note: Quotes are directly from focus group participants but have partly been translated and condensed for clarity.



CHAPTER III

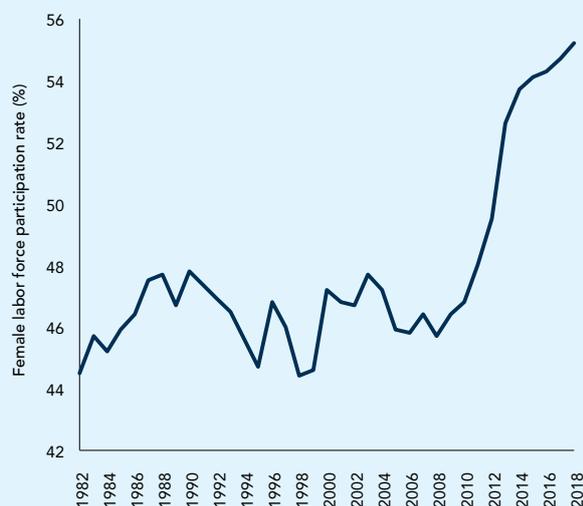
Labor Force Participation

General Trends in Labor Force Participation

After more than two decades of limited fluctuation, Malaysia's female labor force participation rate has increased rapidly in the last ten years, particularly between 2010 and 2014. According to Figure III.1, in 1982 the female labor force participation rate stood at 44.5 percent of all working-age women. In the ensuing 28 years, the rate fluctuated only slightly, reaching a minimum of 44.4 percent in 1998 and a maximum of 47.8 percent in 1990. Then, around 2010, the participation rate began to increase rapidly, jumping by 6.9 percentage points within a span of just four years—from 46.8 percent in 2010 to 53.7 percent in 2014. Since then, the rate has increased more slowly. It topped 55 percent for the first time in 2018, reaching 55.2 percent.

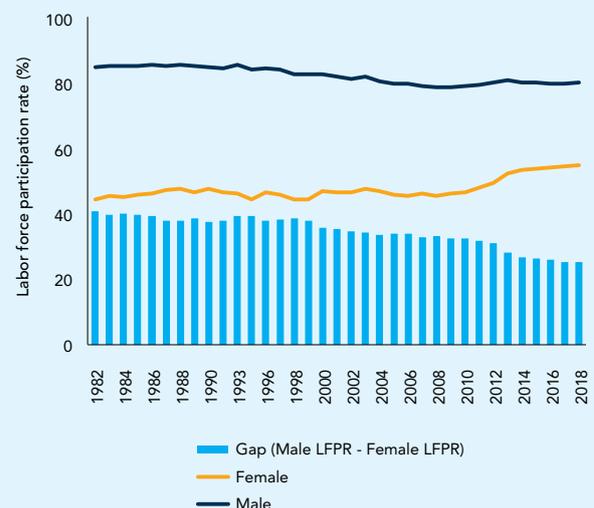
As the share of women in the labor force has increased, the gap between the participation rates of men and women has shrunk. Figure III.2 depicts both the time series of the female and male labor force participation rates and the time series of the gap between the two rates. The figure shows that between 1982 and 2018 the male labor force participation rate exhibited a slow but steady decline, falling from 85.3 percent of all working-age men in 1982 to 80.4 percent in 2018. This is probably in part because the number of younger men continuing their education past lower secondary school has risen significantly since the 1980s, even though enrollment in upper secondary and tertiary education remains far from universal. For instance, according to data from the UNESCO Institute of Statistics, the gross tertiary enrollment rate among men increased from 4.9 percent in 1982 to 38.6 percent in 2017. The changes in male and female labor force participation rates over time both contributed to a substantial narrowing of the gender gap in labor force participation rates. Between 1982 and 2018, that gap shrank by more than a third, from 40.8 percentage points to 25.2 percentage points.

FIGURE III.1. Female labor force participation rate, 1982–2018



Source: Department of Statistics Malaysia.

FIGURE III.2. Labor force participation rate by gender and gap in participation rates between men and women, 1982–2018

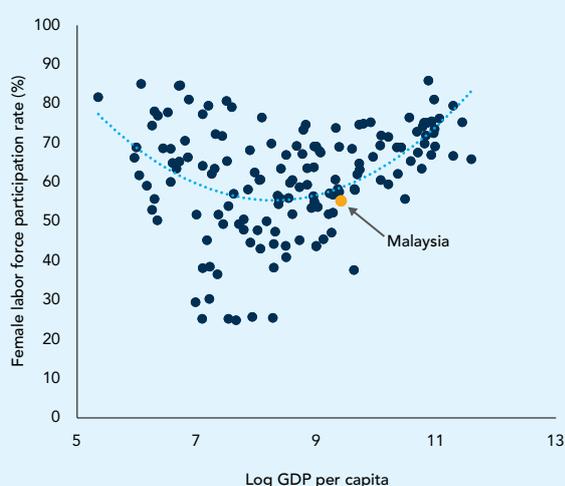


Source: Authors' calculations based on Department of Statistics Malaysia.

Despite the upward trend, the labor force participation rate for women remains slightly low given Malaysia’s level of development. Internationally, there is broad dispersion in female labor force participation rates. However, generally speaking, as countries become richer those rates follow a U-shaped pattern. **Figure III.3** plots female labor force participation rates for a sample of countries outside of MENA (where, as mentioned above, female labor force participation rates tend to be particularly low). As visualized by the green curve, women’s labor force participation tends to decrease over a certain part of the development path. When gross domestic product (GDP) per capita reaches a certain level, their participation increases thereafter.⁹ According to the figure, Malaysia’s GDP per capita is above that turning point, yet its participation rate is slightly below what would be expected at its level of development. In other words, many countries at similar levels of development, such as Kazakhstan and Brazil, have a greater share of women in the labor force than Malaysia. Malaysia can aspire to catch up to those countries, at least in the medium term.¹⁰

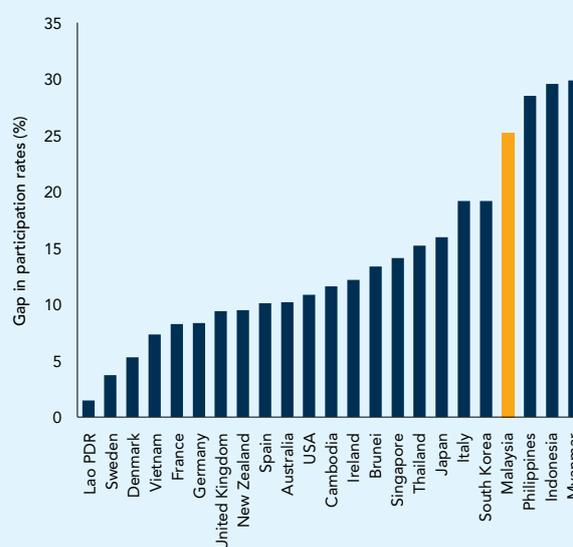
The gap between labor force participation rates for men and women in Malaysia is larger than in many other countries. Within ASEAN, Malaysia’s gender gap in labor force participation rates is only lower than the gender gaps in Myanmar, Indonesia and the Philippines. It is markedly higher than the gaps in Singapore and Thailand, Malaysia’s neighbors. In Singapore and Thailand, gender gaps in participation amount to 14.1 and 15.2 percentage points, respectively. This is about a third less than Malaysia’s gap of 25.2 percentage points. In fact, over a broad sample of comparable countries, encompassing both its ASEAN peers and a more aspirational comparison group of generally high-income OECD economies, Malaysia ranks 20th out of 23 countries in terms of gender gaps in participation rates (see **Figure III.4**).

FIGURE III.3. Female labor force participation by GDP per capita, 2018



Source: Authors’ calculations based on Department of Statistics Malaysia and World Development Indicators.
Note: Sample excludes MENA countries.

FIGURE III.4. Gender gap in labor force participation rates by country, 2018



Source: Authors’ calculations based on World Development Indicators.
Note: Modelled ILO estimates of the labor force participation rate among the population ages 15–64.

9 Goldin (1995) was one of the first to document the U-shaped relationship between development and women’s labor force participation. Explanations for this empirical regularity vary and refer to changing social norms, education, and structural change in the course of economic development, among other factors. For instance, Verick (2014, p. 2) states that “female participation rates are highest in poor countries, where women are engaged in subsistence activities, and fall in middle-income countries because of the transition of (mainly) men to industrial jobs. As education levels improve and fertility rates fall, women are able to join the labor force in response to growing demand in the services sector.”

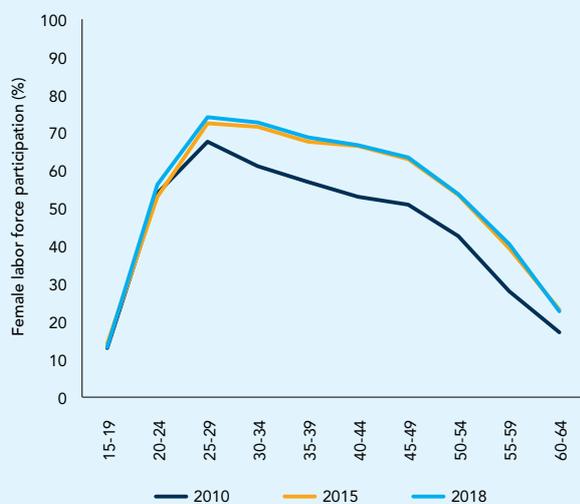
10 Conversely to labor force participation rates, there is generally an inverse U-shaped relationship between development and the gender gap in labor force participation rates. According to this measure, Malaysia once again performs slightly worse than expected given its GDP per capita.

The macroeconomic simulations conducted for this report imply that closing the gender gap in labor force participation between men and women could in the long run boost Malaysia’s income per capita by 18.4 percent. Put differently, the macroeconomic simulations indicate that about three-quarters of the overall gains from closing the 26.2 percent gender gap in economic opportunities would result from closing the gender gap in labor force participation between men and women. Also according to the simulations and under the simplifying assumption that income gains from closing the gender gap in labor force participation rates are linear, a one percentage point increase in the female labor force participation rate would increase income per capita by about 0.5 percent in the short run and 0.56 percent in the long run.

In Malaysia, female labor force participation is higher for young adults than for middle-aged and older women. One of the most striking findings of the Malaysia Economic Monitor on “Unlocking Women’s Potential” (World Bank, 2012b) was that Malaysia’s age-participation profile in 2010 was single-peaked, meaning that participation was lower for middle-aged women than for young adults and lower still for older women. This contrasted with the age-participation profiles of countries like Japan and Korea, where there is an initial peak when young women enter the labor force, a decline as they marry and have children, and then a second peak as they re-enter the labor force. **Figure III.5** shows that despite the steady increase in female labor force participation over the last eight years, that striking finding from the Economic Monitor of a single-peaked age-participation profile was current as of 2018. Women aged 25 to 29 continue to exhibit the highest participation rate and that rate continues to be lower for older women. Although the regular retirement age for both men and women was raised from age 55 to age 60 in 2013, only 40.6 percent of women aged 55 to 59 participated in the labor market as of 2018. With Malaysia’s workforce rapidly aging, tapping the economic participation of such “younger older” women will become increasingly important.

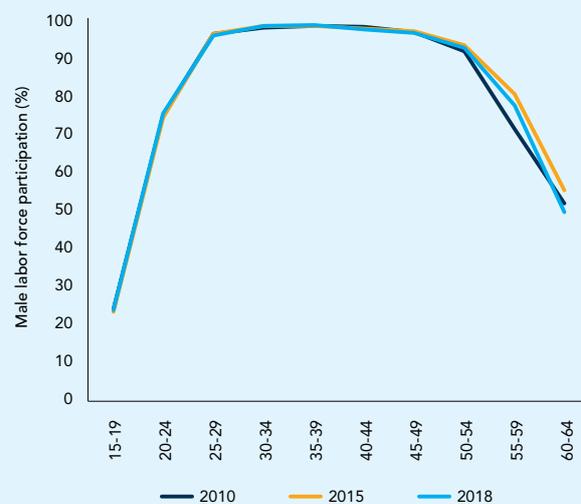
The age-participation profile of men is much less variable than that of women and has changed little over the last eight years. Although women’s labor force participation peaks in the 25–29 age group, the men’s participation rate remains almost constant between the ages of 25 and 49. For higher age groups, participation declines rapidly due to early retirement. Also, while the curve of women’s age-participation profile has shifted upwards over the last eight years, for men it has remained stable. The only noteworthy change has been a small increase in the labor force participation rate for men aged 50 and above. That indicates a slight increase in the average retirement age between 2010 and 2018—which might reflect the fact that, in 2013, the regular retirement age for private sector workers was raised from age 55 to age 60 (see **Figure III.6**).

FIGURE III.5. Female labor force participation rate by age group and year, 2010–2018



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

FIGURE III.6. Male labor force participation rate by age group and year, 2010–2018

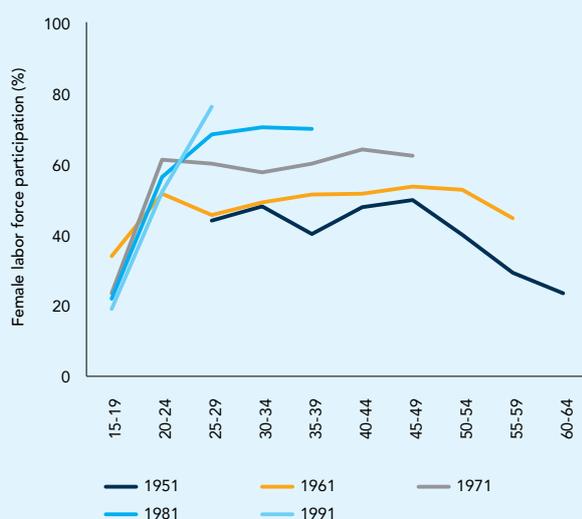


Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

Detailed Patterns

Women’s overall single-peaked age-participation profile does not require participation of individual women to decline after early adulthood but instead largely reflects a general increase in participation rates among subsequent birth cohorts. As pointed out by World Bank (2012b) and KRI (2018), there is convincing evidence that cohort effects are a main driver of Malaysia’s age-participation profile. That evidence is corroborated by **Figure III.7**, which shows that over past decades, the female labor force participation rate has increased generation by generation for all women 20 years old and above. For instance, the participation rate for women born in the 1950s averages 40.2 percent for those between 25 and 64 years old; that rate is 50.5 percent for women born in the 1960s. In contrast, the lower participation rates among younger generations for 15-to-19-year-olds coincides with the expansion of tertiary education. In some cohorts there is tentative evidence of a double peak in women’s labor force participation, typically described by an initial peak when women enter the labor force, a decline as they marry and have children, and then a second peak as they re-enter the labor force.¹¹

FIGURE III.7. Female labor force participation rate by age group and birth cohort, 2010–2018



Source: Authors’ calculations based on World Bank (2012b) and micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

FIGURE III.8. Female labor force participation rate by age group and rural-versus-urban location, 2010 and 2018



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

Even for younger generations, Malaysia’s female labor force participation rate is low compared to other countries. For women in Malaysia born in the 1980s, the participation rate between the ages of 25 and 39—which is when labor force participation normally peaks—averages 69.4 percent. That rate is lower than the rate for that cohort in countries such as Thailand, Singapore, Japan, Sweden, and Australia. In Thailand, the participation rate for women between the ages of 25 and 39 born in the 1980s is over 73 percent. In the other comparator countries, it exceeds 80 percent. Because Malaysia’s labor force participation rates are relatively low over the entire life cycle, it will be important to complement policies that facilitate women’s return to work with initiatives that enable them to transition into the

¹¹ Limited data access only makes it possible to directly compare gender gaps in labor force participation rates for only a small number of cohorts. The limited evidence shows that for each age group for which comparable data is available, gender gaps are smaller for younger cohorts but still positive. For instance, for ages 25 to 29 the gender gap is 29 percentage points for the 1981 birth cohort and 18 percentage points for the 1991 birth cohort.

world of work in the first place. Nevertheless, facilitating women's return to work is important even if age-participation profiles for different age groups are flat; even a flat profile will mask outflows and inflows at various points in time and, because women will exit school or have children at different ages, policies that enable women to return to work can lead to a general increase in female labor force participation. Moreover, if women expect to be able to work for only a few years, they may decide early in their career not to work at all. Again, relevant policies can lead to a general increase in female labor force participation.

Urbanization may have contributed to the increase in female labor force participation, especially among younger women. A comparison of age-participation profiles between rural and urban women yields three interesting patterns. First, women's labor force participation is generally lower in rural areas than in urban areas. Second, that is not the case for all age groups; between the ages of 60 and 64, a higher share of rural women than urban women are in the labor force. Third, rural women tend to stay in the labor force longer. For urban women, the participation rate steadily declines after the age of 29. In contrast, for rural women it is more or less constant between the ages of 20 and 54, and only declines after age 55. Put together, those patterns make the single peak in labor force participation more prominent among urban than among rural women.¹² Also of note, a comparison of the age-participation profiles of women in urban and rural areas in 2010 and 2018 shows that increases in participation rates have been present for all age groups other than the very young, and have been especially pronounced for middle-aged women, like those aged 40 to 44 (see **Figure III.8**).

The expansion of higher education has also played a role in the increase in women's labor force participation. The gender gap in labor force participation is lowest among those with tertiary education and has declined among all education categories. As depicted in **Figure III.9**, in 2010 the gender gap in participation rates was highest among those with only primary education, slightly lower among those with no formal or secondary education, and dramatically lower among those with tertiary education. Between 2010 and 2018, the gender gap in workforce participation shrank for all education categories. The decline was most pronounced among those with secondary and tertiary education but did not change the basic rank order. In 2018, the widest gap could still be found for individuals with only primary education (at 41.5 percentage points), whereas for those with tertiary education it had shrunk to 9.5 percentage points—considerably less than the overall gap in Singapore and Thailand. One of the reasons for the generally negative relationship between educational attainment and the gap in labor force participation rates is that education increases the incentive to work due to a substitution effect (an increase in the opportunity cost of leisure). In addition, education is closely correlated with income; more educated women might find it easier to afford good-quality child care.¹³

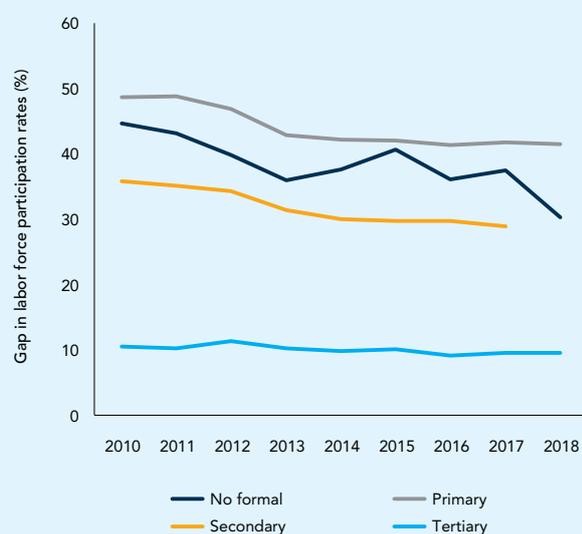
In relative terms, age group effects and education offer the strongest explanation for the variation in women's labor force participation. **Figure III.10** relies on a regression-based statistical decomposition method to investigate what share of the observed variation in female labor force participation can be explained by four groups of explanatory variables: age groups (which for each particular year could reflect either life-cycle or cohort effects), education, ethnicity and location (urban or rural).¹⁴ According to the figure, age group effects and education are most relevant to the variation of female labor force participation. For each year from 2010 to 2017, the age/cohort effects could explain at least 52.4 percent of the overall explained variation, and the share of variation those effects explain has generally increased. At between 33.4 and 42.8 percent of the overall explained variation, education also explained a sizeable share of that variation for each of the eight years studied. In contrast, ethnicity and the urban-rural divide played a much smaller role in explain why women's labor force participation rate varies.

12 The age-participation profiles of women in urban and rural areas also contrast to those of men. Results (not depicted here) show that age-participation profiles of men in urban and rural areas are practically the same between the ages of 25 and 49. Some difference in the participation rates of younger and older men are likely due to a higher share of urban men spending more time in education and entering the labor force at a later age, and also retiring earlier due to their higher average savings.

