1. Introduction

MALAYSIA'S LABOUR MARKET REMAINED ON A POSITIVE TRAJECTORY IN TANDEM WITH ECONOMIC EXPANSION, CHARACTERISED BY AN INCREASE IN EMPLOYMENT AND A CONTINUED DECLINE IN UNEMPLOYMENT

Throughout 2025, the global economy expanded at a moderate pace amid persistent geopolitical tensions, ongoing trade disputes, and selective inflationary pressures across several economies. Nevertheless, global economic activity remained resilient, particularly among both advanced and emerging economies. Against this backdrop, Malaysia's economy continued to register sustainable growth, supported by resilient domestic demand, strategic investments in high-impact industries, and improving external trade performance[1]. In parallel, the government implemented various initiatives to strengthen the labour market and expand employment opportunities. These developments contributed to a stable, competitive, and resilient labour market throughout the year.

In early 2025, Malaysia's labour market recorded favourable progress, driven primarily by strategic investments in the semiconductor and high-technology industries. The country's growing expertise in semiconductor chip architecture attracted significant foreign investor interest, further strengthening Malaysia's position within global supply chains[2]. As a result, these investments not only supported economic expansion but also generated high-income and high-skilled employment opportunities, thereby reinforcing labour market resilience.

At the same time, government initiatives targeting Micro, Small, and Medium Enterprises (MSMEs), including MyDigital and the National AI Roadmap 2021–2025, accelerated digital transformation among businesses and workers. These initiatives promoted the adoption of digital technologies and artificial intelligence, while enhancing workforce capabilities in emerging industries. Ongoing engagement with MSME entrepreneurs also contributed to the refinement of national digitalisation strategies enabling businesses to improve productivity, foster innovation, and generate more employment opportunities[3]. Moreover, the economy sustained its growth momentum, driven primarily by strong export demand, particularly within the electrical and electronics (E&E) industry. Expansion in the Services and Manufacturing sectors supported job creation across various skill levels, while strong domestic demand, underpinned by minimum wage adjustments and public sector salary revisions, continued to support business activities and labour market expansion. Seasonal economic activities during the Ramadan and Aidilfitri festive period boosted MSME participation and strengthened labour market dynamism.

Economic performance remained encouraging in the middle of 2025, supported by sustained demand for E&E products continued foreign investments inflows, and the expansion of high-technology industries. New investments, including the establishment of advanced technology, generated additional demand for skilled employment opportunities. In the meantime, government-led initiatives such as the MyFutureJobs career carnivals and investments in Technical and Vocational Education and Training (TVET) programmes enhanced workforce preparedness and strengthened labour market adaptability. Regional cooperation efforts and community-focused programmes, including initiatives under ASEAN and the MADANI framework, stimulated investment activities, entrepreneurship, and job creation. Continued expansion in the Services, Manufacturing, tourism, logistics and technology-based industries, together with ongoing reskilling and upskilling initiatives and infrastructure development under the 13th Malaysia Plan, supported labour market participation, improved employability and contributed to the sustained low unemployment.

[1] https://www.thestar.com.my/business/business-news/2025/12/26/malaysia039s-economy-remains-resilient-in-2025-amid-tariff-wars-geopolitical-turbulence
[2] https://www.nst.com.my/business/economy/2025/01/1160060/malaysia-stands-benefit-robust-chip-potential-amid-us-china
[3] https://www.thestar.com.my/news/nation/2025/03/25/govt-allocates-rm15bil-to-accelerate-msme-digitalisation-nationwide?utm_source

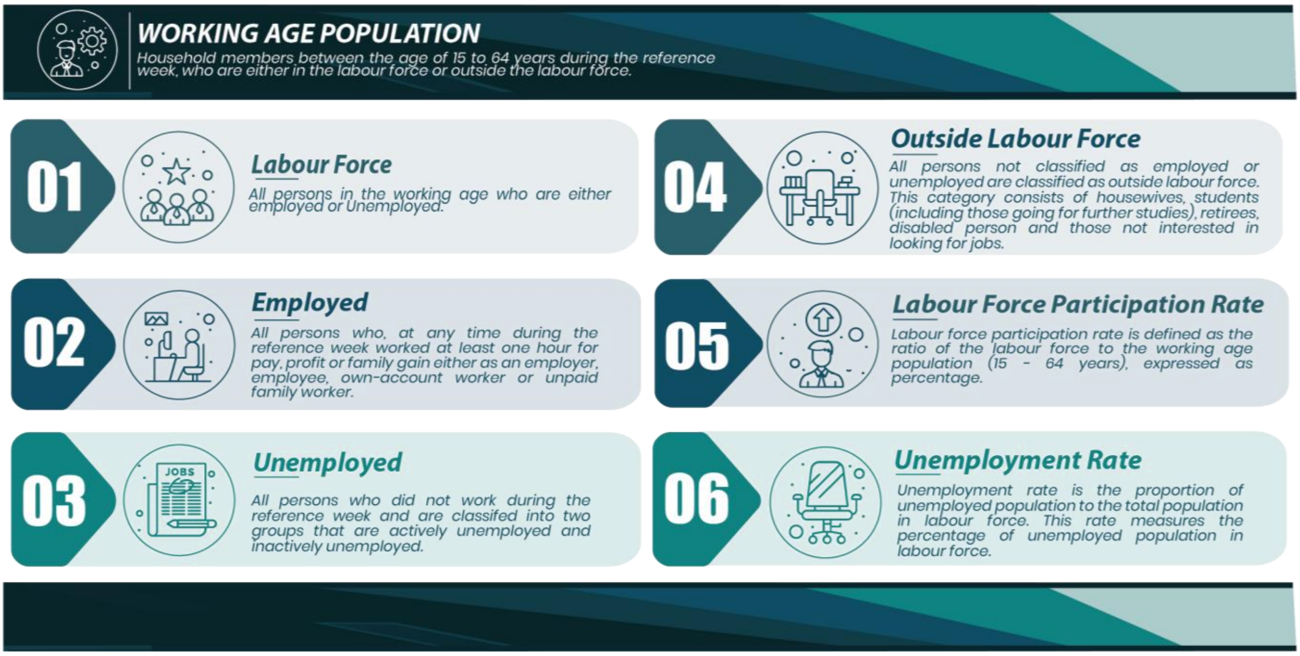
In the latter part of 2025, Malaysia's economic resilience continued to be reinforced through diversification strategies, strategic investments and the expansion of key industries. Large-scale events such as Temasya Oghang Kedah, the MATTA Fair, and Putrajaya FOI 2025, together with employment and career programmes under MyFutureJobs and state-led initiatives, generated additional job opportunities while enhancing workforce capabilities and participation. Concurrently, efforts to strengthen regional connectivity and trade through infrastructure projects, including the East Coast Rail Link (ECRL), as well as green automotive initiatives, continued to support economic growth and job creation. The expansion of agro-food and advanced manufacturing industries through export expansion and foreign direct investments further increased demand for skilled workers and strengthened industrial productivity. In addition, enhanced bilateral cooperation and community-based economic empowerment programmes contributed to entrepreneurial development, employment enhancement and creation, thereby sustaining positive labour market conditions and maintaining a low unemployment rate.

Towards the end of 2025, Malaysia's labour market continued to demonstrate strong performance, supported by the success of digital job-matching platforms and sustained improvements in labour market efficiency. Since 2023, the MYFutureJobs platform had facilitated more than 620,000 job placements, contributing to reduced skills mismatches and improved job matching outcomes[4]. These achievements, together with stronger labour force participation, particularly among youths and skilled workers, were reinforced by the recovery in export performance, driven by stronger global demand for manufactured goods and E&E products[5]. Investor confidence in Malaysia's economic fundamentals also remained strong, as reflected in the expansion of foreign investments, including a RM78 million investment by a Taiwanese company to expand its manufacturing operations in Malaysia[6]. This investment was expected to enhance production capacity, encourage technology transfer, and generate high-value employment opportunities. Consequently, the labour market remained stable, characterised by higher employment levels and a continued decline in unemployment, thereby providing a strong platform for inclusive and sustainable economic growth moving into 2026.

In terms of economic performance, Malaysia's economic outlook moderated in November 2025, as indicated by the Leading Index (LI), which rose by 0.2 per cent to 113.2 points (November 2024: 113.0 points), despite a monthly decline of 2.4 per cent. The smoothed long-term trend of the LI was below 100.0 points in November 2025, signalling that the economy is expected to continue expanding in the near future, supported primarily by domestic demand. In the meantime, Malaysia's external trade indicators for December 2025 showed positive momentum, with exports increasing by 13.4 per cent, reversing the growth recorded in the previous month (November 2025: -9.0%). Imports also expanded by 3.7 per cent (November 2025: +0.7%), reflecting sustained import demand in line with economic activity.

[4] https://www.malaysiakini.com/socialsecurity/764347
[5] https://www.kosmo.com.my/2025/12/31/prestasi-perdagangan-luar-malaysia-kekal-kukuh-apabila-jumlah-perdagangan-barangan-meningkat-13-6-peratus-kepada-rm277-6-bilion-pada-oktober-2025/
[6] https://www.nst.com.my/amp/business/corporate/2025/12/1344683/taiwans-syntec-expands-malaysia-plant-rm78mil

2. Concept and Definition

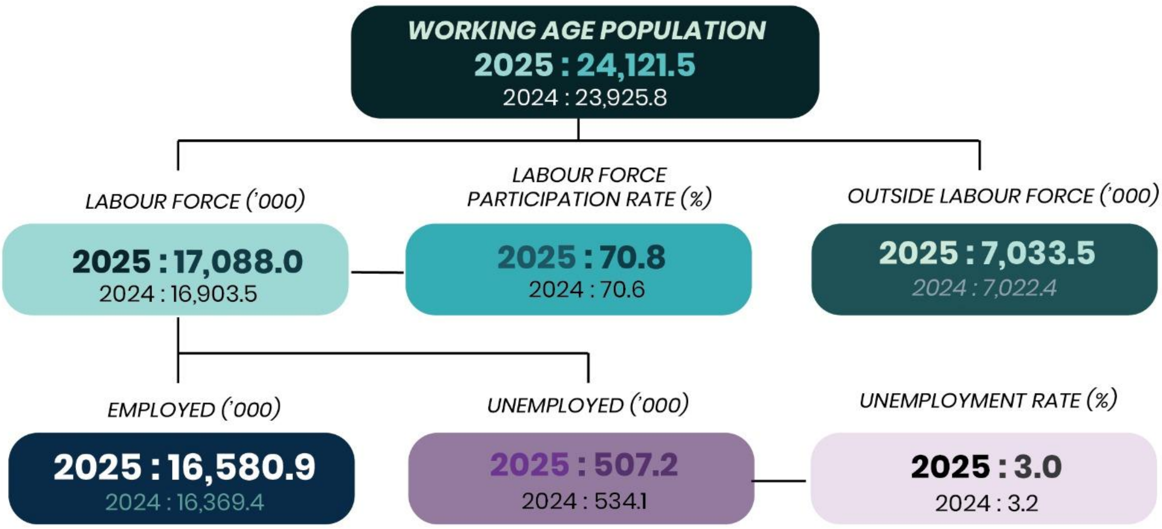


3. Labour Force

The LFPR rose to a new record high of 70.8 per cent

Malaysia's labour force continued to strengthen in 2025, increasing by 1.1 per cent or equivalent to 184.6 thousand persons recording 17.09 million persons as compared to 16.90 million persons in the previous year. Therefore, labour force participation rate (LFPR) went up by 0.2 percentage points to 70.8 per cent, as against 70.6 per cent in 2024, marking the highest level ever recorded, as shown in ***Exhibit 1.***