13 Potentially, there could be a countervailing income effect if individuals with higher wage rates prefer to work less and increase their leisure time instead.

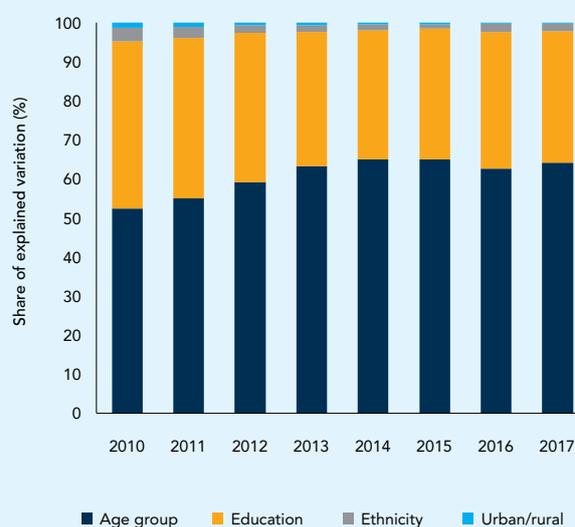
14 Methodologically, the coefficient of variation—a commonly used goodness-of-fit measure—of a linear regression of labor force participation on these four groups of variables is decomposed into contributions of the four groups using the statistical procedure proposed by Hüttner and Sunder (2011). This enables a comparison of the relevance of the independent variables in explaining the variation of the variable of interest.

FIGURE III.9. Gap in labor force participation rates between men and women by level of education, 2010–2018



Source: Authors' calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

FIGURE III.10. Share of explained variation of female labor force participation by explanatory variable, 2010–2017



Source: Authors' calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

More generally, economic development appears to have fostered greater labor force participation among women because Malaysia's more developed states tend to have higher participation rates. Figure III.11 plots the relationship between state-level GDP per capita and women's labor force participation rate, showing a positive correlation between those variables. At 57.2 percent, Kuala Lumpur has one of the highest participation rates in Malaysia, and is also the most developed locality. On the other end of the spectrum, Terengganu and Perlis are among Malaysia's least developed states and have the lowest participation rates, at 44.6 percent and 44.7 percent, respectively.¹⁵

Compared to education and economic development, norms and values specific to a particular ethnicity or religion seem to have less effect on women's labor force participation rates. Figure III.12 shows that the overall age-participation profiles of women of all three main ethnicities are broadly similar. Consistent with the findings from the regression-based statistical decomposition method of Figure III.10, this suggests a certain degree of commonality in the factors that determine Malaysian women's labor force participation, irrespective of their ethnicity. Nevertheless, the more detailed age-participation profiles of women vary between ethnicities, with Chinese women having consistently higher participation rates for almost all age groups. While participation rates for women ages 15 to 24 are very similar across ethnicities, Chinese women between the ages of 25 and 44 have a significantly higher average participation rate than *Bumiputera* (Malays and other indigenous peoples of Malaysia) and Indian women. In contrast, for ages 45 to 49, the participation rate of Chinese women is lower than that of *Bumiputera* women, suggesting somewhat heterogeneous retirement patterns within this relatively narrow age band.¹⁶

15 The strength of the relationship between state-level GDP per capita and female labor force participation increases when Selangor and the Federal Territory of Labuan, two outliers that defy the general pattern between GDP per capita and labor force participation, are excluded. With Selangor and Labuan, the correlation coefficient between GDP per capita and the participation rate is 0.33, without them 0.71.

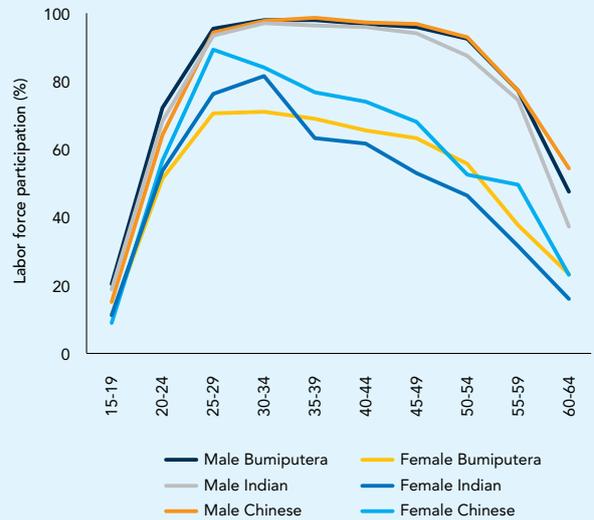
16 Qualitative evidence from the focus group discussions conducted for this report confirms some differences in gender norms and attitudes between ethnic groups. With regard to male labor force participation rates, *Bumiputera*, Chinese, and Indian men all have similar age-participation profiles, with some notable exceptions. In particular, while young Chinese men have comparatively low participation rates, participation rates among older Indian men are much lower than among older *Bumiputera* and Chinese men (see Figure III.12).

FIGURE III.11. Female labor force participation rate by state-level GDP per capita, 2017



Source: Authors' calculations based on Department of Statistics Malaysia.
 Note: GDP per capita is in constant 2010 ringgit for 2016, labor force participation rate is for 2017. GDP per capita for Kuala Lumpur includes Putrajaya and is therefore likely slightly overstated.

FIGURE III.12. Female and male labor force participation rate by age group and ethnicity, 2018



Source: Authors' calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).
 Note: Ethnicities other than *Bumiputera*, Chinese and Indian omitted.

Legal requirements in Islamic law are sometimes cited as a reason for the comparatively low labor force participation of Muslim *Bumiputera* women, but Islamic scholars emphasize a more nuanced reading. In Malaysia, Islamic family law governs Muslims' marriages. According to Islamic scholars, Islam emphasizes the complementary roles of husband and wife and encourages both men and women to work. However, it stipulates that women should have a valid reason to work and follow appropriate conditions. While scholars mention the husband's consent as a condition for women to take up work, they also emphasize the possibility for women—especially those who were working before marriage—to add a condition when the marriage is registered, to the effect that the husband shall not prevent his wife from working in the future. Anecdotal evidence suggests that knowledge of this possibility is limited in practice, but could be increased through a suitable awareness campaign (see **Box III.1** for a summary of the perspective of Islamic law on woman's participation in the workplace).

BOX III.1

Woman's participation in the workplace from the perspective of Islamic Law

Malaysia has a pluralistic legal system with parallel civil and Islamic/Syariah courts. The latter deal with Muslims' moral and family matters. Islamic law lies under the jurisdiction of Malaysia's states. Prior to 1984, Islamic laws were unwritten laws based on the *Quran* and narrations of the *hadiths*, the recorded words and deeds of the Prophet Muhammad. Starting in 1984, each of Malaysia's states codified their Islamic laws and passed an Islamic family law, which governs Muslims' marriages, as well as a set of other laws. In each state, a three-tier *Syariah* Courts system adjudicates all matters relating to Islamic laws. The jurisdictions of Islamic laws are bound by Malaysia's Federal Constitution.

Islam emphasizes the responsibilities of each individual and the complementary, reciprocal roles of husband and wife. On the basis of reciprocity, it is the responsibility of the husband to support his wife financially and the responsibility of the wife to obey her husband. Thus, if a wife disobeys her husband, he is no longer responsible for supporting her. However, the husband cannot solely declare his wife disobedient. Instead, the *Syariah* Courts determine whether a wife is disobedient.

Even though, according to Islamic law, the most important role for women is their familial responsibilities, there is no blanket restriction on women's employment in Islam. According to Section 60 of the Islamic Family Law Enactment 2003 of the state of Selangor, a wife is not entitled to financial support when she leaves her husband's home against his will, without any valid reason. That and similar provisions in other states have been interpreted as a blanket prohibition on women's participation in the workplace. However, Islamic scholars make a more nuanced reading of the provision, to the effect that Islam in fact encourages men and women to work but that every Muslim—male or female—is still subject to Islamic law. That does not mean that a woman may not leave her home, only that she must have a valid reason and follow appropriate conditions.

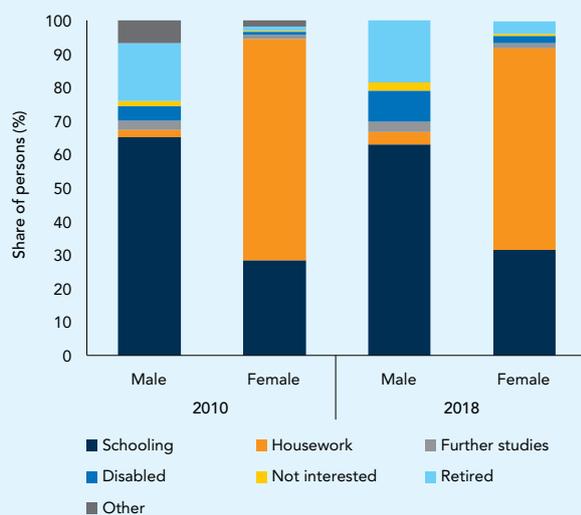
Muslim scholars have specified what in their reasoning constitutes appropriate conditions for women to work. Scholars such as Abd al-Rabb Nawwab al-Din and Syeikh Yusuf al-Qardawi say the husband's consent is a condition for women to take up work. However, an often-overlooked possibility for women, especially those who work before marriage, is to add a *ta'liq* (a condition that will allow for divorce) when the marriage is registered, to the effect that the husband shall not prevent the wife from working in the future. That is in accordance to Section 26 of the Islamic Family Law Enactment 2003 of the state of Selangor (enforced under Section 50) and similar sections in other states.

Source: Authors based on consultation with YAA Dato' Dr. Hj. Mohd. Na'im Hj. Mokhtar, Director General/Syariah Chief Judge, *Syariah* Judiciary Department of Malaysia, May 14, 2019.

Constraints on Women’s Labor Market Participation

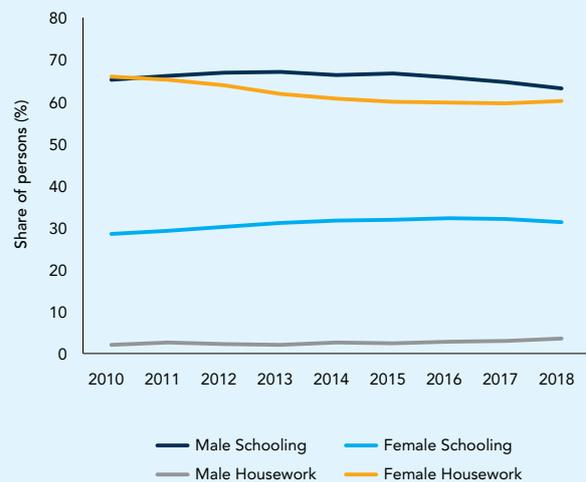
Housework is the main reason that women do not participate in the labor force. According to responses to the Malaysian Labour Force Survey summarized in **Figure III.13**, in 2018 60.2 percent of women who did not participate in the labor force cited housework, including child and elderly care, as the main reason for not seeking work.¹⁷ Another reason for not seeking work cited by 30.6 percent of women was schooling. Other options in the survey, such as being retired, being disabled or not being interested in work, were chosen by only a very small share of women. Patterns for the much smaller number of men not participating in the labor force were markedly different. Only 3.6 percent of men gave housework as the reason for not seeking work. By far the most commonly cited reason was schooling, at 63.1 percent. At 18.5 percent and 9.4 percent, respectively, men also chose being retired and being disabled more often than housework.¹⁸ Those findings confirmed qualitative evidence from the focus group discussions conducted for this report, reflecting prevalent social norms that consider most housework the responsibility of women.

FIGURE III.13. Share of persons out of the labor force by reasons for not seeking work, 2010 and 2018



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

FIGURE III.14. Share of persons out of the labor force by selected reasons for not seeking work, 2010–2018



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia). Note: Reasons other than housework and schooling omitted.

There are indications that social norms regarding child care and other housework as the responsibility of women are slowly changing over time, and that the shift is contributing to the rise in female participation in the labor force. **Figure III.14** shows the time series for the two most commonly cited reasons that women do not participate in the labor force—housework and schooling—for 2010 to 2018. The share of women who cite housework as the reason for being outside of the labor force has gradually declined, falling by 5.9 percentage points between 2010 and 2018. Over the same period, the share of women who cited schooling as the reason they were not working increased by 2.9 percentage points. Over the same period, the share of men who gave housework as the main reason for not participating in the labor force increased by about half, from a very low base of 2.1 percent in 2010, and the share of men who cited schooling declined.

¹⁷ In the questionnaire of the Malaysian Labour Force Survey, the full reason is cited as “housework / family / community responsibilities.”

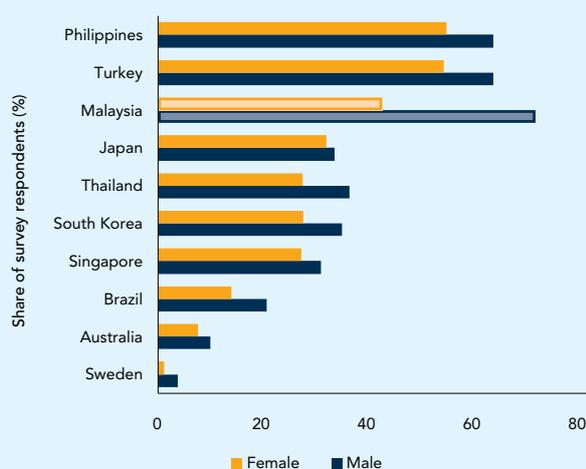
¹⁸ It is noteworthy that the share of men who cite being disabled as the main reason for not seeking work increased from 4.4 percent in 2010 to 9.4 percent in 2018. Although a detailed investigation of the factors underlying this increase is beyond the scope of this study a detailed investigation of the factors underlying this increase is beyond the scope of this study, it points towards the renewed importance of providing care and other services for the disabled, in addition to children and the elderly

Nevertheless, in the absence of accessible, affordable and good-quality child care options, the notion that women are primarily responsible for providing care at home continues to be the social norm. Figure III.15 and Figure III.16 show that for all of Malaysia’s main ethnic groups, social norms remain relatively traditional. Across *Bumiputera*, Chinese and Indian respondents to the World Value survey, more than 60 percent of men and a significant share of women agree with the statement, “When jobs are scarce, men should have more right to a job than women.” Qualitative field work conducted for this report confirms that while many women in Malaysia would like to have a successful career, they feel their foremost responsibility is to their families and the upbringing of their children (or sometimes their grandchildren, in the case of older women).¹⁹

In the absence of child care options for children of all ages, a large share of women feels compelled to stay out of the labor market. Although the Malaysian Labour Force Survey does not offer a detailed breakdown of different forms of housework, a survey of accounting and finance professionals by ACCA and TalentCorp (2016) found that the four most common reasons women gave for leaving the workforce were “to raise a family” (65 percent), “lack of work-life balance” (43 percent), “to care for a family member” (38 percent) and “childcare is too expensive” (35 percent). Similarly, a survey by the Ministry of Women, Family and Community Development (MOWFCD) and UNDP (2013) records that 66.9 percent of married women who do not work give “to look after children” as the reason and that 53.3 percent of married women with children rely on relatives for child care (and only 25.8 percent on child care centers). Moreover, the Ministry of Human Resources (2019) presents survey-based evidence according to which the need to take care of children or grandchildren is the most common reason for older women to exit the labor force.

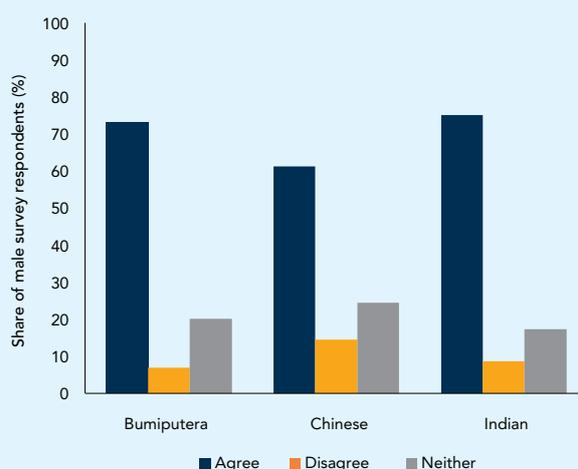
Focus group discussions conducted for this report confirm that the difficulty of accessing care services prevents many women from realizing their full economic potential. Although a lack of child care for children ages 0 to 4 is widely seen as the most pressing constraint, there is also a widespread perception of a lack of support for school-going children and the elderly. The difficulty of accessing affordable and good-quality child care is particularly widespread in urban poor areas such as *Projek Perumahan Rakyat* (PPR) public housing developments and other areas where service delivery is a challenge (see Box III.2 for the experiences of PPR residents).

FIGURE III.15. Agreement to the statement “When jobs are scarce, men should have more right to a job than women” by country, latest years



Source: Authors’ calculations based on World Values Survey.

FIGURE III.16. Agreement by men to the statement “When jobs are scarce, men should have more right to a job than women”, 2012

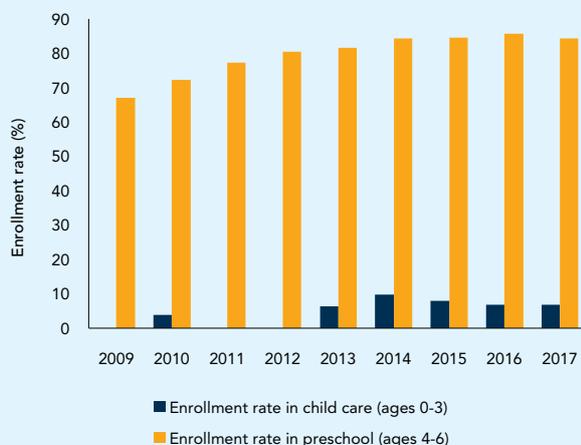


Source: Authors’ calculations based on World Values Survey.

¹⁹ Consistent with the evidence of Figure III.14 that social norms have been slowly changing over time, the World Values Survey also shows that younger survey respondents are less likely to agree to the statement “When jobs are scarce, men should have more right to a job than women.” Whereas 83.3 percent of men born between 1932 and 1940 agreed with this statement, only 68.7 percent of those between 1991 and 2000 did.

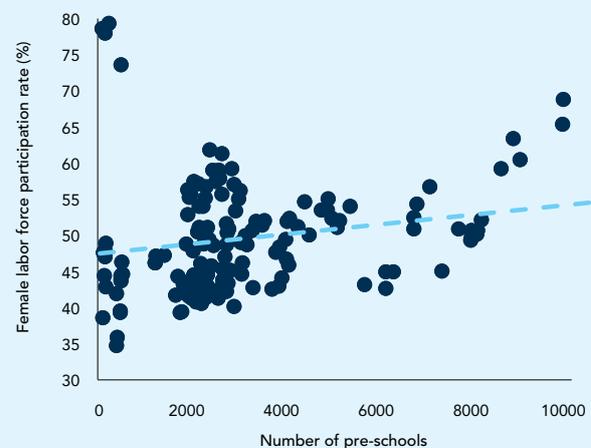
Between 2009 and 2014, there was a rapid expansion of preschool education for ages 4 to 6, but recently expansion has stalled and coverage of child care for ages 0 to 4 remains very limited. Between 2009 and 2014, the preschool enrollment rate among children ages 4 to 6 increased from 67.0 percent to 84.3 percent—a jump of 17.3 percent in five years occurred around the same time as the rapid increase in women’s labor force participation. At the same time, it is worth noting that enrollment in preschool has mostly stagnated in recent years, reaching 84.6 percent in 2015 and 2016 and then falling to 84.3 percent in 2017. In spite of some expansion, the coverage of child care for children ages 0 to 4 also remains very limited. In 2010, 4.0 percent of children in that age group were enrolled in child care. By 2017, only 6.9 percent of that age group was enrolled (see **Figure III.17**).²⁰

FIGURE III.17. Enrollment rate in child care (ages 0–3) and preschool (ages 4–6), 2009–2017



Source: Authors’ calculations based administrative data from the Ministry of Education and the National Childcare Data Centre.
Note: Data on child care enrollment unavailable for 2009, 2011, 2012.