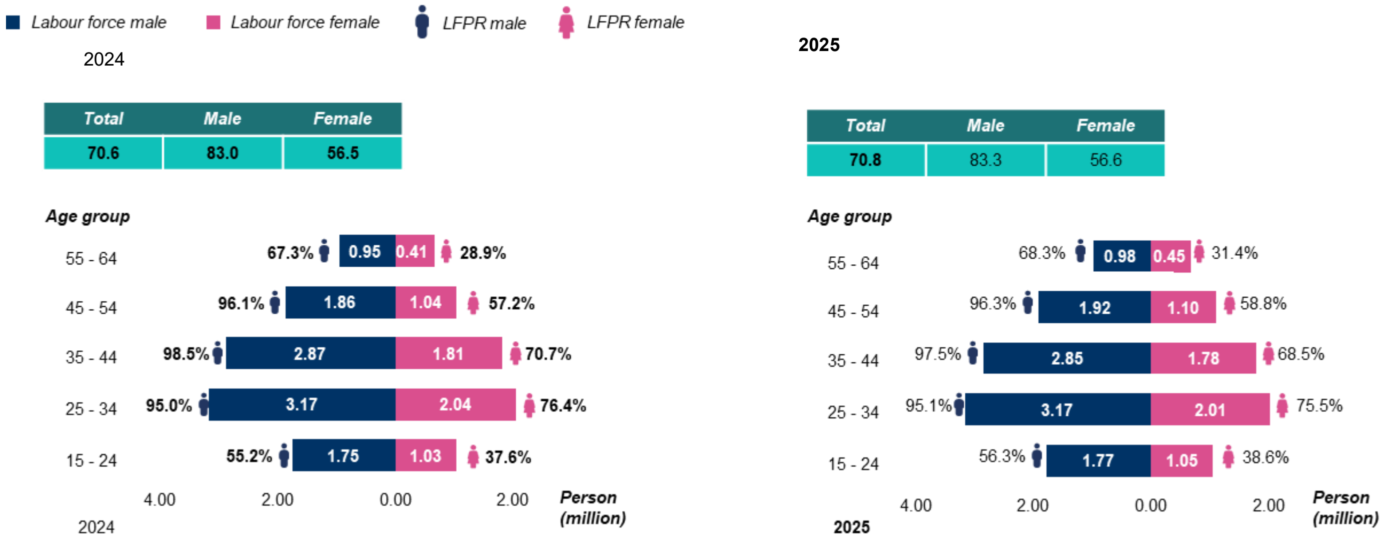
Exhibit 1: Principal statistics of labour force, Malaysia, 2024 and 2025



Labour force performance by sex remained encouraging in 2025, with the number of male and female labour force reaching 10.70 million persons and 6.39 million persons, respectively. Compared with 2024, registered growth of males is 1.1 per cent meanwhile females registered growth of 1.0 per cent, equivalent to an addition of 118.7 thousand males and 65.9 thousand females. In terms of labour market participation, the male labour force participation rate (LFPR) rose by 0.3 percentage points to 83.3 per cent, while the female LFPR increased marginally by 0.1 percentage points to 56.6 per cent.

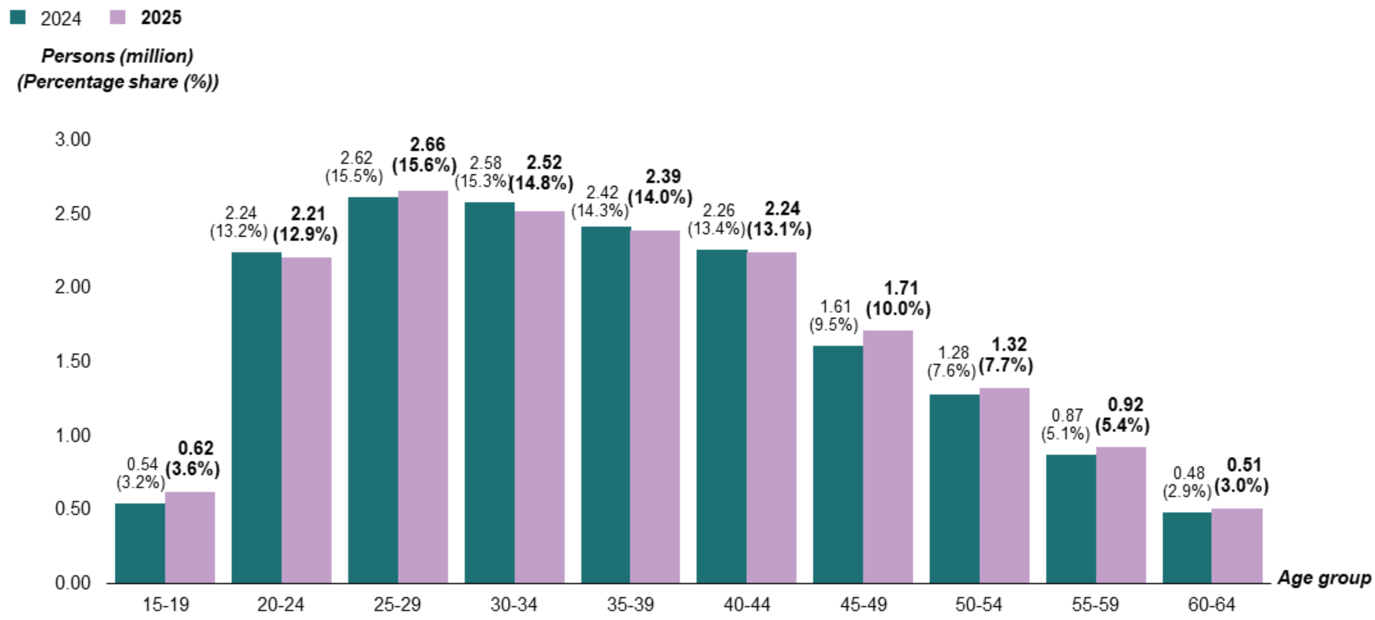
By age group, individuals aged 25 to 34 years remained the most active participants in the labour market, recording a labour force participation rate (LFPR) of 86.4 per cent, compared with those aged 15 to 24 years who posted the lowest participation rate at 48.1 per cent. Meanwhile, the LFPR for persons aged 35 to 44 years stood at 83.9 per cent, a decline of 1.6 percentage points compared with the preceding year, whereas the 45 to 54 years age group recorded a rate of 78.2 per cent. In terms of sex, males aged 35 to 44 years constituted the highest group of labour market participation at 97.5 per cent. For females, the highest LFPR was observed among those aged 25 to 34 years at 75.5 per cent, although a decrease of 0.8 percentage points from 2024 ***[Chart 1]****.*

Chart 1: *Labour force participation rate by sex and age group, Malaysia, 2024 and 2025*



In terms of age composition, individuals aged 25 to 29 years accounted for the largest share of the labour force at 15.6 per cent, equivalent to 2.66 million persons. This was followed by those aged 30 to 34 years at 14.8 per cent (2.52 million persons), while the 35 to 39 years age group contributed a further 14.0 per cent (2.39 million persons), as illustrated in ***Chart 2****.*

Chart 2: *Labour force by age group, Malaysia, 2024 and 2025*



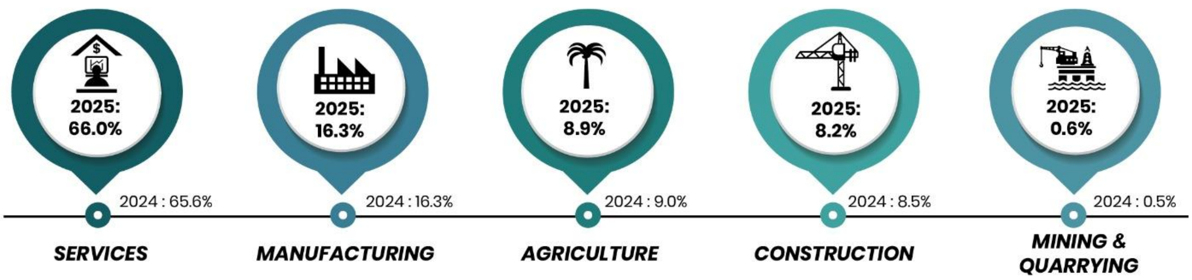
4. Employed Person

Employed persons continued to expand, reaching 16.58 million persons

In 2025, the number of employed persons continued to grow, increasing by 1.3 per cent (+211.5 thousand persons) to reach 16.58 million persons (2024: 16.37 million persons). Consequently, the employment-to-population ratio, an indicator of the ability of an economy to create employment, rose by 0.3 percentage points to 68.7 per cent, compared to 68.4 per cent in the previous year.

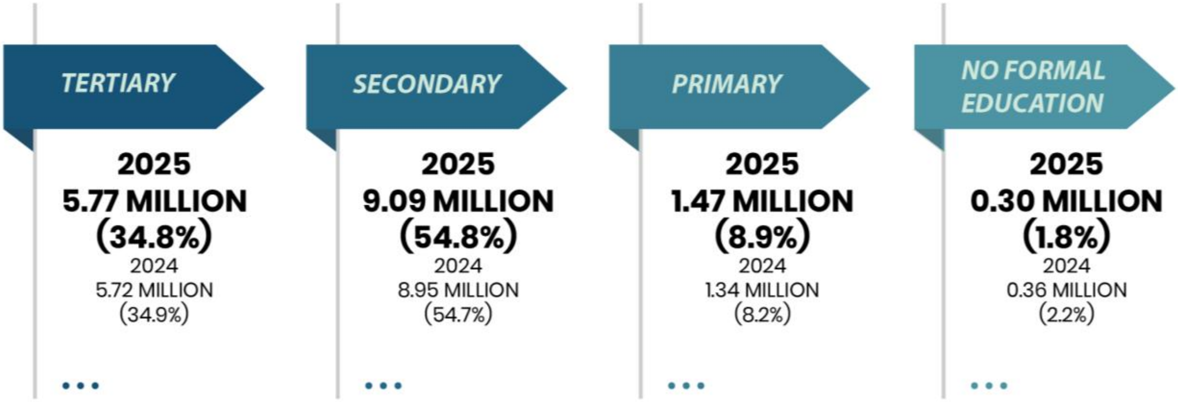
In terms of sectoral distribution, the Services sector remained the dominant contributor to total employment, accounting 66.0 per cent and maintaining its upward trend. This was followed by the Manufacturing sector at 16.3 per cent, Agriculture at 8.9 per cent, and Construction at 8.2 per cent. The Mining & quarrying sector recorded the smallest share at 0.6 per cent, as shown in ***Exhibit 2****.*