FIGURE III.18. Number of preschools and female labor force participation rate by state, 2010–2018



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia) and administrative data from the Ministry of Education.

The expansion of preschool education plausibly explains a significant part of the rapid increase in the female labor force participation rate between 2010 and 2013. The longer-term increase in women’s labor force participation between 1982 and 2016 also happened at the same time as overall enrollment in pre-primary education increased, although the boost in labor rates was less than proportional. More recently, as the regression analysis depicted in **Figure III.18** shows, in the 2008–2015 period, the opening of each additional preschool went hand in hand with an increase in the female participation rate of 0.00089 percentage points—that is, out of Malaysia’s adult female population of about 10 million women, an additional 89 women entered the labor force whenever an additional preschool opened.²¹ The most rapid increase in labor force participation occurred between 2010 and 2013, at almost exactly the same time as a considerable expansion of preschool education. Other factors that might have contributed to the jump in women’s participation rates just after 2010 are growing access to new technologies, as indicated by increasing Internet and mobile network coverage, and various government initiatives to foster women’s return to work and female entrepreneurship.²²

20 In Malaysia, most providers of care for children ages 0 to 4 are private. According to the National Childcare Data Centre, in 2017 providers of 3,813 out of 4,506 registered child care centers were private. The largest public provider was the Community Development Department under the Ministry of Rural Development, with 499 child care centers. Although most child care for ages 0 to 4 has been private, between 2013 and 2014 the government spent only RM18.0 million to RM37.8 million annually to support the private preschool education of 32,800 to 41,100 children from low-income households.

21 The regression analysis is based on data on the number of preschools from the Ministry of Education and only includes preschools registered with the Ministry. The data record a sharp drop in the number of preschools between 2010 and 2011. For example, the number of preschools in Kuala Lumpur fell from 6,006 in 2010 to 1,152 in 2011. According to the Ministry, the large drop was due to a change in the system that tracks private preschools. By 2013, the number of preschools had mostly recovered to pre-2011 levels.

22 Based on data from the Ministry of Finance’s budget speeches, significant government initiatives to foster female entrepreneurship have included budget allocations to increase women’s access to finance: RM2.1 billion went to Amanah Ikhtiar Malaysia in 2012 and RM400 million to TEKUN in 2011–2012. In 2014, 2015, and 2017, a further RM2.2 billion, RM2.3 billion and RM2.0 billion, respectively, were allocated to broader initiatives largely focused on promoting women’s economic empowerment and TalentCorp’s Career Comeback Program.

BOX III.2

PPR residents and the challenge of accessing affordable, good-quality child care

PPR residents come from the Bottom 40 and often struggle with illness, lack of education, rising cost of living and multiple other challenges. The PPR residents who participated in focus group discussions for this report often struggle to generate enough income to satisfy their families' needs. As a result, they sometimes feel they cannot afford even basic necessities.²³ Therefore, they see public housing as the only affordable housing option. Even those PPR residents who could afford to move elsewhere are afraid that prices will go up further or would like to prioritize expenditures that will allow their children to have a good education.

"I have two children and a sick husband. If we plan to buy a house, we have to calculate many times before we make the decision. This is due to the fact that the price of a house is getting expensive. I have to send my kids to schools. I have to pay for petrol. [. . .] Thus, staying at the PPR is a good decision. Even though we still need to pay for rent, it is affordable. I am the only one working in my family as my husband is not able to work. Thus, I need to support everyone. So, I think the cost of living is the reason why I choose to stay here with my family."

(Respondent F1, female, age 48, focus group discussion 9)

The PPRs provide residents with basic services but to some degree also separate them from the outside world and risk creating a cycle of deprivation. Many female PPR residents appreciate the provision of affordable, mostly safe homes. They also value the sense of community and shared experience among PPR residents, who to a large extent rely on each other for support. Because PPRs create a common identity, residents do not feel ashamed about their low income or living conditions. At the same time, some female residents feel that they have little opportunity to leave the PPR (some explain that their husbands would disapprove of them going out alone). As a result, the peer groups they interact with are concentrated within the PPR and its immediate vicinity. By growing up in an area characterized by poverty, and sometimes violence, their children risk being trapped in a cycle of deprivation.

"I am the kind of person who depends a lot on my husband. My husband does not allow me to do things by myself. Usually, I will go anywhere with my husband. If not, I just stay at home."

(Respondent F7, female, age 38, focus group discussion 9)

Many women in PPRs struggle to find productive and permanent work, but social media have allowed some to reach more customers. For many female PPR residents, it is very important that their place of work is located within or close to the PPR, so that they can avoid long commutes and get home quickly if needed. Many work in informal, part-time jobs—for instance, as cleaners or security guards—or have their own micro-business. Micro-businesses mostly focus on cooking, baking and similar activities that can be done in women's own homes while their children sleep or play. The selling of products outside of the residence is limited to times when children are at school or relatives or neighbors can look after them. Even though smartphones are widespread, few women know how to use them to grow a business, though some women use social media for marketing.²⁴

"I regularly use Facebook. I have had a hobby since I was a child where I like to sew. Creative stitches. The products would be a bag, pencil case, keychain and more. [. . .] When our products are ready, we can put them online or on Facebook. People can view the products on Facebook."

(Respondent F7, female, age 38, focus group discussion 9)

²³ This finding is consistent with observations in UNICEF (2018).

²⁴ Focus group discussions conducted for this report indicates that use of technology for accessing economic opportunities is even less common among women in rural areas than in urban areas including PPRs.



The difficulty of accessing child care prevents female PPR residents from realizing their economic potential. Many female PPR residents see their primary role as being the caregiver for the family, responsible for the growth and socialization of their children, especially during the first years of their lives. From this perspective, the need to secure safe and good-quality child-care is directly related to the self-identity as a good mother and wife. This self-identity leaves relatively little room for women to take up formal sector jobs outside the PPRs unless the right supporting environment is provided. This supporting environment crucially includes child care—but both in terms of accessibility and affordability of child care there are challenges. Many female PPR residents explain that public provision of child care within PPRs is insufficient. Even if public child care is provided, hours tend to be short. This often only leaves private formal or informal child care providers. However, based on media reports these are sometimes perceived by PPR residents as unsafe (and also unaffordable).

“I live in [a specific part of a PPR]. We do not have any kindergarten there. [. . .] So, many of our children are not able to attend one. They may need to go straight to elementary school. [Even if we had a kindergarten], they would not accept children of the age of 4 or 5 years. It is kind of difficult for us. We do not even have any tuition center.”

(Respondent F2, female, age 36, focus group discussion 9)

“I worked for quite some time. I still worked after I got married, until I have my third child. Then when I gave birth to my fourth child, no one could babysit my child. So, I had to take care of my children. I was scared to send my children to a babysitter. Because as we can see, there are many cases of abusive babysitters on TV. So, I quit my job and I haven’t gone back to work until now.”

(Respondent F2, female, age 32, focus group discussion 11)

In addition to care for young children, there is a widespread perception of a lack of support for teenagers as well as other programs that fit the lives of PPR residents. Many female PPR residents feel there is a lack of social workers or of support programs that could help them access stable and formal jobs. They also feel that the environment of PPRs does not encourage teenagers to develop. As there are few libraries or computer rooms located in the PPRs or within the respective neighborhoods, many teenagers just hang around or go to cyber cafes. Some female PPR residents take matters into their own hands and try to support teenagers through their microbusinesses.

“We try to help [teenagers] by forming a group and giving them a chance to earn money on their own. We offer them jobs and at the same time, explain to them the hardships faced by their parents to earn money. That is how they should work to earn income for their expenses. This is how I help: I ask them to join my catering services as a waiter for functions.”

(Respondent F8, female, age 51, focus group discussion 9)

Source: Authors based on Weimann-Sandig (2019).

Note: Quotes are directly from focus group participants but have partly been translated and condensed for clarity



CHAPTER IV

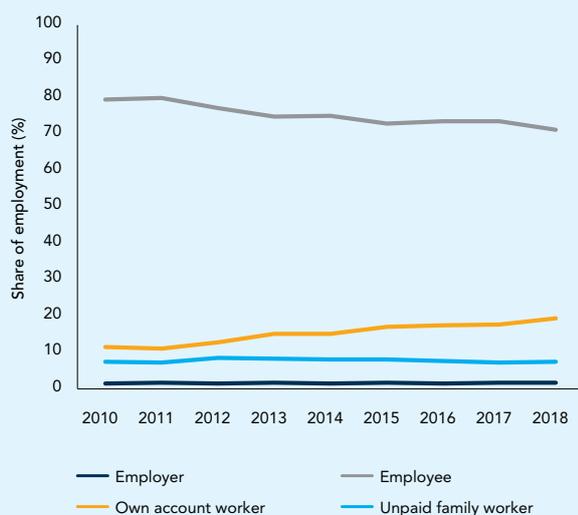
Employment

Type of work

The macroeconomic simulations for this report suggest that women’s economic empowerment will require not only closing the gender gap in labor force participation but also removing barriers to more productive employment for women. Quantitatively, the macroeconomic simulations indicate that long-run GDP per capita could increase by 6.5 percent if the gender gap in self-employment and entrepreneurship were closed. That is the case even though the model recognizes that some self-employment is created by workers who have struggled to find other forms of work. Based on data from the Global Entrepreneurship Monitor for Malaysia for 2010 to 2016, about 14.2 percent of all entrepreneurs and self-employed are classified as such out-of-necessity self-employed (see SME Corp. Malaysia, 2016).

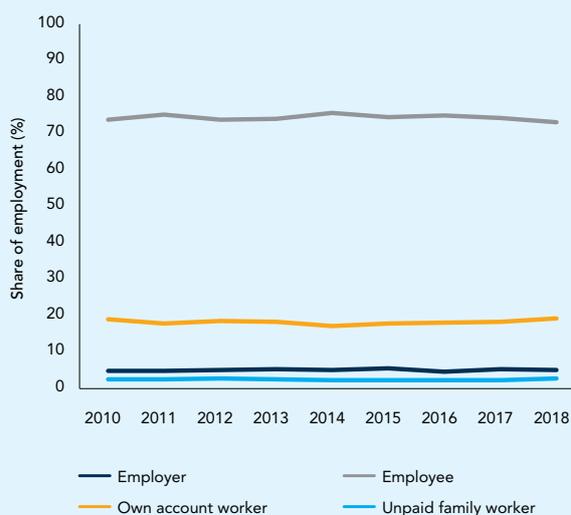
The share of self-employed women has increased since 2010, coinciding with a declining share of women who are employees. Between 2010 and 2018, the share of men who were self-employed own account workers was flat, while the share of female self-employed increased from 11.6 percent to 19.5 percent. At the same time, the share of women who were employees declined from 79.5 percent to 71.2 percent. The share of women who were employers or unpaid family workers basically remained constant, averaging 1.6 percent and 7.8 percent, respectively. Because women’s labor force participation rose during the 2010–2018 period and new forms of work such as those in the “gig” economy emerged, it is likely that the changes in the share of self-employed workers and employees were at least partly due to the choices made by women entering or re-entering the labor market, such as a desire for more flexible work arrangements. That hypothesis is confirmed by the focus group discussions for this report. At the same time, out-of-necessity self-employment may trap women in a relatively unproductive and unprotected situation. That is particularly the case because most of Malaysia’s social insurance administered by the Employees Provident Fund (EPF) and the Social Security Organization (SOCSO)—including work injury insurance, disability and survivorship insurance, and unemployment insurance—is either directly tied to an employer-employee relationship, or in practice has much higher coverage for employees than for own-account workers (see **Figure IV.1** and **Figure IV.2**).

FIGURE IV.1. Share of female employment by employment status, 2010–2018



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

FIGURE IV.2. Share of male employment by employment status, 2010–2018

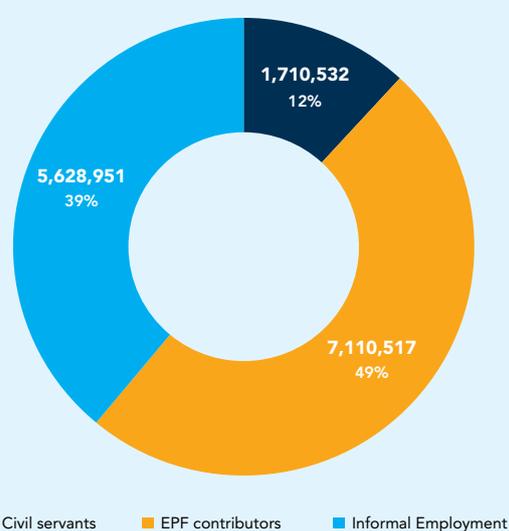


Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

Since 2011, the share of women in the informal sector has generally risen and been higher than the share of men in the sector. Informal employment refers to workers who are not subject to national legislation and income tax, nor entitled to social protection and employment benefits. That type of employment can exist in both the informal and formal sectors of the economy. Although precise data on the share of women in informal employment was not available for this report, **Figure IV.3** presents indicative data on informal employment overall. It indicates that at 39 percent of overall employment, informal employment is relatively widespread, leaving a large part of the labor force uncovered by social protection. In addition, **Figure IV.4** lists information according to the Department of Statistics Malaysia’s generally much narrower definition of employment in the informal sector. According to this definition, in 2011 7.9 percent of employment of men and 8.5 percent of employment of women was in the informal sector. By 2013, the share of women employed in the informal sector had jumped to 13.1 percent. More recently, it dropped, reaching 9.4 percent in 2017. It is too early to tell if the recent drop reflects a temporary or permanent reversal of the previous trend of increased informality among employed women.

Women engaged as own-account workers, unpaid family workers or in the informal sector are unlikely to have the same productivity and social protection as formally employed workers. Loayza (2018) argues that although the informal sector generates employment, especially during economic recessions, informal employment often involves low productivity, poor working conditions and a lack of social protection. This picture is confirmed by the qualitative field work conducted for this report. This shows that while many women—including many of the most vulnerable such as single mothers—prefer informal employment because they see it as a better route to reconciling work and family life, many of these women also struggle with low protection and productivity (see **Box IV.1** for the experiences of single mothers).

FIGURE IV.3. Share of informal employment, 2017



Source: Authors’ calculations based on Department of Statistics Malaysia, EPF and Public Service Department.

FIGURE IV.4. Share of informal sector employment by gender, 2011–2017



Source: Authors’ calculations based on Department of Statistics Malaysia.
Note: Values for 2014 and 2016 are interpolated.

BOX IV.1

Single mothers and the challenge of reconciling work and family life

Single mothers struggle to reconcile work and family life. Single mothers are among the most vulnerable groups in Malaysia. Single mothers who participated in focus group discussions conducted for this report stress that they must divide their time between work to cover living expenses and family life, often with only limited support from family and friends. Almost without exception, single mothers who participated in focus group discussions are very dynamic, creative and open-minded. Their status as single mothers leads them to invest in their skills and to develop creative business ideas to provide for their families. Nevertheless, their lives are often difficult; some single mothers work two or more jobs to earn enough money to provide a good education to their children.

“My working time is limited, I have to limit my activities. With my responsibilities towards the family I have to let go of my dreams.”

(Respondent F1, female, age 38, focus group discussion 23)

Informal self-employment is often seen as the best—or only—way to reconcile work and family life. Single mothers often see full-time work and fixed work hours as impossible. Therefore, many prefer to be self-employed or to run their own business. Self-employment often takes place informally and is seen as the best way to combine working and family duties because the hours are flexible and the work can mostly be done from home or close to it.

“In my opinion, it is better to work on our own, because we have children who still go to school, it’s difficult to work 9 to 5 because time is limited, therefore it is better to work on our own. Just like me, I own a business of banana chips and smoked banana [. . .]. I like to work on my own.”

(Respondent F9, female, age 44, focus group discussion 23)

Many single mothers face social stigma. According to single mothers in the focus groups, their social status is low. Many hesitate to admit male clients or customers in their offices or shops without witnesses, because they are afraid of sexual abuse or what neighbors might think. Some also say that they are skeptically eyed by other women their age, because those women are afraid of losing their husbands to them. Many single mothers have experienced prejudice, discrimination and unwanted advances.

“When I was about to be hired as an instructor, I was asked ‘Are you married?’ [. . .] So I replied, ‘Yes I am married’ [. . .] I had to lie because I didn’t like the way the question was asked. I did not accept the job because I was sure I would not be comfortable. I felt bad because I had to lie, but I didn’t have a choice. I had to protect myself.”

(Respondent F7, female, age not given, focus group discussion 23)

"Since I am in the batik business, I need to meet with clients, especially the men, they make a lot of orders. [. . .] Sometimes [. . .] my clients, especially those who text me at 7 or 8 PM onwards, would ask me out for a drink. Sometimes, [. . .] I have given all the designs [to a male client. Then, I think] they would only text me if they want to discuss about changing a design or something important. So, of course, I would have to reply to their questions. And I think they would not text me if there was nothing important, they wouldn't text me. But they still text me for a coffee."

(Respondent F1, female, age 38, focus group discussion 23)



At the same time, some appreciate freedoms they see as unavailable to married women. Some single mothers say that their living situation gives them new freedoms. They can choose jobs that correspond to their skills and preferences, and they are free to set their own hours. Although some single mothers say their parents and siblings have problems with their way of life, they are relieved that they can make their own decisions.

“Formerly, I planned to continue my studies, but when you become a wife, the opportunity to study is limited, so I wasn’t able to divide my time, [. . .] So, now that I am single, I learn a lot, I think, I do a lot of things that I like and I do a lot of activities that I like.”

(Respondent F5, female, age 36, focus group discussion 23)

These mothers say they appreciate support from non-governmental organization (NGOs) and civil society but that government aid is often insufficient and bureaucratic. Advice on finding their skills and talents, training for professional jobs, and loans that enable them to start their own business are seen as particularly valuable. However, government assistance is frequently characterized as inadequate, unsystematic, slow, and bureaucratic.

“I am struggling. I used to live in squatter house before. I approached DBKL [the city council which administers Kuala Lumpur] requesting for a government low cost unit. They did not bother to do anything for almost 5 years. Then they came to demolish our squatter house and I told them ‘if you fail to offer us a government housing unit, I will come with my sons to your office and we will stay there, it is up to you.’ Then [the DBKL officer] gave me an address, he told me to walk down the first and the second hill and then climb up the following hill. The Women Ministry office is located there. He said, ‘Go to that office.’ I have suffered for almost 7 years. [I said,] ‘I don’t want your money, I want to learn skills.’ Then he said ‘Okay, I will send someone.’ I waited so long. But he did not send anyone.”

(Respondent F5, female, age not given, focus group discussion 6)

Most self-employed single mothers operate informal micro-businesses with low productivity and income security. Most single mothers do not want to depend on welfare payments. Instead they want to have stable incomes and prosperous businesses. Because most single mothers do not have much savings and lack family support, some may apply for loans but those who struggle to repay the loans live in permanent fear of losing their business. Such negative examples lead some other women to create micro-businesses that require no seed capital and can be done from home. Cooking and baking are prominent examples of micro-businesses; the products are promoted on social media and produced on demand. However, this approach carries its own challenges, such as fluctuating demand and low income. Saving part of the revenue would allow for a more productive, sustainable businesses, but many say that is not possible.

“I am actually someone who is scared to borrow money. [. . .] I am scared that I am not capable of paying back my debts, because I do not have someone who could help, nobody to support me, meaning no [guarantor].”

(Respondent F7, female, age not given, focus group discussion 23)

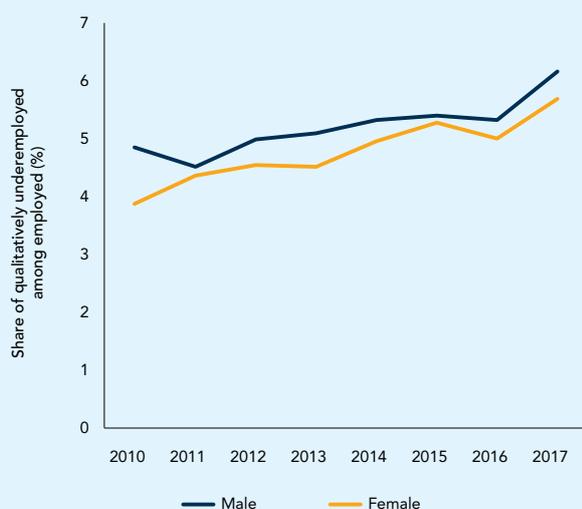
Source: Authors based on Weimann-Sandig (2019).