Exhibit 2: *Employed persons by sector, Malaysia, 2024 and 2025*



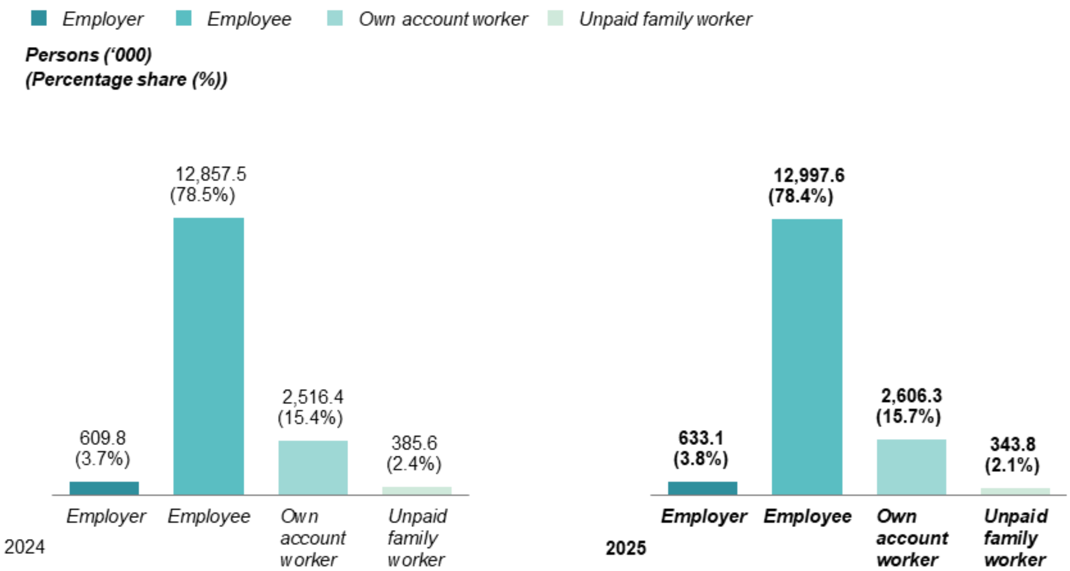
Regarding educational attainment, individuals with secondary education accounted for the largest share of the total employment in 2025 at 54.8 per cent. This category increased by 1.6 per cent to 9.09 million persons, compared with 8.95 million persons in 2024. Those with tertiary education represented 34.8 per cent of total employment, also rising by 0.9 per cent to 5.77 million persons from 5.72 million persons in the preceding year. Employment among individuals with primary education made up 8.9 per cent, grew by 9.2 per cent to 1.47 million persons (2024: 1.34 million persons). In contrast, the number of employed persons with no formal education declined by 16.1 per cent to 299.1 thousand persons, representing 1.8 per cent of total employment (2024: 356.4 thousand persons), as presented in ***Exhibit 3****.*

Exhibit 3: *Employed persons by educational attainment, Malaysia, 2024 and 2025*



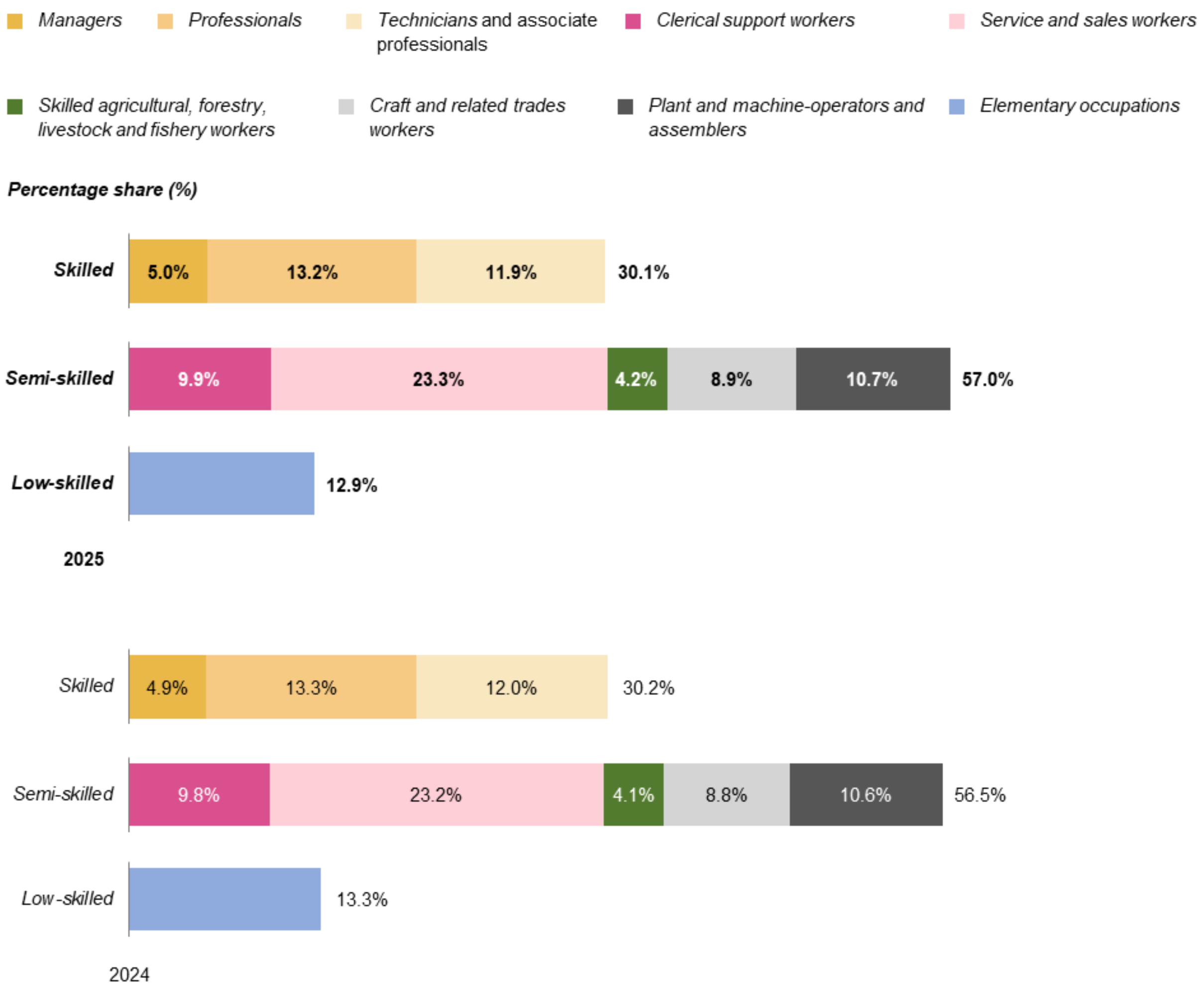
By employment status, employees remained the largest group of total employment in 2025 at 78.4 per cent. This category increased by 1.1 per cent annually, reaching 13.00 million persons (2024: 12.86 million persons). Own-account workers also recorded an increase, rising to 2.61 million persons or 15.7 per cent of the total employment, compared with 2.52 million persons in 2024. Meanwhile, the employers' category accounted for 3.8 per cent of total employment and grew by 3.8 per cent in year-on-year to 633.1 thousand persons (2024: 609.8 thousand persons). In contrast, unpaid family workers, which made up 2.1 per cent of the total of employed persons, continued on a downward trend, declining by 10.9 per cent to 343.8 thousand persons, from 385.6 thousand persons in the previous year, as illustrated in ***Chart 3****.*

Chart 3: *Employed persons by status of employment, Malaysia, 2024 and 2025*



Employment by skill level remained concentrated in the semi-skilled occupations category, which comprised 57.0 per cent or 9.45 million persons. This was followed by skilled occupations, accounting 30.1 per cent (4.99 million persons), while low-skilled occupations represented 12.9 per cent (2.15 million persons). In terms of annual performance, employment in semi-skilled occupations expanded by 2.1 per cent, albeit at a slightly slower pace compared to 2.3 per cent in the previous year. Similarly, skilled occupations recorded a moderate growth of 0.9 per cent, compared to 2.8 per cent in the prior year. Conversely, employment in low-skilled occupations fell by 1.1 per cent, reversing the growth of 10.9 per cent recorded in 2024, as shown in ***Chart 4****.*

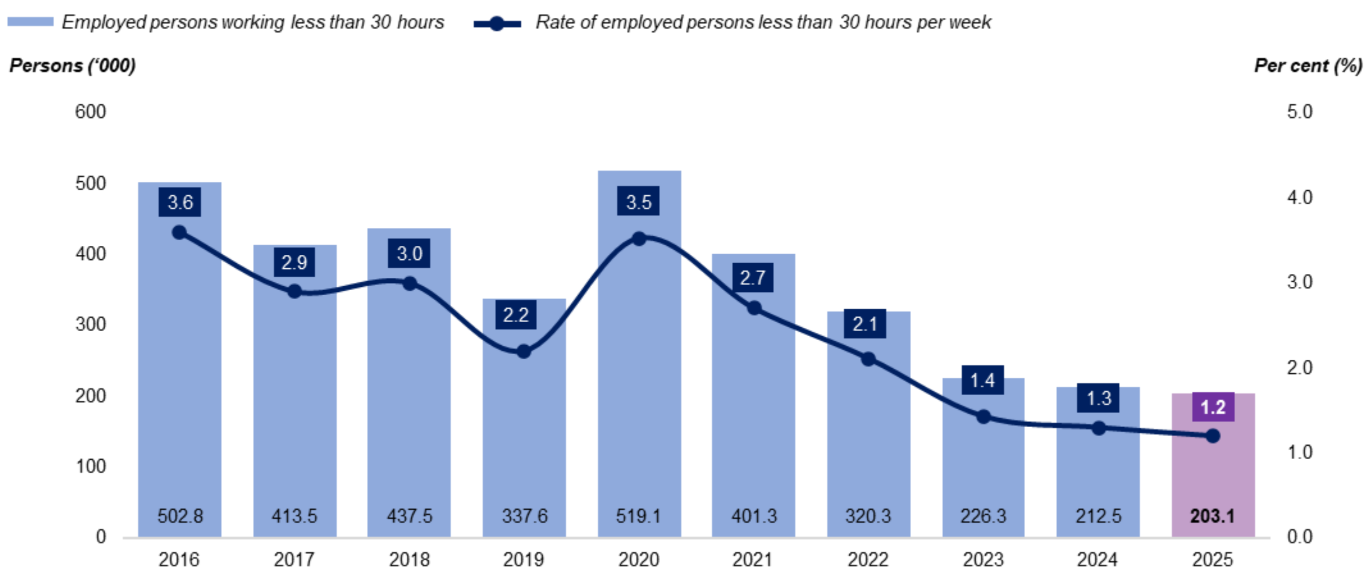
Chart 4: *Employed persons by skill level, Malaysia, 2024 and 2025*



Working less than 30 hours per week, time-related underemployment and skill-related underemployment

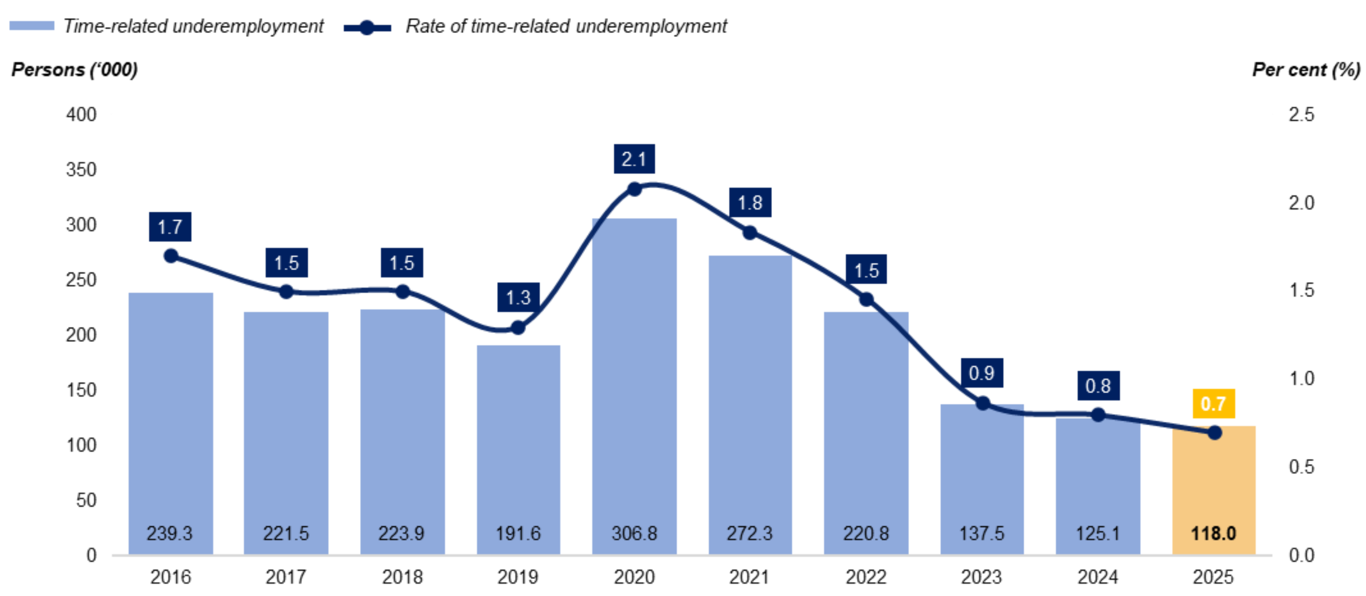
Malaysia's economy remained resilient in 2025, reinforcing labour market strength and supporting continued employment growth. The number of employed persons working less than 30 hours during the reference week, either because of the nature of their work or insufficient work, declined by 9.4 thousand persons or 4.4 per cent to 203.1 thousand persons (2024: 212.5 thousand persons). This group accounted for 1.2 per cent of total employment, reflecting a decrease of 0.1 percentage points from 1.3 per cent recorded in the previous year, as illustrated in ***Chart 5****.*