Note: Quotes are directly from focus group participants but have partly been translated and condensed for clarity.

Efforts to expand social protection coverage to the self-employed have only been partially successful. According to the EPF Annual Report 2018 (EPF, 2018), in 2017 the Provident Fund had almost 14 million members, more than seven million contributors and total investment assets of almost RM 800 billion. In the same year, there were less than 100,000 members of the *Skim Simpanan Persaraan 1Malaysia* (SP1M) voluntary retirement savings scheme for the self-employed (now known as *i-Saraan*) with total savings of only about RM 500 million—even though SP1M members receive a 15 percent government contribution of up to RM 250 per year. Like SP1M, other recent innovations that aim to improve the social protection of informal workers like the extension of EPF and SCOSO coverage to certain drivers of ride hailing services as well as to taxi and bus drivers provide a good testing ground for further initiatives but have not yet reached critical scale either. Finally, while the new Employment Insurance System incorporates many best practice design aspects from Korea’s successful model, it is not open to informal workers.

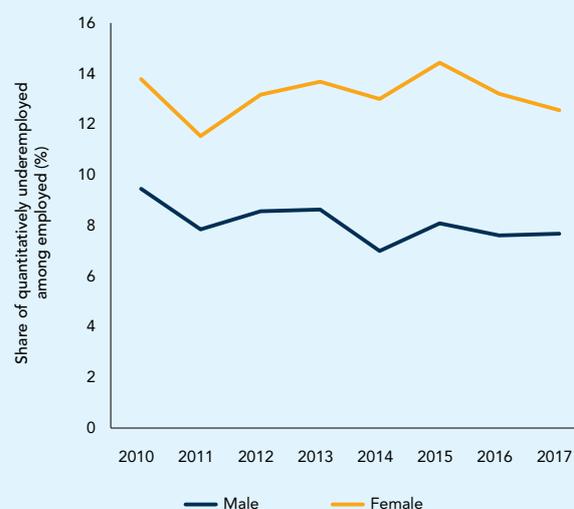
Among both men and women, qualitative underemployment has increased in recent years. In 2017, 5.7 percent of employed women were qualitatively underemployed (employed in an occupation whose skill requirements were below their educational level). At 6.1 percent, the share of employed men who were qualitatively underemployed was about the same. Also in 2017, 12.6 percent of employed women were quantitatively underemployed (employed for less than 30 hours a week). Notably, the share of workers who were quantitatively underemployed was higher for women than for men. For both genders, qualitative underemployment rose appreciably between 2010 and 2017 (see **Figure IV.5** and **Figure IV.6**).²⁵

FIGURE IV.5. Share of qualitative underemployment by gender, 2010–2017



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

FIGURE IV.6. Share of quantitative underemployment by gender, 2010–2017



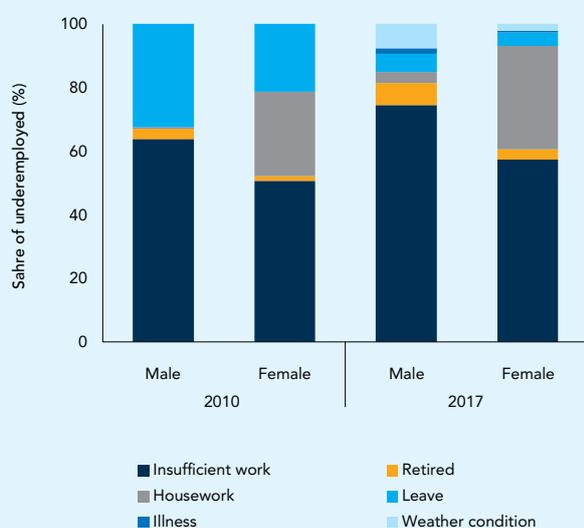
Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

A significant, and increasing, share of underemployed women cite housework as the main reason they work fewer than 30 hours a week. In 2018, 32.4 percent of women who worked fewer than 30 hours a week mentioned housework as the reason (see **Figure IV.7**). In contrast, only 3.5 percent of quantitatively underemployed men cited housework as the reason. While housework is only the second biggest reason women give for being underemployed (behind insufficient work, which was cited by 57.2 percent of women in 2017), it has become more important. In

²⁵ The definition of qualitative underemployment in this report differs from the measure of overqualification by OECD (2019) which labels a worker as over-qualified if his or her education level is higher than the one most frequently observed in his or her occupation.

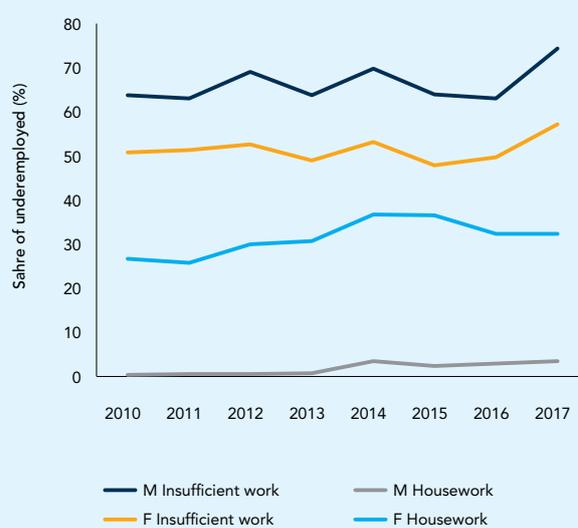
2010, the share of women who cited housework as the reason for working less than 30 hours was only 26.6 percent (see **Figure IV.8**).²⁶ Also, between 2010 and 2017, the share of women citing insufficient work as the main reason for underemployment increased from 50.8 percent to 57.2 percent, while the share of men citing housework as a reason for underemployment increased from a very low base of 0.4 percent to 3.5 percent. Focus group discussions confirm that many women find it impossible to work full time or to work outside the home because limited child or elder care. The general picture that emerges is that the constraints underlying underemployment are similar to those behind lack of labor force participation: in many households in Malaysia, women continue to struggle to combine family care and housework with a career.

FIGURE IV.7. Share of underemployed workers by reasons for underemployment, 2010 and 2017



Source: Authors' calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

FIGURE IV.8. Share of underemployment by selected reasons for underemployment, 2010–2017



Source: Authors' calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

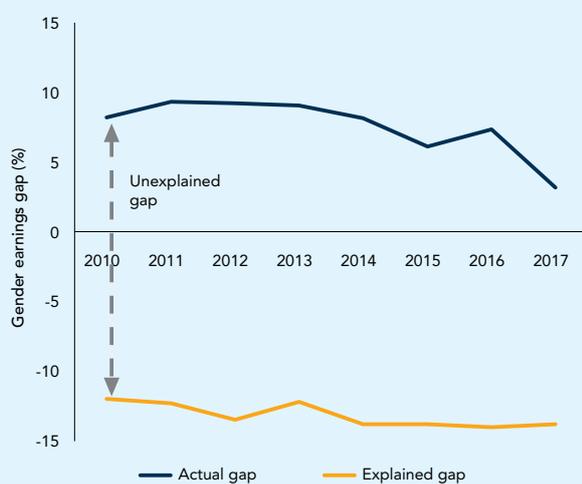
26 Until 2013, the Malaysian Labour Force Survey only gave insufficient work, retirement, housework and leave as reasons for working less than 30 hours per week. Starting in 2014, illness and weather condition were added. In this context, housework includes both family and community work.

Earnings, Sectors and Occupations

Based on differences in observable productive characteristics like educational attainment between men and women, men should on average earn 13.8 percent less than women. The statistical decomposition method introduced by Oaxaca (1973) can be used to predict the gap in earnings between men and women that would be expected given differences in observable productive characteristics between the two groups (such as work experience, education, and industry of employment). The gap that would be expected given such differences is commonly referred to as the “explained” gender earnings gap. An Oaxaca (1973) decomposition for Malaysia implies men should have earned 13.8 percent less than women in 2017.²⁷ That is because women are on average much better educated and have other productive characteristics that are in demand in the labor market. In fact, given their productive characteristics, men’s earnings should have been consistently lower than women’s from 2010 to 2017. During that period, the explained gap gradually increased from 12.0 percent in 2010 to 13.8 percent in 2017. Put another way, women have left men further and further behind in terms of average productive characteristics (see **Figure IV.9**).

In stark contrast, men’s average monthly earnings have been consistently higher than women’s. In 2017, men’s average monthly earnings were 3.2 percent higher than women’s.²⁸ This means that compared to many other countries, differences between men’s and women’s earnings in Malaysia are low—but the gap between actual earnings and expected earnings (based on productive characteristics) is wide. For instance, Redmond and McGuinness (2019) document that in Europe, men are on average paid 12.5 percent more than women even though, based on differences in productive characteristics, they would be expected to earn about 1 percent more. The gap between the actual and explained earnings gap is sometimes interpreted as indicating discrimination—for instance, because employers prefer

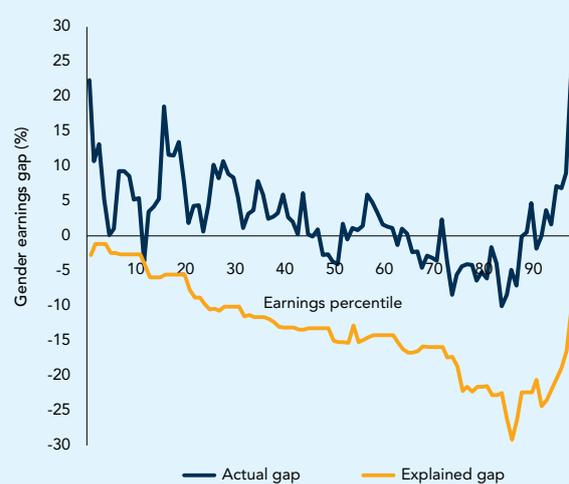
FIGURE IV.9. Average gender earnings gap, 2010–2017



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

Note: The gender earnings gap is calculated by taking the difference between average male earnings and female earnings. A positive value indicates that men earn or are expected to earn more than women on average.

FIGURE IV.10. Gender earnings gap by earnings percentile, 2017



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

Note: The gender earnings gap is calculated by taking the difference between male earnings and female earnings at every percentile. A positive value indicates that men earn or are expected to earn more than women at the given percentile.

27 For methodological details on the earnings decompositions, see Annex D.

28 According to the National Employment Returns Survey 2018 conducted by the Institute for Labour Market Information and Analysis, earnings differences between men and women are even more pronounced. According to the survey, in 2018 the median monthly basic salary for Malaysian full-time employees was 24 percent higher among men than among women (see Institute for Labour Market Information and Analysis, 2019).

male to female workers or because they exploit women's weaker bargaining position. One needs to be careful with this interpretation because it will never be possible to observe all relevant productive characteristics. Nevertheless, the fact that in Malaysia actual earnings are higher for men even though the explained gap would have predicted the opposite may tentatively be interpreted as an indication of discrimination against women. Importantly, between 2010 and 2017, the actual gender gap in average earnings declined because the gap between actual earnings and expected earnings declined. Thus, the impact of discrimination or other unobserved factors declined over time. If that decline continues at the 2010–2017 rate of about 0.7 percentage points a year, average earnings between men and women will reach parity by about 2021 or 2022 (see **Figure IV.9**).

Earnings differences between men and women are particularly large at the lowest end of the earnings distribution and even larger at the highest end. **Figure IV.10** analyzes earnings differences between men and women across the earnings distribution. It indicates that in 2017, those differences were particularly pronounced at the lowest and highest end of the distribution. In fact, men whose earnings were in the 99th percentile for all men made 16.9 percent more than women in the 99th percentile of earnings for all women. At the same time, men earned less than women at most points between the 60th and the 90th percentiles.²⁹ Interestingly, the lines for the actual earnings gap and the explained gap across the earnings distribution in the figure are almost parallel. That suggests that the unexplained component of the gender earnings gap is almost constant across the earnings distribution. Also, whereas observable characteristics hardly favor women's earnings in the left side of the distribution, they work to women's advantage for much of the higher end of the distribution.

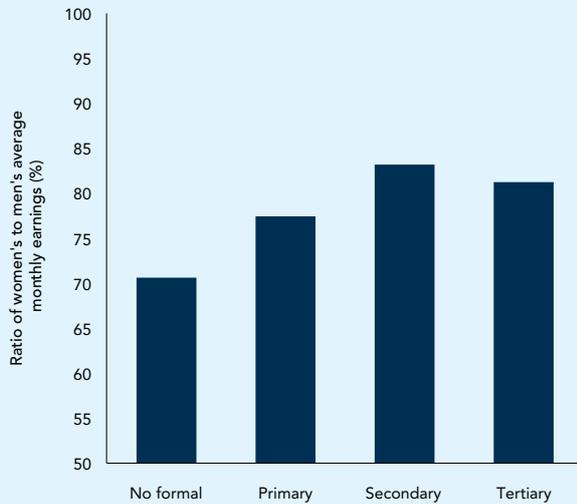
Women's average earnings are significantly lower than men's for almost all major occupational and educational groups, especially among workers without primary education or any other type of formal education. Within all major educational groups, women's average earnings are 70.6 percent to 83.2 percent of men's average earnings. Differences are particularly stark for women with no formal education. They are much larger than the overall earnings gap between genders of 3.2 percent, illustrating that the gap only appears small because it does not appropriately account for differences in women's and men's productive characteristics. Once controlled for even a single productive characteristic—education—a far more significant earnings gap emerges. That result is the reverse of the finding above that in the absence of differences in returns to observable productive characteristics, women should in fact have significantly higher average earnings than men. A similar picture emerges for earnings differences within occupations. Those again are substantial, varying from 60.0 percent for skilled agricultural occupations to 85.2 percent for clerical support workers. The only exception are women technicians, whose earnings are just 4.0 percent lower than men's. That evidence serves as an argument for prioritizing policies to promote equal pay for equal work as well as the continued educational and occupational upgrading of the labor force (see **Figure IV.11** and **Figure IV.12**).

A large share of women continues to work in sectors traditionally characterized as "female". In 2010, most workers were male in construction (91.2 percent), mining (83.1 percent), and manufacturing (63.8 percent). Conversely, there were more women than men employed in sectors such as education (65.4 percent), health and social work (68.7 percent), and household work (92.0 percent). In 2018, those patterns were broadly unchanged: Most workers in construction, mining and manufacturing were male and most workers in education, health and social work, and household work were female. While some sectors that were male-dominated sectors now see a higher share of female workers, some sectors that were already female-dominated now have an even higher share of women. That pattern is consistent with a generally higher share of female employment. Indeed, the Index of Dissimilarity introduced by Duncan and Duncan (1955)—the most widely used measure of gender segregation in the workplace—is very similar for the two years, at 0.26 in 2010 and 0.27 in 2018 (see **Figure IV.13** and **Figure IV.14**).³⁰

29 An interesting picture also emerges regarding age-earnings profiles. Between age 25 to 44, men have lower median earnings than women while for ages 45 and above median earnings are higher for men.

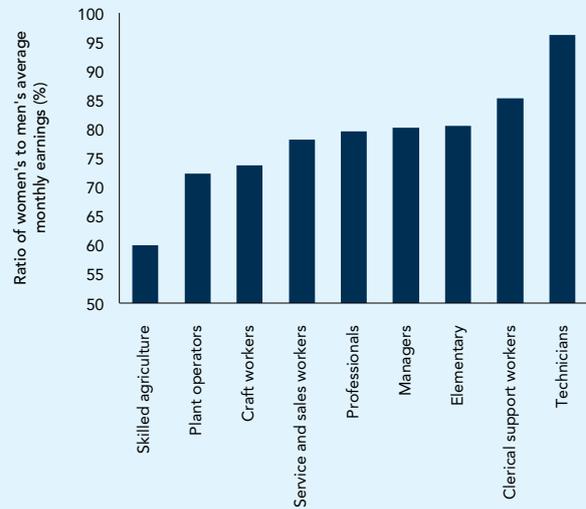
30 Other widely used measure of gender segregation in the workplace like the Theil Index, the Hitchens Index and the Gini Index are also very similar for 2010 and 2018.

FIGURE IV.11. Ratio of women’s to men’s average monthly earnings by education, 2018



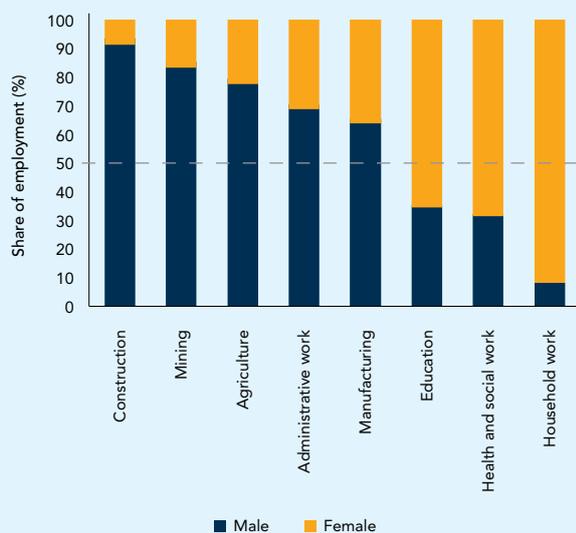
Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

FIGURE IV.12. Ratio of women’s to men’s average monthly earnings by occupation, 2018



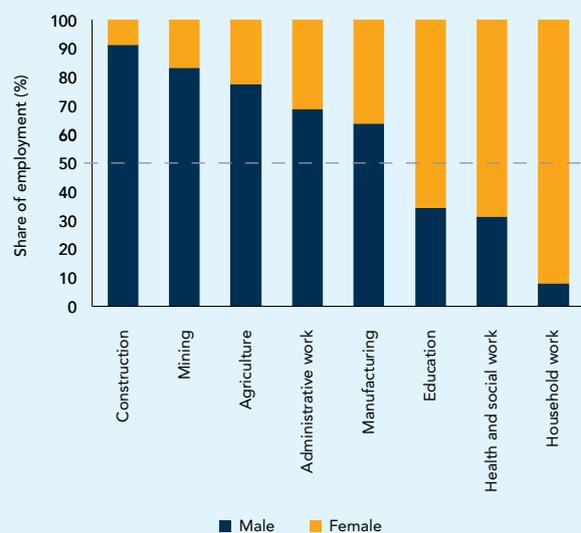
Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

FIGURE IV.13. Share of male and female employment by sector, 2010



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).
Note: Selected sectors only.

FIGURE IV.14. Share of male and female employment by sector, 2018



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).
Note: Selected sectors only.

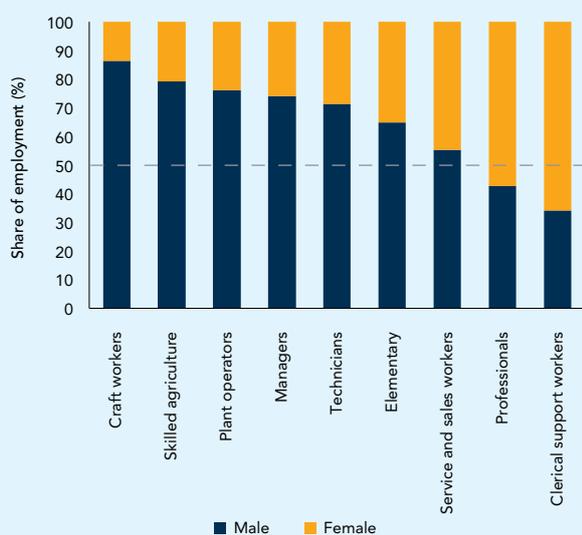
Similarly, a large share of women continues to work in occupations traditionally characterized as “female”.

According to **Figure IV.15**, in 2010 most professionals and clerical support workers were women but a majority of workers in seven other broad occupational groups were men. **Figure IV.16** shows that by 2018, the concentration of women among clerical support workers had become even stronger and the general pattern for male-dominated and female-dominated occupations had stayed remarkably constant. In fact, among nine broad occupational groups ranked by the share of female workers in 2010, only two pairs (skilled agricultural workers and plant operators, and technicians and elementary occupations) had switched ranks by 2018. Overall, gender sorting by occupation remains pronounced. That finding probably partly reflects the high degree of gender segregation already evident in the field of study chosen during tertiary education.

The pronounced sorting of women and men into different occupations may in part reflect legal restrictions that affect women in certain industries—together with a range of other legal barricades to gender equality.

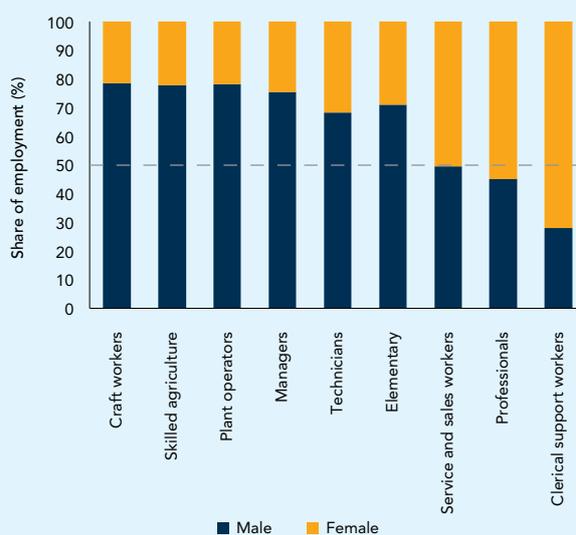
As argued in World Bank (2019), equal opportunities cannot exist where the law treats genders differently. Although Malaysia’s Federal Constitution prohibits discrimination based on gender, there are gaps in the guarantee of equal rights to men and women and in the enforcement of non-discrimination. Not only do Malaysia’s labor laws bar women from working in some jobs open to men—those that require underground and night work—but there are also gaps in social benefits offered to parents after childbirth. There is also no legal mandate of equal remuneration for work of equal value. Thus, amendments to the Employment Act and other labor laws currently under discussion would make an important contribution to expanding women’s equality of opportunity. In addition, gender equality will require more meaningful implementation of relevant laws and regulations as well as stronger monitoring and enforcement (see **Box IV.2** for a discussion of legal restrictions on gender equality in Malaysia).

FIGURE IV.15. Share of male and female employment by occupation, 2010



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).

FIGURE IV.16. Share of male and female employment by occupation, 2018



Source: Authors’ calculations based on micro data from Malaysian Labour Force Survey (Department of Statistics Malaysia).



BOX IV.2

Legal restrictions to gender equality

Women cannot have equal access to jobs or an equal chance to start a business where legal gender differences are prevalent, as forcefully argued in World Bank (2019). Legal restrictions constrain women's ability to make economic decisions and can have far-reaching consequences. For example, women may decide not to work if they are paid less than men for similar jobs. Outside Islamic Family Law, the most relevant laws are Malaysia's Federal Constitution and Employment Act as well as international laws and conventions like the Convention on the Elimination of all Forms of Discrimination against Women (CEDAW).

There remains significant room for improving Malaysia's legal environment and the implementation and enforcement of existing laws. The World Bank's report *Women, Business and the Law* (World Bank Group, 2019) places Malaysia last of 18 countries in the East Asia and Pacific Region, in terms of the number of differences in the law's treatment of men and women. Malaysia scores particularly poorly on the *Getting Married* and *Having Children* indicators, with scores of 40 and 0 out of 100, respectively. Malaysia scores poorly on the *Getting Married* indicator because of provisions in Islamic Law (applicable to Muslims) that require women to obey their husbands and that set different requirements and rights for men and women who want to marry or divorce. Regarding *Having Children*, legally mandated social protection and support in areas such as maternity, paternity and parental leave, dismissal of pregnant women and paid leave is generally below international norms. Two other indicators in which Malaysia can further improve its standing by meeting international legal norms are *Starting a Job* and *Getting Paid*, both with scores of 50 out of 100. Malaysia scores poorly in those two indicators due to the absence of certain laws, including laws that mandate nondiscrimination in employment based on gender and equal remuneration for work of equal value, as well as the absence of criminal penalties or civil remedies for sexual harassment in employment. Malaysia's labor laws also do not allow women to undertake below-ground and night work.

Malaysia acceded to CEDAW in 1995, but the Convention's effectiveness has been limited. CEDAW's objective has been hampered because of reservations registered by Malaysia. The Government of Malaysia recorded 12 reservations upon signing, subsequently reduced to eight and then to five. The government cited conflicts between CEDAW and the Federal Constitution and between CEDAW and Islamic law. CEDAW's effectiveness has been also been limited because Malaysia's Federal Court has found that the Convention does not have the force of law in Malaysia. That was established in a 2014 case, *AirAsia Berhad v Rafizah Shima binti Mohamed Aris*, in which an airline terminated a trainee because she was pregnant. Similarly, in *Beatrice a/p AT Fernandez v Sistem Penerbangan Malaysia & Anor*, the High Court found that legislation by Parliament was required for an international treaty to be operative and enforceable in Malaysia. According to the Court, and consistent with practice in many common-law countries, the provisions of CEDAW have no binding effect unless Parliament expressly incorporates them into domestic law.

Although Malaysia's Federal Constitution prohibits discrimination based on gender, there are gaps laws to guarantee equal rights to men and women and in enforcing non-discrimination. The Federal Constitution is the most important legal document in Malaysia and guarantees the human rights of every person in Malaysia. Article 8(2) of the Constitution explicitly prohibits discrimination based on gender. However, according to the High Court's ruling in the Beatrice case, the prohibition of discrimination only binds the government, not private parties, such as those agreeing on an employment contract or negotiating a collective agreement. According to the Court, constitutional law deals with the contravention of individual rights by the legislature, the executive, or its agencies, and does not extend its substantive or procedural provisions to infringements of an individual's legal right by another individual.

Malaysia's labor legislation does not allow women to work in some of the same jobs as men. Internationally, restrictions on certain jobs and on work in the night hours have been found to be negatively correlated with women's employment. In Malaysia, the Employment Act of 1955 (Act 265)³¹ prohibits women from working at night. Section 34 of the Act states that no employer shall require any female employee to work in any industrial or agricultural undertaking between the hours of ten o'clock in the evening and five o'clock in the morning, nor commence work for the day without having had a period of eleven consecutive hours free from such work. Apart from the prohibition on working at night, women are also prohibited from doing underground work in section 35 of the act. Underground work means any undertaking in which operations are conducted to extract any substance from below the surface of the earth, the ingress to and egress from which is by means of shafts, adits or natural caves.³²

There is currently no legal mandate of equal remuneration for work of equal value. With the exceptions of sections 34 and 35, the Employment Act generally treats women and men equally but does not explicitly mandate equal pay for the same work. Similarly, it does not explicitly stipulate nondiscrimination in employment based on gender.

In addition, there are wide gaps in social protection for new parents. World Bank (2019) emphasizes that the availability of maternity, paternity and parental leave are likely to influence women's economic decisions when starting a family. Evidence also shows that women are more likely to return to work after childbirth if the law mandates maternity leave. Though international evidence on the impact of paternity and parental leave is mixed, parental leave has encouraged women to return to work in several countries. Malaysia's Employment Act in section 37 states that every female employee shall be entitled to maternity leave and to receive from her employer a maternity allowance of up to 60 days. (That is less than the internationally recognized minimum of 14 weeks, which is codified in the ILO's Maternity Protection Convention of 2000 and currently only available to civil servants and a subset of private sector workers in Malaysia.) The act also bars employers from terminating a female employee during the period in which she is entitled to maternity leave. However, termination of employment during pregnancy is not prohibited. Other gaps compared to international best practices are the absence of legally mandated paid paternity or parental leave for private-sector workers and the absence of a pension system that explicitly takes into account periods of child care.

31 The Employment Act is applicable in West Malaysia only. In Sarawak, the Sarawak Labour Ordinance (Act A1237) is applicable. It was first enacted in 1959 and amended in 2005 to bring it in line with the provisions of the Employment Act. For Sabah, the Sabah Labour Ordinance of 1950 is applicable.

32 In the last decades, international labor law as exemplified by various ILO conventions has moved away from an approach that sought to protect women from dangerous work environments towards universal protection for all workers. For instance, ILO (2007, p. 134) notes that the "Underground Work (Women) Convention, 1935 (No. 45) provided that, in principle, no female of any age should be employed in underground work in mines. Reflecting the shift of emphasis in standard setting from specific protection for women workers to equal protection for all workers, a new instrument concerning safety and health in mines, Convention No. 176, was adopted in 1995." This new convention focuses on the protection of all underground workers, male or female.



In 2012, the Employment Act was amended to make sexual harassment in the workplace illegal but there are no criminal penalties or civil remedies for sexual harassment in employment. Prior to 2012, there was only a Code of Ethics on Sexual Harassment with no legal force. Thus, the 2012 amendment to the Employment Act represented significant progress. The act now requires an employer to conduct an inquiry into any complaint of sexual harassment in the workplace and states that an individual found guilty of sexual harassment in the workplace may be dismissed without notice, demoted, or given a lesser punishment. However, neither the Employment Act nor any other laws explicitly impose criminal penalties or civil remedies for sexual harassment in employment, and the Employment Act only covers workers with an employment contract, not, for instance, freelancers.³³

The Government of Malaysia is actively working to improve the legal equality of men and women. Amendments to the Employment Act would make 14 weeks of maternity leave available to all women, prohibit the dismissal of pregnant workers, and introduce paid paternity leave for all workers (in very limited form), among other proposed changes. A Gender Equality Act and a Sexual Harassment Act are also under discussion. Passage of the amended Employment Act, the Gender Equality Act and the Sexual Harassment Act would reduce the number of legal differences between men and women and would improve Malaysia's international standing in matters of employment, as captured for instance in the *Women, Business and the Law* report. However, achieving full gender equality will require more than changes to laws. The laws also need to be meaningfully implemented—and that requires sustained political will, strong leadership and engagement, and changes to ingrained cultural norms and attitudes.

Source: Authors based on Mohamad Awal (2019) and World Bank (2019).

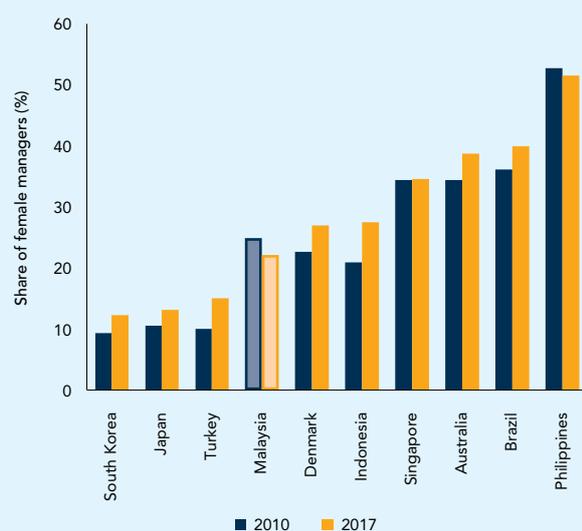
³³ It is noteworthy that although specific punitive punishment such as imprisonment or fines are not specifically provided for the perpetrator of sexual harassment under the Employment Act 1955 or any other law, in the 2016 case *Mohd Ridzwan Bin Abdul Razak v Asmah Binti Hj Mohd Nor* the Federal Court recognized and defined the tort of sexual harassment. To some extent, this has paved the way for victims of sexual harassment to seek redress in civil courts.

Leadership Positions

The share of women in management and firm ownership in Malaysia is lower than in some countries but higher than others. In 2017, 22.1 percent of managers in Malaysia were female (see **Figure IV.17**). That was more than in South Korea, Japan and Turkey but a considerably lower share than in Denmark, Indonesia and Singapore. In the Philippines, a majority of managers were female in 2017. Malaysia's share of female managers for 2017 also represents a decline from 2010, when 24.9 percent of managers in the country were female—which at the time put Malaysia ahead of Denmark and Indonesia. **Figure IV.18** shows that the share of majority women-owned enterprises follows a similar pattern. In fact, at 33.4 percent, Malaysia's share is lower than Cambodia's and Lao PDR's but higher than Indonesia's and the Philippines', the four other countries in the East Asia and Pacific region for which recent comparable data is available.

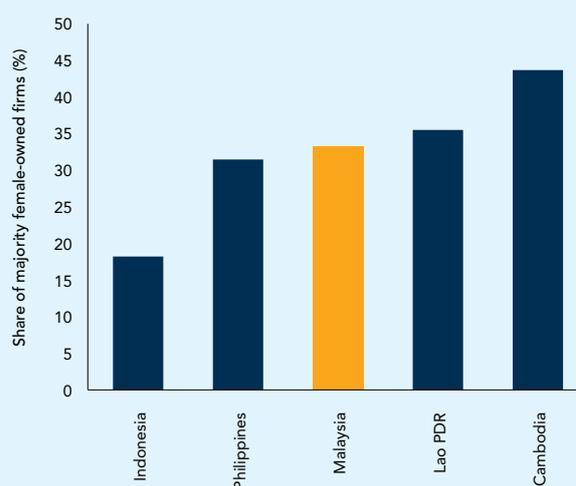
In 2018, about 15.7 percent of board members were female at a typical Malaysian publicly listed firm, an increase of 3.7 percentage points compared to three years earlier. Recently, government-linked companies have achieved the target of having 30 percent female representation on boards. The 100 largest publicly listed companies showed a more impressive gain than all publicly listed companies, with women's representation on their boards climbing from 16.6 percent in December 2016 to 24.4 percent in 2018. Overall, the representation of women on boards in Malaysia is now in line with the global average of 15 percent. Those achievements demonstrate that market-based, market-friendly initiatives, coupled with top leadership advocacy, can gradually increase the share of women in leadership positions. Nevertheless, the share of female board members in Malaysia is still much lower than the level in many developed countries such as Norway, Sweden, and France. A recent World Bank study by Amin and Tan (2018) also finds that in Malaysia the share of women board members varies considerably by industry, with the finance industry having the highest share of women board members, at 21 percent. At the other end of the spectrum, the plantation sector has the lowest share of women board members, at 8 percent (see **Figure IV.19**).

FIGURE IV.17. Share of female managers by country, 2010 and 2017

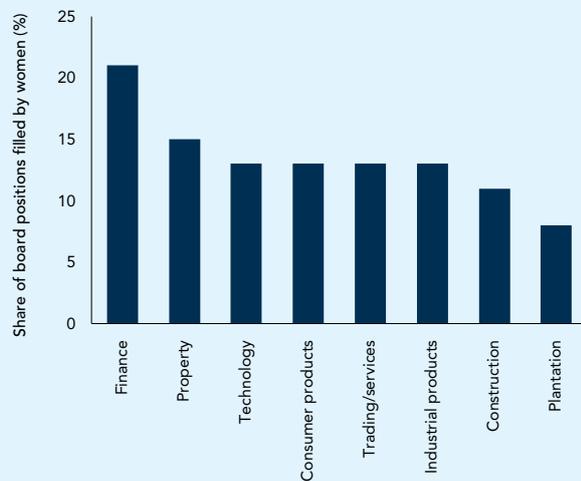


Source: Authors' calculations based on ILOSTAT.

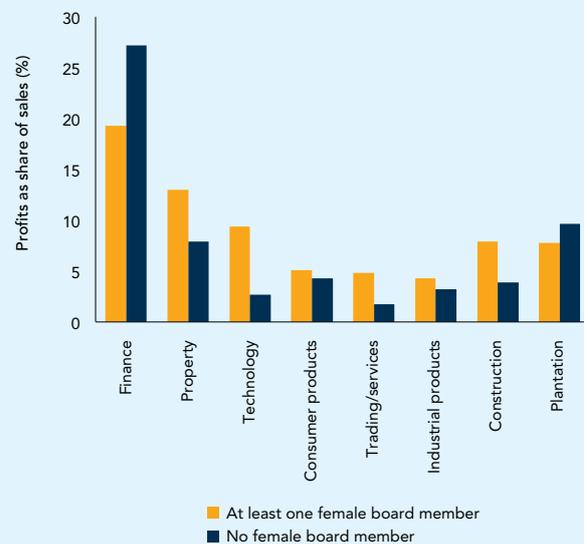
FIGURE IV.18. Share of majority women-owned enterprises by country, latest years



Source: Authors' calculations based on World Bank Enterprise Surveys.

FIGURE IV.19. Share of board positions filled by women, 2017

Source: Amin and Tan (2018) based on Bursa Malaysia data.
Note: Real estate investment trusts and “other” sectors omitted.

FIGURE IV.20. Total profits as share of sales by presence of female board members, 2017

Source: Amin and Tan (2018) based on Bursa Malaysia data.
Note: Real estate investment trusts and “other” sectors omitted.

On average, publicly traded companies with female board members have higher profits. Again according to the study by Amin and Tan (2018), in 2017 the profit rate—defined as total profits as a percentage of total annual sales—equaled 6.5 percent of sales, on average, for publicly traded firms with at least one female board member, compared to 4.1 percent on average for firms with an all-male board. That gap of 2.4 percentage points was statistically and economically significant given an average profit rate among all firms of 5.3 percent. Importantly, neither the difference in profit rates nor their statistical significance are driven by any single industry. Instead, firms with one or more women on their boards have higher profits in most sectors, including, for instance, property, technology, and consumer products. However, in some sectors average profits are higher for firms with all-male boards, including finance and plantations—the two sectors with the highest and lowest share of female board members, respectively (see **Figure IV.20**).³⁴

The finding that publicly traded companies in Malaysia with female board members have higher average profits is consistent with international evidence that companies with more women in leadership positions tend to perform better. Although there is no definitive consensus that greater female representation on boards and in other leadership positions will improve firms’ performance and findings by Amin and Tan (2018) do not necessarily imply a causal relationship, there is strong evidence of a significant business case for more diverse boards with a higher share of female representatives. For instance, Noland et al. (2016) analyze a global survey of 22,000 firms from 91 countries and find considerable evidence that the presence of women in corporate leadership positions improves firm performance. In addition, Post and Byron (2015) statistically combine the results from 140 studies in a rigorous meta-analysis. They find that female board representation is positively related to firm profitability and that this relationship is particularly robust in countries with strong protection for shareholders. Post and Byron (2015) also find that although the relationship between female board representation and performance in the financial market is generally not statistically significant, it is significantly positive in countries with greater gender parity, and that female board representation is positively correlated to the quality of boards’ two primary responsibilities: strategic advising and decision making, and monitoring and oversight of management.

³⁴ There is also a positive correlation between the profit rate and the share of female board members. At the same time, a second performance measure available in Amin and Tan’s (2018) data, the annual growth rate of sales between 2014 and 2017, is not statistically significantly different between firms with at least one female board member and those with all-male boards.



CHAPTER V

Existing Policies and Programs

Guided by the National Policy for Women and the 10th and the 11th Malaysia Plans, various policies and programs aim to promote women’s economic opportunities in general and female labor force participation more specifically. Those policies and programs are particularly related to expanding the provision of child care and improving its quality, promoting flexible working arrangements, increasing the skills of women who would like to reenter the labor market, and increasing women’s role in leadership and policy-making decisions (see **Box V.1** for an overview of existing government policies and programs to increase women’s participation in the labor force).

The importance of child care was recognized in the 10th Malaysia Plan and the government increased its effort to support child care over the Plan’s five-year duration. Policy interventions and programs aimed to increase early child care (0-4 years) enrollment through the expansion of public and private child care centers by providing startup grants and assistance with fees for low-income households, and by registering and training child care operators and child minders. Between 2012 and 2016, 4,636 new child care centers were registered, comprising all types of centers run by various ministries and agencies. In 2013 and 2014, 3,012 children from low-income families received child care grants to attend private child care centers (RM 7.52 million was disbursed in total, including administrative expenses). Although updated data for 2015 and 2016 was not available, during that period the government generally reduced the number of grants it provided. In 2015, a new data management system was deployed for children in the 0-4 age group by the National Child Data Centre, a joint project of the Ministry of Education and various departments within MOWFCD.