Chart 5: *Employed persons working less than 30 hours per week, Malaysia, 2015 - 2025*



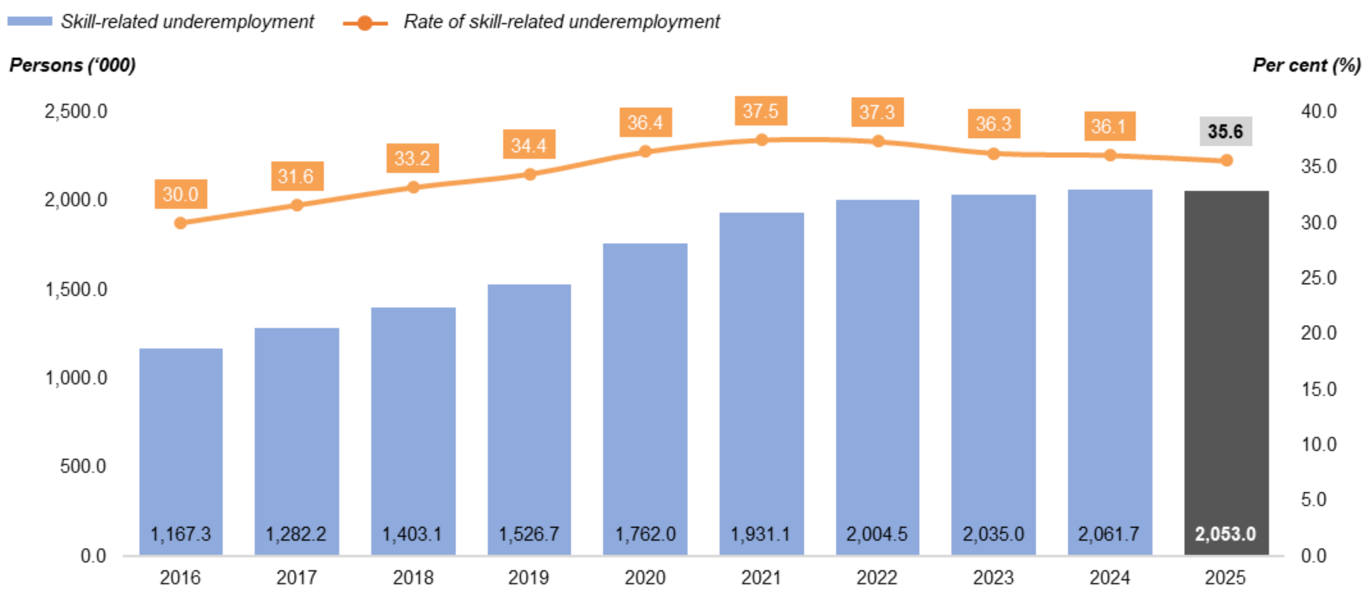
In 2025, the rate of time-related underemployment eased slightly, declining by 0.1 percentage points to 0.7 per cent (2024: 0.8%). This reflected a reduction of 5.7 per cent, or 7.1 thousand persons, bringing the total to 118.0 thousand persons (2024: 125.1 thousand persons). Time-related underemployment refers to employed persons working less than 30 hours per week because of the nature of their work or insufficient work, while remaining available and willing to take on additional hours of employment, as shown in ***Chart 6****.*

Chart 6: *Time-related underemployment, Malaysia, 2015 - 2025*



Skill-related underemployment or overeducation job mismatch describes situations where individuals possess educational qualifications that exceed the skill requirements of the jobs they hold. This phenomenon is captured for those who were tertiary-educated persons and employed in semi-skilled and low-skilled occupations. In 2025, the number of persons in this category declined by 8.7 thousand or 0.4 per cent, recording 2.05 million persons (2024: 2.06 million persons). Correspondingly, the rate of *skill-related underemployment dropped by 0.5 percentage points to 35.6 per cent, compared with 36.1 per cent in the preceding year. The lower incidence of skill-related underemployment indicates an improvement in the alignment between educational attainment and occupational skill requirements, as presented in* ***Chart 7****.*

Chart 7: *Skilled-related underemployment, Malaysia, 2015 – 2025*



Meanwhile, the number of employed persons who were temporarily not working rose by 5.1 per cent, or 3.5 thousand persons, reaching 71.1 thousand persons in 2025 (2024: 68.3 thousand persons). These individuals were temporarily not working but were not classified as unemployed, as they had jobs to return to.