Under the 10th and 11th Malaysia Plans, the government has also provided significant resources for back-to-work policies, programs and financial incentives. Between 2016 and 2018, different forms of tax relief were introduced—such as RM 1,000 for taxpayers who enroll children aged 6 and below in registered nurseries and. A 12-month income tax exemption for women returning to work after a break of at least two years was also introduced. During the same period, MOWFCD began to implement the Women Entrepreneurship Incubator and Single Mother Skills Incubator, and various ministries and agencies received budget allocations for programs on microfinancing, skills training and entrepreneurship. Under the 10th Malaysia Plan, TalentCorp launched the Career Comeback Program—which facilitates the reintegration of female professionals into the workforce by supporting flexible work arrangements, providing skills training, financing mother- and child-friendly facilities and HR benefits, and creating a group of senior-level champions (men and women) from the private sector— and implemented the annual Life At Work Awards which recognize and pay tribute to organizations that champion progressive workplace strategies.

The government’s widespread advocacy to increase the share of women in key-decision making positions to 30 percent has borne fruit in recent years. In early 2016, the Malaysia chapter of the 30% Club was established. Similar to the club’s UK chapter, the Malaysian chapter does not lobby for rigid quotas but instead makes the business case for diverse boards with appropriate representation of women. Although such a nonprescriptive approach may take longer to lead to results than a quota system, it is widely seen as a more sustainable way to select women for boards, and seems to be bearing fruit. As noted above, government-linked companies have achieved the target of the 12th Malaysia Plan, and women’s representation on the boards of the largest Malaysian companies has also increased significantly.

Given the number of policies, programs and incentives the government has provided in the last 10 years, the development of the 12th Malaysia Plan may be the right time to review their effectiveness and address remaining issues and gaps. Neither the targets in the 10th and 11th Malaysia Plans nor the revised targets in the Mid-Term Report have been met. In 2018, women’s labor force participation stood at 55.2 percent and just 15.7 percent of board members of the average Malaysian publicly traded company were women. Only 6.9 percent of children aged 0 to 4 years were enrolled in child care, as compared to preschool enrollment for ages 4 to 6 years at 84.3 percent.

BOX V.1

Policies and programs to increase women's labor force participation



In the past ten years, the Government of Malaysia has recognized the importance of increasing women's participation in the labor force for the socioeconomic development and growth of the country. In the 10th Malaysia Plan (2010 to 2015), the government set several targets: (a) to increase female labor force participation from 46 to 55 percent by 2015; (b) to increase the percentage of women in decision-making positions to 30 percent by 2016; and (c) to increase child care enrollment from 4 percent to 25 percent by 2020. In addition, there were more short-term and intermediate targets to increase the number of child-care centers, with the goal of having 800 public child-care centers by December 2012. In the 11th Malaysia Plan (2016 to 2020), such policies and directions were further developed, with an increase in the target for women's participation in the labor force to 59 percent by 2020 (that target was revised to 56.5 percent as part of the Plan's Mid-Term Review), and continued emphasis on the goal of having women in 30 percent of key decision-making positions. Decision-making positions are defined as board membership in government-linked and publicly listed companies, and senior leadership (grade *JUSA* and above) in the public sector.

Both the 10th and the 11th Malaysia Plans introduced job placement and development programs for women as well as greater access to loans and child care. These policies and programs aimed to give women greater opportunities to acquire knowledge and experience through increased internships, job placements and development programs. In addition, women were given greater access to micro-loans and skills training to start businesses and different forms of tax reliefs for enrollment into child care, caring for parents and breastfeeding were introduced.³⁵ The Plans also aimed to strengthen early child care and early childhood education and make it more accessible as well as to introduce "return-to-work" programs for women with children. Finally, the plans emphasized monitoring and improving the collection and dissemination of gender-disaggregated data (see **Table V.1**).

³⁵ Anecdotal evidence indicates that because of the relatively low coverage of personal income tax in Malaysia, the different forms of tax relief have only had a very limited impact on female labor force participation.

TABLE V.1. Policies and Programs in the 10th and 11th Malaysia Plan

10th Malaysia Plan	11th Malaysia Plan
For Individuals	
<p>Child care</p> <ul style="list-style-type: none"> • Fee assistance or subsidies to help children from low- and middle-income households attend preschool and child-care centers (public and private sectors); • For public sector employees, better child-care leave eligibility (not tied to duration of maternity leave) for women with stepchildren, legally adopted children and foster children with disabilities, extended until the child reaches one year of age. <p>Return-to-work</p> <ul style="list-style-type: none"> • Various skills training, entrepreneurship and financing programs to enable women to return to the labor force. These programs have been implemented by MOWFCD, the Ministry of Communications and Multimedia, SMECorp, the Ministry of Agriculture and Agro-Based Industry, and the Ministry of Rural Development; • Work-Life Practices and Career Comeback Programs (by TalentCorp); • Women Directors' Programme and Portal Registry (by MOWFCD). <p>Women in leadership positions</p> <ul style="list-style-type: none"> • Women Directors' Programme (by MOWFCD). 	<p>Child and family care</p> <ul style="list-style-type: none"> • Increased tax relief for employees with children to encourage enrollment in nurseries, preschools, and institutions of higher learning; • Introduction of new tax relief for employees who care for parents; • Tax relief for breastfeeding women; • More funding for free preschool education in government schools (RM132mil). <p>Return-to-work</p> <ul style="list-style-type: none"> • Income tax exemption for 12 months for women returning to work after at least 2 years at home; • Various skills training, entrepreneurship and financing programs to enable women to return to the labor force. These programs have been implemented by MOWFCD, the Ministry of Communications and Multimedia, SMECorp, the Ministry of Agriculture and Agro-Based Industry, and the Ministry of Rural Development; • Work-Life Practices and Career Comeback Programs (by TalentCorp). <p>Women in leadership positions</p> <ul style="list-style-type: none"> • Women Directors' Programme (by MOWFCD).
For Employers	
<ul style="list-style-type: none"> • Doubled tax deduction on training for companies that re-employ women after a career break; • Encouraged listed companies to disclose in annual reports their policies and practices to support women in employment, such as flexible work arrangements and support facilities, such as child-care centers; • Work-Life Practices and Career Comeback Programs (by TalentCorp). 	<ul style="list-style-type: none"> • Doubled tax deduction for providing child-care centers; • Doubled deduction for child-care allowances given to employees; • Work-Life Practices and Career Comeback Programs (by TalentCorp).
For Child-Care Operators	
<ul style="list-style-type: none"> • Grant to encourage new private preschools; • 5-year tax exemption for child care expenses; • Industrial building allowance of 10 percent annually for buildings used as child-care centers; • Review of guidelines for workplace child-care centers. 	<ul style="list-style-type: none"> • 50 additional child-care facilities in government buildings (RM 10 mil).

Source: Authors based on Ministry of Finance budget speeches from 2011 to 2018 and websites of various ministries and agencies.



CHAPTER VI

Recommendations and Conclusions

Promoting economic opportunities for women is one of the most promising ways for Malaysia to fulfill its development potential. Macroeconomic simulations suggest that closing the gender gap in economic opportunities could boost Malaysia’s income per capita by 26.2 percent in the long run. Realizing that boost would require the tearing down of laws, policies and social norms that deter women from participating in the labor force, becoming self-employed, and becoming employers. Quantitative, qualitative and legal analyses conducted for the report have helped identify specific underlying constraints and actionable policy recommendations.

The promotion of economic opportunities for women in Malaysia will require the government to pursue a comprehensive, interagency policy approach that addresses challenges and constraints in a systematic and mutually reinforcing way. Reducing or ending some of the barriers to the promotion of women’s economic opportunities identified in this report will require clear prioritization and finely targeted policy approaches. For instance, reducing students’ tendency to choose fields of study traditionally characterized as “male” or “female” will necessitate a public discussion about prevalent norms and values; women’s low rate of labor force participation rate calls for policies to promote women’s retention in and return to work; and women’s limited access to formal jobs will require measures to strengthen the productivity, benefits and social protection of informal workers and to expand child and elderly care services. At the same time, many of the policy approaches to promote women’s economic opportunities will in fact address more than one barrier and different approaches will mutually reinforce each other. For instance, reforms of the legal environment can over time contribute to a change in norms in attitudes. In addition to that, the promotion of women’s economic opportunities is necessarily a cross-sectoral endeavor and some of the most crucial policy approaches will require co-operation between different ministries and agencies. For example, an expansion of the availability, quality and affordability of child care services will necessitate cooperation between the MOWFCD, the Ministry of Education and the Ministry of Housing and Local Government, among others. Therefore, a systematic and comprehensive interagency approach to promoting economic opportunities for women will have the most pronounced and sustainable impact.

Five general policy directions as well as a set of more specific policy options are laid out in Table VI.1. The lack of access to quality and affordable care for children and the elderly is a key constraint that prevents many women, including some of the most vulnerable such as single mothers, from getting more productive jobs. Addressing this constraint will be vital. Although women have joined the workforce in greater numbers in recent years, many of them have found informal employment. As emphasized in the World Bank’s World Development Report *The Changing Nature of Work* (World Bank, 2018d), the trend toward informal labor will probably grow in the future. Because many women choose informal employment, specific policies are needed to provide benefits and social protection and improve the income of this group. As documented in this report, aspects of Malaysia’s legal environment lag behind those of its peers in terms of implementing and enforcing laws and regulations related to gender equality. Similarly, there is room for improvement in line with international legal norms regarding parental benefits. Finally, greater efforts are needed to increase public awareness of government support for working women and their legal rights and obligations, as well as to address gender norms and attitudes in education and among the community at large.

TABLE VI.1. Overview of policy recommendations

General policy direction	Specific policy recommendations
<p>Policy direction ①: Expand the availability, quality and affordability of child and elder care to enable more women to stay in the labor market and to work in more productive jobs.</p>	<p>Expand the definition of child care services to cover children ages 0 to 17 years, and increase the provision and quality of child care by updating and simplifying policies, procedures, standards and data systems.</p> <hr/> <p>Prioritize competing public resources to provide for the B40 families, recognizing the particular challenges faced by the urban poor.</p> <hr/> <p>Increase options and types of child and elder care provision and financing to cater for different needs of families.</p> <hr/> <p>Provide more adequate resources and develop regulations for public-private partnerships to address the rising need for elder care.</p>
<p>Policy direction ②: Strengthen the protection of informal workers and the productivity of workers and business owners to harness women's full economic potential.</p>	<p>Expand old-age protection for informal workers by increasing the government's match of voluntary pension contributions and considering introducing social pensions for informal workers over a certain age.</p> <hr/> <p>Study ways to improve informal workers' income security in the face of loss of demand, injury, or disability that are independent of the existence of a traditional employer-employee relationship.</p> <hr/> <p>Strengthen, simplify and consolidate financing and training for women-owned and -operated micro-businesses.</p> <hr/> <p>Improve the monitoring and evaluation of interventions.</p>
<p>Policy direction ③: Pursue planned reforms of the legal environment and strengthen the implementation, monitoring and enforcement of laws and regulations.</p>	<p>Abolish restrictions in Sections 34 and 35 of the Employment Act on women working at night or underground.</p> <hr/> <p>Legally mandate nondiscrimination in employment based on gender and equal remuneration for work of equal value.</p> <hr/> <p>Pass the Gender Equality Act and the Sexual Harassment Act and introduce criminal penalties or civil remedies for sexual harassment in employment.</p> <hr/> <p>Strengthen monitoring of gender-specific indicators and enforcement of the implementation of the Employment Act and other relevant labor laws.</p>
<p>Policy direction ④: Improve support for parents, in line with international legal norms.</p>	<p>Prohibit the dismissal of pregnant women and ensure that this prohibition cannot be circumvented by private contracts or collective agreements.</p> <hr/> <p>Provide paid maternal leave for at least 14 weeks after childbirth and introduce paid paternity leave or paid parental leave of substantial duration.</p> <hr/> <p>Promote women's return to work by strengthening and expanding existing programs and interventions.</p> <hr/> <p>Facilitate flexible forms of work such as part-time or home-based work and jobs with flexible working hours.</p>
<p>Policy direction ⑤: Address gender norms and attitudes in education and among the wider population.</p>	<p>Foster a public discussion about the norms and values underlying the widespread gender disparities in the labor market between the government, labor unions, employers' associations, NGOs and other stakeholders.</p> <hr/> <p>Highlight the importance of gender equality and flexible work arrangements in the labor market and showcase modern male and female role models, including through testimonials in mass media.</p> <hr/> <p>Address gender bias and stereotyping in education, including in text-books, instruction, sports, and extracurricular activities.</p> <hr/> <p>Increase women's (and men's) awareness of the government's support for women and of their and legal rights and obligations under both civil and Islamic law.</p>

Policy direction ④: Expand the availability, quality and affordability of child and elder care to enable more women to stay in the labor market and to work in more productive jobs.

- Expand the definition of child care services to cover children from ages 0 to 17 years, and improve child care quality and provision by streamlining policies, procedures, standards and data systems.** Redefining child care to cover children from ages 0 to 17 and fostering an integrated system of child care provision encompassing both early childhood and preschool education and after-school activities for school-age children will allow more women to return to work and serve as an investment in human capital.³⁶ In this context, considerable efficiency gains can be realized through the streamlining of front-end and back-end delivery systems for care services, with Singapore as a useful model. For instance, a one-stop shop to process license applications from child-care, preschool and daycare operators will reduce paperwork, costs and uncertainties. This one-stop shop will increase the number of registered operators and provide more realistic and comprehensive data on the number of children in child care centers. Its realization will require harmonization and streamlining of existing guidelines and procedures of both the MOWFCD and the Ministry of Education.³⁷ Other efforts to further increase the quality of child care services are also required. As detailed in **Box VI.1**, there is strong evidence to show that the quality of early childhood and preschool education programs is directly linked with the better development of cognitive and social skills by children. Neuman and Devercelli (2013) suggest that there are three important policy levers by which a country can monitor and assure the quality of care: data availability, quality standards, and compliance with standards. In addition, investments in building the capacity of training providers and piloting approaches for linking the pay of both child and elderly care providers to performance are also recommended.
- Prioritize competing public resources to provide for the Bottom 40 (B40) families, recognizing the particular challenges faced by the urban poor.** Delivering quality care for the B40 would require close cooperation and allocation of resources amongst federal, state and local governments. MOWFCD, the Ministry of Housing and Local Government, state and local governments all play crucial roles in the set-up and maintenance of childcare facilities with qualified staff to cater for the B40 families. Adequate budget for the set-up and operational maintenance of child care centers in low cost housing areas, such as PPR flats, is crucial. Additionally, enhancing existing public structures such as libraries and community centers are potential solutions which are cost effective and quick to implement. The return on investment will be large and may contribute to a less pronounced single peaked female labor participation rate. More parents will have the comfort and peace of mind to have dual incomes if they are assured that their children are safe and cared for in a conducive learning and play environment. Employers are also more likely to retain their workers, ensuring better household income.³⁸
- Increase options and types of child and elderly care provision and financing to cater for different needs of families.** The exploration, piloting and evaluation of different modalities for the provision of care services for children and the elderly (and also the disabled) can help to address unmet care burdens. Formal public and private provision in the community and at the workplace as well as care within the household context all have a role to play. Although the private sector has the largest share of provision today, fee assistance for low-income households has been limited. This has constrained access and affordability and would make piloting voucher schemes or direct subsidies worthwhile. Double tax deductions for companies that provide child care and elderly care allowances for their staff could also be considered. It would also be worthwhile for the government to review guidelines and incentives for private sector companies, building owners and operators to build child care centers in the workplace. Finally, in-home daycare provision, coupled with enhanced quality control, can also contribute to improving access.³⁹

36 In Malaysia, the definition of a child is governed under the relevant legislations in accordance with their respective purposes. The Child Act 2001 (Act 611) defines a “child” as a person under the age of eighteen years. However, the Childcare Center Act 1984 (Act 308) only covers children under the age of 4.

37 Currently, there are two relevant laws under the purview of the MWFCS, the Childcare Centre Act 1984 (Act 308) and the Care Centres Act 1993 (Act 506). In addition, the governance of preschool falls under the Education Act 1996 (Act 550) which is under the purview of the Ministry of Education.

38 In addition, it will also be important to address the unpaid care and domestic work burdens of women in self-employment or micro-businesses.

39 World Bank (2015) and Choong and Tan (2018) detail that child-care modalities targeting the household are closely linked to migration policies as the hiring of foreign domestic workers is an important avenue for (relatively well-off) Malaysian households to cope with care needs. Choong and Tan (2018, p. 3) emphasize that “the government needs to carefully assess the costs and benefits of measures that aim at encouraging the hiring of foreign domestic workers, vis-à-vis promoting the broader provision of care services in the market.”

- **Provide more adequate financing and develop a regulatory framework for public-private partnerships to address rising needs for elderly care services.** While Malaysia still has a relatively young population, it is aging rapidly: Whereas it took France 115 years to move from having seven percent of the population aged 65 years and older to 14 percent, in Malaysia this process is projected to only take 20 years (see World Bank,

BOX VI.1

Building human capital through early childhood education

Children's early years offer a rare window for societies to make investments in their children with extremely high returns. Efforts to improve children's lives can significantly increase individual and societal productivity while reducing inequality. Lack of early learning traps children in a trajectory of lower development from which it is increasingly difficult to escape as they age. Though children's minds and bodies are resilient, making it is possible for them to catch up to their peers after early childhood if learning conditions improve, it is extremely difficult to reverse the effects of exposure to risk factors in the first few years of a child's life. Doing so entails costly, high-quality interventions that typically are ineffective unless they occur while the child is at a sufficiently young age.

Preschool programs targeting children ages 3 to 6 can foster foundational skills and boost children's ability to learn. Children who attend preschool have higher attendance and greater academic achievement in primary school. Moreover, they are less likely to repeat grades, drop out, or need remedial or special education. Across countries at all income levels, the most disadvantaged children benefit most from early childhood education programs. But such programs are not all equally effective; overly academic and structured programs for children under 5 may undermine their cognitive and socioemotional skills as well as their motivation to learn, because young children learn best through exploration, play, and interaction with others.

Key elements of programs that have led to strong preschool outcomes include curriculums that foster crucial pre-academic abilities through play. Other important elements are providing professional development and coaching so teachers can effectively implement curriculums and provide engaging classrooms that promote children's innate drive to learn. For early childhood education gains to be sustained, preschool programs should be integrated into the formal education system. In addition, the quality of a child's primary school will help determine the long-term effects of preschool.

High-quality child care can promote foundational skills. In countries from Ethiopia to the United States, high-quality child care programs have shown substantial benefits in developing children's language, cognitive, motor, and socioemotional skills. By contrast, attending a low-quality child care program can be worse than attending none at all. The quality of child-caregiver interactions is key, as demonstrated by effective center-based preschool programs for children ages 3 to 6 in Indonesia and Mozambique. Those programs required minimal infrastructure investment but improved children's cognitive abilities thanks to their interactions with well-trained caregivers. Delivering high-quality center-based intervention for children under 3 is most difficult because it requires greater investment (such as lower child-to-staff ratios).

Source: Authors based on World Bank (2017).

2016). Key challenges include insufficient financing, an underdeveloped regulatory framework for contracting non-state providers, and a lack of adequately trained workers. As documented in Glinskaya and Feng (2018), lessons from both OECD countries as well as China and other East Asian countries that are also struggling with rapid aging offer options for Malaysia to build an efficient and sustainable aged care system that delivers quality care to the elderly, is fiscally sustainable, and relieves women of care burdens.

Policy direction ②: Strengthen the protection of informal workers and the productivity of workers and business owners to harness women’s full economic potential.

- Expand old-age protection for informal workers by scaling up the government matching of voluntary pension contributions and considering the introduction of a social pension for those over a certain age.** As part of a broader formalization strategy, measures to expand the old-age protection for informal workers could encompass the introduction of a non-contributory social pension and the scaling up of matching contributions to payments from informal workers.⁴⁰ In order to be fiscally sustainable and support labor market participation, the social pension should, at least initially, offer relatively modest support for a relatively small population group. The matching contribution could involve a scaling-up of the EPF’s i-Saraan scheme or the setting up of an entirely new mechanism. International evidence summarized in **Box VI.2** shows that matching contributions can provide a powerful incentive to informal workers to save for old age but that design features are crucial. Therefore, as well as for reasons of fiscal sustainability, the expansion of protection should be preceded by a careful study of available policy options.
- Study modalities for improving the income security of informal workers in the face of loss of demand, injury or disability, independent of the existence of a traditional employer-employee relationship.** Similar to old-age protection, protection against loss of demand, injury or disability for informal workers could be improved through a combination of a more developed basic safety net and more incentives to participate in contribution-based social insurance. While efforts to extend SOCSO coverage to drivers of ride hailing services as well as to self-employed taxi and bus drivers implemented in July 2019 serves as a useful testing ground, Thailand also provides a model worth studying. In addition to an almost-universal, flat old-age pension, the country pays part of the premium for a variable old-age, survivor and disability pension for working-age people who are working informally. This is a defined-benefit plan which yields an annuity and thus provides insurance against death, disability and longevity (see World Bank, 2018b). Greater effort is also required to use active labor market policies to help people manage labor market transitions and dislocations.
- Strengthen, streamline and consolidate the provision of finance and training for women-owned and -operated micro-businesses.** As detailed in Osborne (2017), initiatives that increase female-led micro-enterprises’ access to production factors and markets can significantly improve their productivity. A combination of financial support with nonfinancial interventions such as business skills and development training, mentoring and facilitation of market linkages has been demonstrated to have a particularly promising impact on women. Although Malaysia already offers a relatively wide range of such interventions, strengthening, streamlining and consolidating the provision of currently very fragmented policies and programs is required to improve their impact, equity and efficiency.
- Improve the monitoring and evaluation of interventions.** Given the large number of initiatives to support (micro-) entrepreneurship, it will be important to improve the monitoring and evaluation of interventions and to direct funding to effective ones and scale down or terminate those that have little or no impact. In that context, it will be important to move beyond monitoring key performance indicators toward period scientific evaluation of interventions’ impact compared to the outcomes of unaffected control groups.

⁴⁰ Hinz et al. (2013) document international experience that shows that in contrast to these approaches other initiatives for increasing the pension coverage of informal workers such as tax incentives have little relevance to those not paying income taxes while participation mandates are difficult to enforce in the informal sector.

BOX VI.2

Expanding pension coverage by offering matching contributions

Achieving broad pension coverage and adequate levels of income protection in old age remains an elusive goal for nearly every country. In general, there is a strong relationship between the level of per capita income and participation in formal pension systems. However, there are considerable differences among countries at similar levels of development in pension coverage and in the way in which participation in pension systems has evolved in different settings. The differences in experiences and outcomes indicate that context, the design of the system, and the path of its development play a central role in the dynamics of pension coverage and benefit levels.

A growing number of countries aim to increase coverage and provide a retirement benefit to informal workers through matching contributions. Those contributions provide tangible incentives for individuals to participate in pension funds, rather than the traditional approach of mandating participation and providing preferential tax treatment for retirement-account contributions. That is especially true for low-income groups and individuals who may not participate in the formal labor market and therefore receive no advantage from tax-based incentives. In principle, matching contributions may be provided for public programs or by the sponsors of private occupational plans. In practice, nearly all current examples are associated with individual retirement savings accounts.

There is consistent empirical evidence that matching participants' contributions to retirement savings is effective in increasing participation. The evidence from high-income countries indicates positive but modest effects of matching on participation, with overall effects increasing participation in the range of 5 to 10 percent of potential beneficiaries. The associated finding that a 25 percent match of individual contributions is associated with about a 5 percent increase in participation appears robust. That magnitude is also broadly consistent with results from Korea, where a 50 percent match for farmers and fishers increased the probability of their making a pension contribution by 7.4 percent. In New Zealand, a large initial match—a significant element of the KiwiSaver system—elicited enrollment from many people with little or no earnings, providing further evidence of the potential effectiveness of significant matches.

The structure of the match—the matching rate, thresholds, and caps—has significant consequences for its effect on the saving rate. The match threshold seems to have a greater impact than the matching rate. Providing a lower match, for example, of 25 percent on contributions, of up to 10 percent of pay (a relatively high share) will induce individuals to save more than a 50 percent match of up to 5 percent of pay, although both formulations may result in similar costs to the organization providing the match. One possible explanation for that result is that matching acts as a signaling device or implicit advice on saving levels. Also notable is the “stickiness” of saving levels, as evidenced by the fact that most people’s contribution levels remain at the default level even when the defaults are subsequently reduced.



The international evidence strongly suggests that other features of savings programs and related interventions may have a critical effect on participation and contribution levels:

- **Automatic enrollment and defaults.** Evidence from the United States, the United Kingdom, and New Zealand suggests that making participation the default option has two to four times as much impact as the reverse. (Of course, an automatic enrollment default option works only under specific employment conditions.) The role of other default schemes on contribution efforts is mixed and at times negative, possibly because of inertia or the low default contribution rate.
- **Simplification of design and access.** Empirical results for the United States and the United Kingdom and lessons from the German Riester pensions suggest that simplified design affects participation and, perhaps, contribution and saving efforts.
- **Social marketing and advocacy.** Retirement saving remains an objective that most will embrace but find difficult to implement. In the United States, information sessions and advocacy have been a useful adjunct to the incentives of matching contributions. In Germany, take-up of the match increased with greater awareness of the scheme associated with information campaigns. New Zealand has coupled introduction of its system with information and advocacy campaigns which are perceived to have had a positive effect.

Source: Authors based on Hinz et al. (2013).

Policy direction ③: Pursue planned reforms of the legal environment and strengthen the implementation, monitoring and enforcement of laws and regulations.

- **Abolish the restrictions for women to work at night or underground in Sections 34 and 35 of the Employment Act.** Sections 34 and 35 of the Employment Act place restrictions for women to work at night or underground. While such legal restrictions might have the worthwhile objective of protecting women, in practice they constrain women’s ability to make economic decisions and can have far-reaching consequences. For example, women may decide not to work if the law makes it difficult for them to freely choose a job. Therefore, it is recommended to abolish the restrictions in Sections 34 and 35.
- **Legally mandate nondiscrimination in employment based on gender and equal remuneration for work of equal value.** Malaysia’s laws do not mandate equal remuneration for work of equal value and do not mandate nondiscrimination based on gender in hiring. As discussed by Polacheck (2014), such explicit mandates are complex to enforce in practice and evidence on their effectiveness is relatively scarce. But at the very least they send a strong signal about the importance placed on gender equality and nondiscrimination.
- **Pass the Gender Equality Act and the Sexual Harassment Act and introduce criminal penalties or civil remedies for sexual harassment in employment.** While in 2012 the Employment Act was amended to make sexual harassment at the workplace illegal, there are no criminal penalties or civil remedies for sexual harassment in employment. Addressing this issue and extending legal protection beyond workers with an employment contract covered by the Employment Act to freelancers and “gig” economy workers would constitute important further progress. The passing of the Gender Equality Act would equally be an important milestone in the legal history of Malaysia.⁴¹
- **Strengthen monitoring of gender-specific indicators and enforcement of the implementation of the Employment Act and other relevant laws.** Achieving full gender equality will require more than changes to laws. The laws also need to be meaningfully implemented, enforced and monitored—and this requires sustained political will, strong leadership and engagement, and changes to ingrained cultural norms and attitudes.

Policy direction ④: Improve support for parents in line with international legal norms.

- **Prohibit the dismissal of pregnant women and assure that this prohibition cannot be circumvented by private contracts or collective agreements.** In Malaysia, employers who terminate the service of a female employee during the period in which she is entitled to maternity leave commit an offence. In contrast, termination of employment during pregnancy is not prohibited and has been an explicit clause in various employment contracts and collective agreements. Qualitative evidence from the focus group discussions conducted for this report shows that, consequently, it is relatively common for women to try to hide their pregnancies from their employers. Amendments to the Employment Act and related labor laws such as the Industrial Relations and Trade Unions Acts should close this loophole.
- **Make leave of at least 14 weeks after childbirth available and introduce paid paternity leave or paid parental leave of substantial duration.** In contrast to the public sector, mandatory maternity leave in the private sector is less than the internationally recognized minimum of 14 week. It is recommended for Malaysia to follow the example of Hong Kong which in October 2018 was the latest economy in East Asia to announce that maternity leave for both public and private sector workers would be extended to the internationally recognized minimum codified in the ILO’s Maternity Protection Convention. Another important gap in terms of protecting mothers and fathers as compared to international best practices is the absence of legally mandated paid paternity or parental leave for private sector workers. Research from the United Kingdom, the United States and Japan shows

⁴¹ When planned reforms of the legal environment are approved and implemented, Malaysia is expected to make progress in its score in the *Women, Business and the Law* report, through improvements in the *Starting a Job*, *Getting Paid*, *Getting Married* and *Having Children* indicators.

that paid parental leave encourages women to return to work. Introducing paid paternity leave or paid parental leave of substantial duration would be important to provide the enabling environment for men to carry out duties for the home, children and elderly and signal parents' shared responsibility.

- **Promote women's return to work by strengthening and expanding existing programs and interventions.** As listed in **Box V.1**, the government already implements a wide array of programs that aim to facilitate women's return to work by matching them with employers, supporting upskilling and/or providing financial support and incentives to either workers or their employers. However, there has not been a systematic evaluation of the impact of existing efforts while their reach has for the most part been limited to relatively well-educated women and large domestic and multinational firms which often already implement comparatively good benefits and human resource management practices. An expansion of existing programs to all sectors, with a focus on small and medium-sized enterprises (SMEs), coupled with a strengthening of implementation, monitoring and evaluation mechanisms can promote the return to work for a larger and more diverse group of women, including more of the B40.
- **Facilitate flexible forms of work such as part-time or home-based work and jobs with flexible working hours.** It will be important to reinforce measures that facilitate flexible forms of work such as home-based work or flexible working hours, including through the pursuit of relevant enabling provisions as part of the planned amendments of the Employment Act as well as the Employment (Part-time Employees) Regulations. While in July 2019 flexible forms of work become standard practice for federal government agencies and have been piloted by large government-linked and private companies, they continue to be the exception rather than the norm, especially among SMEs.⁴² Statutory approaches to flexible work arrangements that could be considered include protecting staff with flexible work arrangements against potential discrimination. Part-time work is often cited as the most important flexible working arrangement and has been formally regulated in Malaysia since 2010.⁴³ It can be a way for women to stay in the labor force during childrearing years. However, some studies show that long spells in part-time work can also be detrimental for women by trapping them in lower-responsibility level jobs. Thus, it will be important to provide clear pathways for women to return into full-time work.

Policy direction 5: Address gender norms and attitudes in education and among the wider population.

- **Foster a public discussion about the norms and values underlying the widespread gender disparities in the labor market between the government, labor unions, employers' associations, NGOs and other stakeholders.** Social and cultural norms on women's roles will take time to change, however recognizing this is a fundamental issue to address now is necessary to ensure women's advancement is sustainable in the long run. Prevailing cultural and social norms lead to women carrying the lion's share of family- and home-based responsibilities but as Malaysia becomes more urbanized and more women become more educated, both men and women aspire to grow personally and professionally. It is therefore recommended to foster a public discussion in Malaysia's society about the norms and values underlying the widespread gender disparities in the labor market. This discussion could be guided by and at the same time broaden the government's target to increase the percentage of women in decision-making positions to 30 percent.
- **Highlight the importance of gender equality in the labor market and of flexible forms of work and showcase modern male and female role models, including through testimonials in mass media.** In the process of the public discussion of gender disparities, modern male role models who proactively share family responsibilities as well as modern female role models who show that it is possible to have both a family and a

⁴² Based on the "Life At Work" study conducted by TalentCorp (TalentCorp, 2018), although 90 percent of organizations surveyed stated that work-life practices are a key strategy to address workforce needs and recognize the benefits for increasing productivity and employee engagement and retention, only 19 percent of organizations intend to implement work-life practices in the next one to two years. Additionally, the study showed that paternity leave was provided by only 61 percent of the 369 companies surveyed.

⁴³ In a survey of accounting and finance professionals by ACCA and TalentCorp (2016), the two measures most frequently mentioned as important for retaining women in the workforce were "flexible work arrangements including part-time" (85.9 percent) and "support facilities for women and family" (69.0 percent). In contrast, "competitive wage and other financial benefits" were mentioned by only 38.5 percent of respondents.

career could be showcased. In the public discourse of gender equalities, it will be vital for senior leaders in both the government and private sector to be active and highly visible in championing this agenda, which can help shift mindsets and promote actions towards shared responsibility at home. A consensus is growing that it is necessary to work with both men and women to break harmful gender norms. The inclusion of men can convey the idea that gender equality is a public good benefiting all. Using local data, research, and testimonials in mass media and advocacy campaigns can facilitate policy dialogue and frame gender equality as a public good for everyone. The World Development Report on *Gender Equality and Development* (World Bank, 2011) cites country examples where increased access to information on the roles that women play in other parts of the world, primarily through higher exposure to television and the Internet, have affected gender roles and outcomes. For instance, evidence from rural India suggests that attitudes and behaviors among villagers changed with the advent of cable television: women with access to cable were less likely to report that it is acceptable for a husband to beat his wife and more likely to participate in household decision making.

- **Address gender biases and stereotyping in education, including regarding textbooks, instruction and sports and extra-curricular activities.** Addressing gender biases and stereotyping in education would also be critical, be it in the roles and occupations ascribed to men and women during instruction, the portrayal of male and female characters in textbooks, or the types of sports boys and girls play and extra-curricular activities they engage in. In addition, initiatives that illustrate career pathways outside of courses traditionally characterized as “male” and “female” would be worth strengthening. In this context, international examples, like Korea’s WISE (Women into Science and Engineering) program—which as detailed in Jon and Chung (2013) combines mentoring for female students with opportunities to explore future careers in science through internships, research camps, and conferences—could prove useful.
- **Increase women’s (and men’s) awareness of available government support and legal rights and obligations, regarding both civil and Islamic Law.** Initiatives through conventional and social media as well as community engagement can contribute to increasing the population’s awareness of available government support and of legal rights and obligations, regarding both civil and Islamic Law. From the perspective of Islamic Law, it could be particularly worthwhile to raise awareness of the often-overlooked possibility for women—especially those who already work before marriage—to add a *ta’liq* when the marriage is registered to the effect that the husband would not in the future prevent the wife from working.⁴⁴

In addition to promoting women’s economic opportunity, further efforts will also be needed to build on achievements and continuously improve gender equality in endowments and agency. While this report focuses on economic opportunities, a comprehensive analysis of men’s and women’s endowments and agency—as per the framework of the World Development Report on *Gender Equality and Development* (World Bank, 2011)—is left for future research. Available evidence suggests that, broadly similar to economic opportunities, Malaysia has achieved considerable successes in both areas but significant challenges nevertheless remain. In endowments, women in Malaysia not only outperform men in terms of most aspects of educational attainment but also regarding important health outcomes, such as life expectancy. Challenges include legal restrictions for women in terms of Managing Assets (in the World Bank’s latest *Women, Business and the Law* report, Malaysia scored only 60 out of 100 points for this indicator). Regarding voice, achievements include the rising number of women in leadership positions, both in the private sector and in politics and the judiciary where women have taken up some of the most important decision-making roles. These achievements have progressed at a particularly rapid speed in the last years and now put Malaysia ahead of comparator countries in some frequently measured areas of women’s voice. Nevertheless, some challenges persist also in this area. As indicated by the focus group discussions conducted for this report, in many households women have less say over decisions and less control over resources than their husbands. And in spite of the important progress that has been achieved, women continue to participate relatively less in formal politics than men and are still underrepresented in its upper echelons.

⁴⁴ Irrespective of the precise approaches for addressing gender norms and attitudes, it will be crucially important to pilot these approaches, to evaluate them, and to modify them continuously for greater effectiveness and impact.



References

- ACCA and TalentCorp. 2016. *Retaining Women in the Workforce—50 Champions of Gender Diversity*. TalentCorp: Kuala Lumpur.
- Amin, Mohammad, and Mei Ling Tan. 2018. *Women on Boards in Malaysia*. World Bank Development Digest 4: 75–80.
- Choong, Christopher, and Theng Tan. 2018. *The Unsung Labour: Care Migration in Malaysia*. Khazanah Research Institute (KRI) Discussion Paper No. 1/2018.
- Chua, Lay Lian, Norman V. Loayza, and Achim D. Schmillen. 2018. *The Future of Work: Race with—not against—the Machine*. World Bank Research and Policy Brief No. 16.
- David Cuberes, and Marc Teignier. 2019. *The Aggregate Gains of Eliminating Gender and Ethnic Gaps in the Malaysian Labor Market*. Unpublished background paper to this report.
- Duncan, Otis D., and Beverly Duncan. 1955. *A Methodological Analysis of Segregation Indices*. *American Sociological Review* 20: 210–217.
- Employees Provident Fund (EPF). 2018. *Annual Report 2017*. EPF: Kuala Lumpur.
- Glinskaya, Elena, and Zhanlian Feng (eds.). 2018. *Options for Aged Care in China—Building an Efficient and Sustainable Aged Care System*. World Bank: Washington, DC.
- Goldin, Claudia. 1995. *The U-Shaped female labor force function in economic development and economic history*. In: Schultz, T. P. (ed.). *Investment in Women’s Human Capital and Economic Development*. University of Chicago Press: Chicago, IL.: 61–90.
- Hinz, Richard, Robert Holzmann, David Tuesta, and Noriyuki Takayama (eds.). 2013. *Matching Contributions for Pensions—A Review of International Experience*. World Bank: Washington, DC.
- Hüttner, Frank, and Marco Sunder. 2012. *Axiomatic arguments for decomposing goodness of fit according to Shapley and Owen values*. *Electronic Journal of Statistics* 6: 1239–50.
- ILO. 2007. *ABC of women workers’ rights and gender equality*. ILO: Geneva.
- Institute for Labour Market Information and Analysis. 2019. *Jobs and Basic Salaries*. Institute for Labour Market Information and Analysis: Cyberjaya.
- Jon, Jae-Eun, and Hae-In Chung. *STEM Report—Republic of Korea*. Australian Council of Learned Academies: Melbourne.
- Khazanah Research Institute (KRI). 2018. *The State of Households 2018: Different Realities*. KRI: Kuala Lumpur.
- Loayza, Norman V. 2018. *Informality: Why Is It So Widespread and How Can It Be Reduced?* World Bank Research and Policy Brief No. 20.
- Mohamad Awal, Noor Aziah. 2019. *Legal Research for Empirical Investigation of the Constraints Underlying Gender Disparities in Malaysia’s Labor Market*. Unpublished background paper to this report.
- Ministry of Human Resources. 2019. *Inclusion and Employment of Malaysia’s Ageing Population – National strategic Plan on Ageing Population*. Ministry of Human Resources: Putrajaya.
- MOWFCD and UNDP. 2014. *Study to Support the Development of National Policies and Programmes to Increase and retain the Participation of Women in the Malaysian Labour Force: Key Findings and Recommendations*. MOWFCD and UNDP: Putrajaya.
- Neuman, Michelle J. and Amanda E. Devercelli. 2013. *What Matters Most for Early Childhood Development: A Framework Approach*. World Bank SABER Working Paper No. 5.

- Noland, Marcus, Tyler Moran and Barbara Kotschwar. 2016. Peterson Institute for International Economics Working Paper 16-3.
- Oaxaca, Ronald L. 1973. Male-Female Differentials in Urban Labor Markets. *International Economic Review* 14: 693–709.
- OECD. 2019. *OECD Economic Surveys – Malaysia 2019*. OECD: Paris.
- Osborne, Helen. 2017. *Micro-Entrepreneurship and Gender*. Unpublished working paper. World Bank: Washington, DC.
- Patrinos, Harry A. and Noam Angrist. 2018. *A Global Dataset on Education Quality: A Review and Update (2000–2017)*. World Bank Policy Research Working Paper No. 8592.
- Polacheck, Salomon. 2014. Equal pay legislation and the gender wage gap. *IZA World of Labor* 2014: 16.
- Post, Corinne, and Kris Byron. 2015. Women on Boards and Firm Financial Performance: A Meta-Analysis. *Academy of Management Journal* 58: 1546–1573.
- Redmond, Paul and Seamus McGuinness. 2019. The Gender Wage Gap in Europe: Job Preferences, Gender Convergence and Distributional Effects. *Oxford Bulletin of Economics and Statistics* 83: 564–587.
- SME Corp. Malaysia. 2016. *Annual Report 2015/2016*. SME Corp. Malaysia: Kuala Lumpur.
- TalentCorp. 2018. *Life At Work: Report on the Implementation and Outcomes of Work-Life Practices in Corporate Malaysia*. TalentCorp: Kuala Lumpur.
- UNICEF. 2018. *Children Without—A Study of Urban Child Poverty and Deprivation in Low-cost Flats in Kuala Lumpur*. UNICEF: Putrajaya.
- Verick, Sher. 2014. Female labor force participation in developing countries. *IZA World of Labor* 2014: 87.
- Weimann-Sandig, Nina. 2019. *Malaysia—A Society in Transition*. Unpublished background paper to this report.
- World Bank. 2011. *World Development Report 2012—Gender Equality and Development*. World Bank: Washington, DC.
- World Bank. 2012a. *Malaysia Economic Monitor November 2012—Unlocking Women’s Potential*. World Bank: Kuala Lumpur.
- World Bank. 2012b. *Toward Gender Equality in East Asia and the Pacific—A Companion to the World Development Report*. World Bank: Washington, DC.
- World Bank. 2015. *Malaysia Economic Monitor December 2015—Immigrant Labour*. World Bank: Kuala Lumpur.
- World Bank. 2016. *Live Long and Prosper—Aging in East Asia and Pacific*. World Bank: Washington, DC.
- World Bank. 2017. *World Development Report 2018—Learning to Realize Education’s Promise*. World Bank: Washington, DC.
- World Bank. 2018a. *Malaysia Economic Monitor November 2018—Enhancing Human Potential*. World Bank: Kuala Lumpur.
- World Bank. 2018b. *Risk-Sharing for a Diverse and Diversifying World of Work*. World Bank: Washington, DC.
- World Bank. 2018c. *The Human Capital Project*. World Bank: Washington, DC.
- World Bank. 2018d. *World Development Report 2019—The Changing Nature of Work*. World Bank: Washington, DC.
- World Bank. 2019. *Women, Business and the Law 2019—A Decade of Reform*. World Bank: Washington, DC.

Methodological Annex

A. Definitions

Gender parity index – Ratio of the number of women/girls to the number of men/boys enrolled in a specific level of education.

Gross enrollment ratio – Total enrollment in a specific level of education, regardless of age, expressed as a percentage of the population that is eligible for this specific level of education.

Informal workers – Persons in employment who are not subject to national legislation and income tax or entitled to social protection and employment benefits; informal employment can exist in both the informal and the formal sector of the economy.

Informal sector – All enterprises that meet the following criteria: (a) at least some goods or services produced are meant for sale or barter transactions, (b) the enterprise is not registered with the Companies Commission of Malaysia or any other professional body, (c) the size in terms of employment is less than 10 persons, and (d) the enterprise is neither part of government nor of the agriculture sector.

Labor force participation rate – Share of the population aged 15 to 65 years that is in the labor force, with the labor force defined as encompassing all persons who worked or were unemployed during a reference period.

Qualitative underemployed – Employment in an occupation with skills requirements that are below the workers' educational attainment (for instance, employment in an occupation that only requires lower secondary education for a worker with upper secondary schooling).

Quantitative underemployed – Employment with less than 30 regular working hours a week.

Unemployment rate – Share of the labor force that is unemployed, with the unemployed defined as all persons who were available begin work within two weeks and were actively looking for work during a once-week reference period.

B. Macroeconomic Model

In recent years, several papers have calculated the macroeconomic costs associated with gender gaps in the labor market. Examples include Cavalcanti and Tavares (2015) and Cuberes and Teignier (2016). On the other hand, some papers have also used the concept of misallocation of inputs to calculate the costs of excluding certain minority groups from the labor market (for instance, Hsieh et al. forthcoming).

In this report, data from Malaysia is used to compute the gains of eliminating gender gaps in Malaysia for the period 2010-2017 following the approach of Cuberes and Teignier (2016) and Cuberes, Munoz-Boudet and Teignier (2019).⁴⁵ Cuberes and Teignier (2016) develop a general equilibrium occupational choice model where agents are endowed with a random entrepreneurship skill, based on which they decide to work as either employers, self-employed, or workers. Agents choosing to become firm workers earn the equilibrium wage rate ω —which it is assumed to be independent of their entrepreneurial talent—while entrepreneurs earn the profits generated by the firm

⁴⁵ For methodological details, see Cuberes and Teignier (2019).

they manage. An agent with entrepreneurial talent or productivity level x who chooses to become an employer hires $n(x)$ units of labor and $k(x)$ units of capital. He/she then produces $y(x)$ units of output and earns profits $\pi(x) = y(x) - rk(x) - wn(x)$, where the price of the homogeneous good is normalized to one.

In this model, agents with the highest entrepreneurship skill optimally choose to become employers, whereas those with the least skill become workers, leaving self-employment to agents with intermediate skill levels.

The model also allows for the possibility of the so-called out-of-necessity entrepreneurs, who choose this type of work because they had no other choice. To capture this phenomenon, in the model, a fraction $1 - \theta$ of both males and females are not allowed to become workers and become self-employed. The parameter θ is estimated to match the overall share of self-employed workers.

The model assumes that men and women are identical in terms of their managerial skills but that women are subject to several exogenous constraints in the labor market. First, a fraction $1 - \lambda$ of women are entirely excluded from participating in the labor market. On top of that, among labor market participants, a fraction $1 - \mu$ of women who would like to be employers are excluded from this type of work, while a fraction $(1 - \mu)(1 - \mu_0)$ of women are also excluded from self-employment. Importantly, in the framework all women have the same probability of facing these constraints, implying that there is no positive or negative selection into participation or entrepreneurship. Admittedly, the effects of the gender gaps on income would be smaller if excluded women had, on average, lower talent, while they would be larger if they had higher talent.

The restriction on the female employment mechanically results in a reduction in output per capita because the amount of productive inputs falls. The restrictions altering the occupational choice, on the other hand, reduce the average talent of entrepreneurs, which leads to a fall in productivity and income per capita. The intuition behind the reduction in productivity is as follows. Assume a woman with very good management skills happens to be banned from becoming an employer. The model then implies that a less skilled man will take her position and become the manager of a firm. If this man has a lower managerial skill than the woman who is not allowed to become a manager, he will run a smaller firm—under the assumption that an entrepreneur with higher ability can manage a higher span of control (see Lucas, 1978). This would then have general equilibrium implications in terms of the amount of output produced, wages and firms' profits. It is easy to show that output/income per worker and per capita would be lower in this economy because of this restriction. This loss is measured by taking the ratio between output per capita with no gender gaps and the corresponding output per capita given the observed gender gaps.

Model simulations assume a Pareto function for the talent distribution. When computing the long run numerical results, the capital stock adjusts to its steady-state value, computed using a gross interest rate of 0.125. This is consistent with a depreciation rate of 0.075 and an intertemporal discount factor of 0.05 in a continuous-time model. These are the same parameters as in Cuberes and Teignier (2016). The values of the gender frictions (λ, μ, μ_0) are then computed using data on male and female employment, the share of employers, and the share of self-employed. The average values obtained are 0.66, 0.31 and 0.51 respectively. Based on data from the Global Entrepreneurship Monitor for Malaysia for 2010 to 2016, about 14.2 percent of all entrepreneurs / self-employed are classified as out-of-necessity self-employed (see SME Corp. Malaysia, 2016).

In addition to simulating overall income gains, the model also makes it possible to calculate the gains associated with removing the occupational barriers that different groups of women face. Simulations of removing the constraints of different age groups show that the lowest gains of 15.1 percent correspond to the youngest age group (15 to 25). This is mostly a result of the fact that they represent a small share of the population. At 37.9 percent, the largest gains are for individuals between 36 and 50 years old. Gains for removing constraints for women aged 26 to 35 and 51 and older follow in between these values. In terms of the interaction of labor market barriers and ethnicity, additional simulations show that the largest gains are generated by eliminating gender gaps among the *Bumiputera*, followed by the Chinese. The macroeconomic gains from removing barriers that Indian women face are much more modest. Again, this pattern to a large extent follows from the different size of the various ethnic groups. Finally, it is worth noting that model results are qualitatively robust to several alternative specifications, in particular to using data only on Malaysian citizens and relying on alternative values for some model parameters.

C. Qualitative Research

This report relies on qualitative research to analyze the mechanisms underlying gender disparities in the Malaysian labor market.⁴⁶ The qualitative research addressed three interrelated questions: First, what gender disparities on the labor market can be identified or confirmed through qualitative research? Second, how are labor market disparities related to indicators like marital status, age, ethnicity, income level, educational background etc. and what are structural or other underlying reasons? Third, are current efforts by the government and employers effective in addressing gender disparities and how can they be improved? To answer these questions, the qualitative research adapts a qualitative tool developed by Schmillen and Weimann-Sandig (2018) that integrates biographical research into focus group discussions to the context of Malaysia.

For the qualitative field work, an experienced team led by Norizan Abdul Razak from the Tun Fatimah Hashim Women Leadership Centre at Universiti Kebangsaan Malaysia prepared, implemented and documented 23 focus group discussions. The focus group discussions were carried out from December 3, 2018 to March 31, 2019 in both urban and rural areas of three broad regions, the Klang Valley, the remainder of Peninsular Malaysia, and Sabah and Sarawak. The discussions had a minimum of 7 participants and a maximum of 10 participants each. Sessions lasted from 66 minutes to 124 minutes based on the flow of the discussion. For each focus group discussion, one moderator was deployed to lead the discussion and a recorder and secretary logged the discussion word-for-word and assisted the moderator, respectively. Focus group discussions were recorded electronically and documented through pictures.

To capture the knowledge and experiences of a diverse set of Malaysian women the sociodemographic attributes of the participants of each focus group discussion were precisely defined. In advance of focus group discussion, participants' attributes such as gender, age, education, employment status, ethnicity, marital status, locality were collaboratively defined between the World Bank and the Tun Fatimah Hashim Women Leadership Centre based on international best practices, precise local conditions and a small series of exploratory biographical interviews and site visits to two kindergartens and a PPR. While most focus group discussions encompassed women, there was also a smaller number of focus group discussions with men to gather men's perspectives and contrasting experiences. In addition, there were 2 focus group discussions that brought together employers and human resource managers to document the labor demand perspective. The precise composition of the 23 focus group discussions is summarized in **Table A.1**.

The team followed a multi-pronged strategy to acquire focus group participants. Depending on the specific focus group discussion, the acquisition strategy relied on different local recruiters and their contacts with local government agencies, employer's association, local associations of women's groups or enterprise, local non-profit organizations, public and private universities, and other relevant organizations and entities. For each focus group discussion, about 10 potential participants were initially recruited because a certain amount of last-minute drop-out was expected. During the field work, the precise acquisition strategy was revised based on the experience gathered during the first set of focus group discussions: Instead of using one local recruiter per focus group discussion, it was recognized that there was a need to rely on a group of recruiters to make sure a sufficient number of participants could be recruited within a relatively limited time frame.

During field mobilization, data collection and data entry, quality was the top priority, and the World Bank provided direct, close support and supervision to this end. First, the World Bank administered a two-day training workshop in Kuala Lumpur led by an international consultant that covered topics such as methodological background, selection of participants, timetable, thematic guidelines for focus groups and practical training for the moderators. Second, the World Bank provided survey instruments for every focus group discussion. Survey instruments included detailed thematic guidelines to guide the discussions, a template of one page or less that the moderator and recorder / secretary were to fill out to summarize the focus groups from their perspective, and a questionnaire of one page or less to be filled out by focus group participants (largely to gather basic socio-demographic information). Third, the World Bank provided detailed advice and feedback regarding the selection of participants, field work, managing problems, etc.

46 For methodological details, see Weimann-Sandig (2019).

TABLE A.1. Composition of focus group discussions

#	Broad location	Precise location	Demographic composition
1	Klang Valley	UKM campus, Selangor	Female first-year students aged 18–25
2	Klang Valley	UKM campus, Selangor	Male final-year students aged 18–25
3	Klang Valley	UKM campus, Selangor	Female final-year students aged 18–25
4	Klang Valley	Petaling Jaya, Selangor	Formally employed, unmarried women aged 30–45
5	Klang Valley	Petaling Jaya, Selangor	Informally employed women aged 30–45
6	Klang Valley	Petaling Jaya, Selangor	Formally employed single mothers aged 18–65
7	Klang Valley	UKM campus, Selangor	Informally employed Indian Malaysian women aged 30–45
8	Klang Valley	Bangsar, Kuala Lumpur	Unemployed men aged 18–30
9	Klang Valley	Lembah Subang, Selangor	Employed women living in PPR flats aged 18–65
10	Klang Valley	World Bank office, Kuala Lumpur	Human resource managers of large firms
11	Klang Valley	Desa Mentari, Selangor	Women out of the labor force living in PPR flats aged 30–55
12	Peninsular Malaysia	Kuantan, Pahang	Formally employed married women aged 30–45
13	Peninsular Malaysia	Kampung Batu Laut, Selangor	Employed Malay women in traditional <i>kampung</i> aged 18–65
14	Peninsular Malaysia	Johor Bharu, Johor	Housewives aged 30–45
15	Peninsular Malaysia	Kota Bharu, Kelantan	Informally employed women aged 45–65
16	Peninsular Malaysia	Kota Bharu, Kelantan	Informally employed men aged 45–65
17	Peninsular Malaysia	Kota Bharu, Kelantan	Formally employed Malay men aged 30–65
18	Peninsular Malaysia	Felda Taib Andak, Johor	Employed Malay men in FELDA settlement aged 18–65
19	Peninsular Malaysia	Kuantan, Pahang	Employers and human resource managers of SMEs
20	Sabah and Sarawak	Kuching, Sarawak	Formally employed women aged 45–65
21	Sabah and Sarawak	Kuching, Sarawak	Formally employed Chinese women aged 30–45
22	Sabah and Sarawak	Kota Kinabalu, Sabah	<i>Bumiputera</i> women out of the labor force aged 45–65
23	Sabah and Sarawak	Kota Kinabalu, Sabah	Informally employed single mothers aged 18–65

Source: Authors based on Weimann-Sandig (2019).

D. Earnings Decomposition

The microeconomic literature has used a wide range of methods to investigate earnings gaps between different groups of workers, such men and women.⁴⁷ Among the most commonly used methods are “single equation” models and “double equation” models. Single equation models are basically earnings regressions in the tradition of Mincer (1974) for the whole economy that include a dummy variable differentiating groups of workers. For double equation models separate earnings regressions are run for separate groups of workers. The main advantage of double equation models is that they are more flexible and allow intercepts and returns to productive characteristics to differ across groups. They can also be a useful intermediate step for counterfactual decompositions, i.e., for an investigation of the proportion of the differences in the average levels of earnings between different groups of workers that is accounted for by differences in the level of individuals’ characteristics (the “explained gap”) and by differences in the impact on earnings of these characteristics (the “unexplained gap”).

For an analysis of earnings gaps between men and women, this report relies on the two-step decomposition method introduced by Oaxaca (1973) and controls for a wide range of correlates of monthly earnings. The method estimates a flexible double equation model and then conducts a counterfactual decomposition of the earnings gap between workers with and without an employment contract. More specifically, in the first step the correlates of monthly earnings are estimated separately for men and women. In the second step, the difference in mean monthly earnings of the two groups is decomposed into a characteristic and a coefficients effect. The vector of correlates contains socio-demographic characteristics (ethnicity, age, and age squared), educational attainment (primary or less, secondary or tertiary), sector and location (urban and rural). The selection of explanatory variables is based on standards of the relevant literature and basic human capital theory.

A decomposition of the earnings gap between men and women can be useful to inform the choice of interventions to reduce earnings inequality in Malaysia. If men were experiencing a positive earnings gap and this was due to explained variables, a policy aimed at reducing differences in labor market characteristics, socio-demographic characteristics, educational attainment etc. between men and women might be required. However, if the gap was due to the unexplained gap, this would provide evidence—but not proof—that the labor market was in effect discriminatory against one group of workers. This would be an argument in favor of proactive policies fostering the productive, secure and gainful employment of women.

In addition to decomposing the differences in average earnings between men and women, the report also decomposes these differences across the earnings distribution. In recent years, procedures have gained prominence that make it possible to complement an analysis of differences in mean earnings by decompositions that assess different quantiles of the earnings distribution. In this report, the Oaxaca type decompositions of differences in mean earnings between men and women are complemented by similar decompositions based on differences in the percentiles of the earnings distributions for men and women. In terms of method, for the decomposition of earnings differences across the earnings distribution a two-step procedure first suggested by Firpo, Fortin and Lemieux (2007, 2009) is implemented. First, separate regressions of the recentered influence function (a widely used tool in robust estimation) of the unconditional quantile on the explanatory variables are run separately for men and women. Second, generalized Oaxaca (1973) decompositions are performed for various quantiles of the wage distribution.⁴⁸

47 The exposition of this section is based on Bhaumik, Gang and Yun (2006) and Gang and Schmillen (2017).

48 An important caveat is that neither the standard decomposition method introduced by Oaxaca (1973) implemented for this report nor the procedure suggested by Firpo, Fortin and Lemieux (2007, 2009) control for self-selection in labor force participation.

E. Additional References

- Bhaumik, Sumon K., Ira N. Gang, and Myeung-Su Yun. 2006. Ethnic Conflict and Economic Disparity: Serbians and Albanians in Kosovo. *Journal of Comparative Economics* 34: 754–773.
- Cavalcanti, Tiago, and Jose Tavares. 2015. The Output Cost of Gender Discrimination: A Model-Based Macroeconomic Estimate. *Economic Journal* 126(5): 109–134.
- Cuberes, David, and Marc Teignier. 2016. Aggregate Costs of Gender Gaps in the Labor Market: A Quantitative Estimate. *Journal of Human Capital* 10: 1–32.
- Cuberes, David, Ana Maria Munoz-Boudet and Marc Teignier. 2019. How Costly Are Labor Gender Gaps? Estimates by Age Group for the Balkans and Turkey. *Eastern European Economics* 57: 86–101.
- Firpo, Sergio, Nicole M. Fortin, and Thomas Lemieux. 2007. Decomposing Wage Distributions Using Recentered Influence Function Regressions. Unpublished working paper, University of British Columbia.
- Firpo, Sergio, Nicole M. Fortin, and Thomas Lemieux. 2009. Unconditional Quantile Regressions. *Econometrica* 77: 953–973.
- Gang, Ira N., and Achim D. Schmillen. 2017. Sometimes, Winners Lose: Economic Disparity and Indigenization in Kazakhstan. *Journal of Comparative Economics* 45: 605–621.
- Hsieh, Chang-Tai, Erik Hurst, Charles I. Jones, and Peter J. Klenow. Forthcoming. The Allocation of Talent and U.S. Economic Growth. *Econometrica*.
- Lucas, Robert E., Jr. 1978. On the Size Distribution of Business Firms. *Bell Journal of Economics* 9: 508–23.
- Mincer, Jacob. 1974. *Schooling, Experience and Earnings*. National Bureau of Economic Research, New York.
- Schmillen, Achim D., and Nina Weimann-Sandig. 2018. *Perceptions of Precariousness—A Qualitative Study of Constraints Underlying Gender Disparities in Mongolia’s Labor Market*. World Bank: Washington, DC.



CONNECT WITH US



wbg.org/Malaysia



[@WorldBankMalaysia](https://www.facebook.com/WorldBankMalaysia)



[@WB_AsiaPacific](https://twitter.com/WB_AsiaPacific)



http://bit.ly/WB_blogsMY