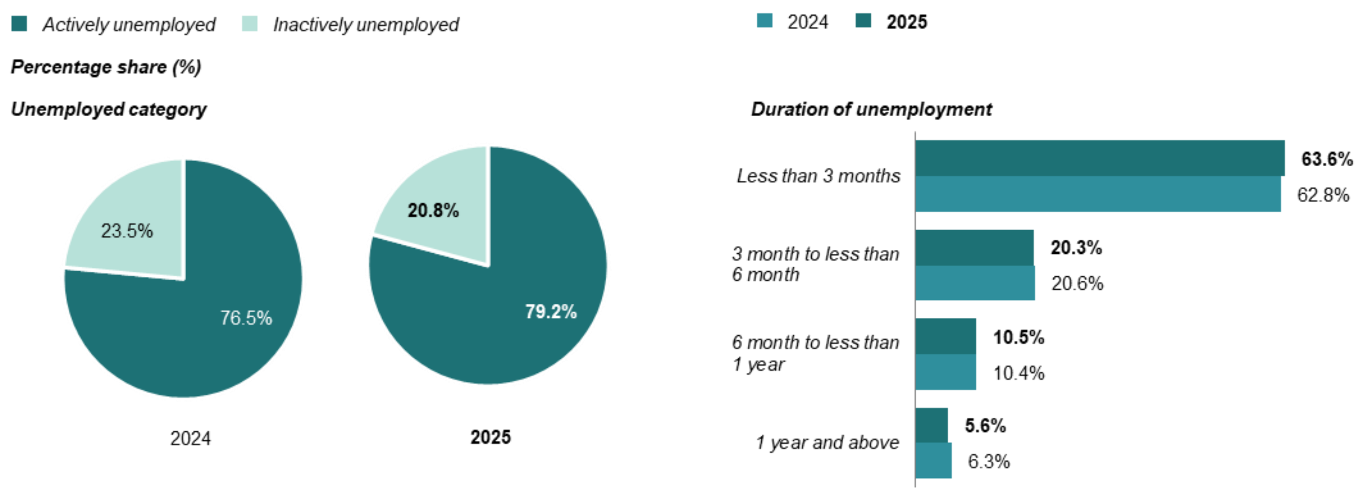
5. Unemployment

Unemployment rate reaching its lowest level in a decade

In 2025, the unemployment rate continued to trend downward, declining by 0.2 percentage points to 3.0 per cent from 3.2 per cent in 2024. The rate was also lower than the prepandemic rate of 3.3 per cent recorded in 2019, which reached its lowest level in a decade. Reflecting this improvement, the number of unemployed persons decreased by 5.0 per cent to 507.2 thousand persons (2024: 534.1 thousand persons).

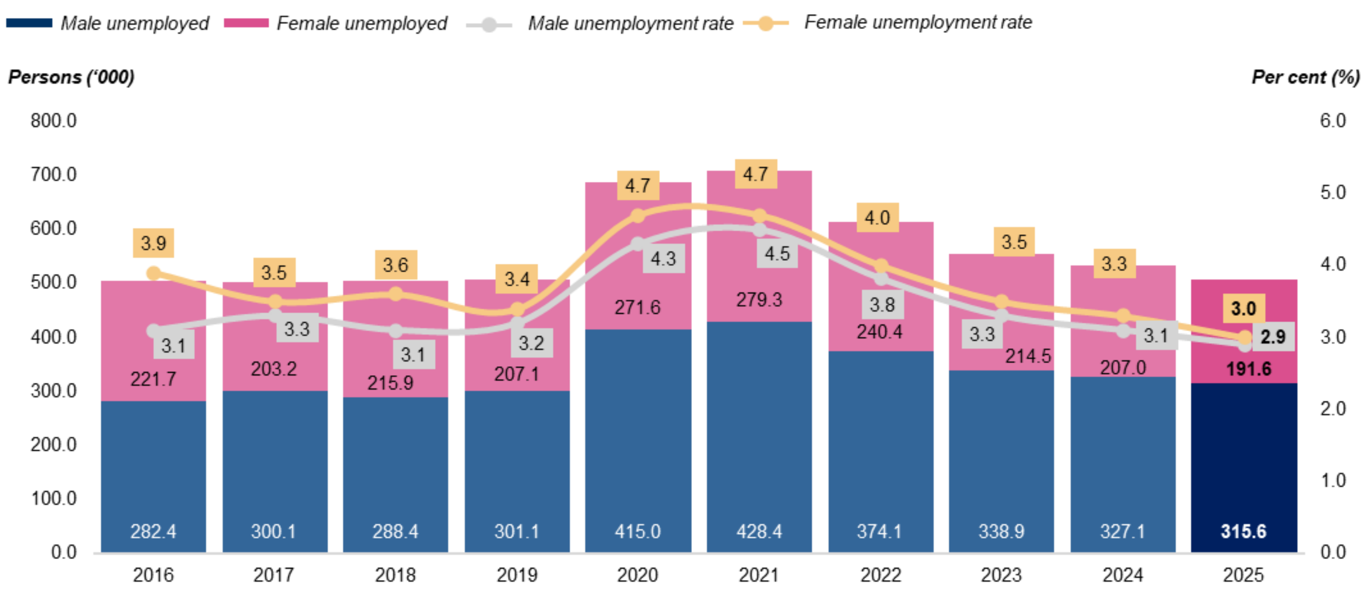
From the total unemployment, the actively unemployed, defined as those available for work and actively seeking jobs, accounted for the majority share of 79.2 per cent. The numbers fell by 1.8 per cent to 401.6 thousand persons (2024: 408.8 thousand persons). In terms of unemployment duration, 63.6 per cent of the actively unemployed had been seeking work for less than three months, while 5.6 per cent experienced long-term unemployment for more than a year. Meanwhile, the inactively unemployed, refers to those who believed no jobs were available, recorded a notable decrease of 15.8 per cent to 105.6 thousand persons (2024: 125.3 thousand persons), as shown in ***Chart 8****.*

Chart 8: *Unemployed category and duration of unemployment, Malaysia, 2024 and 2025*



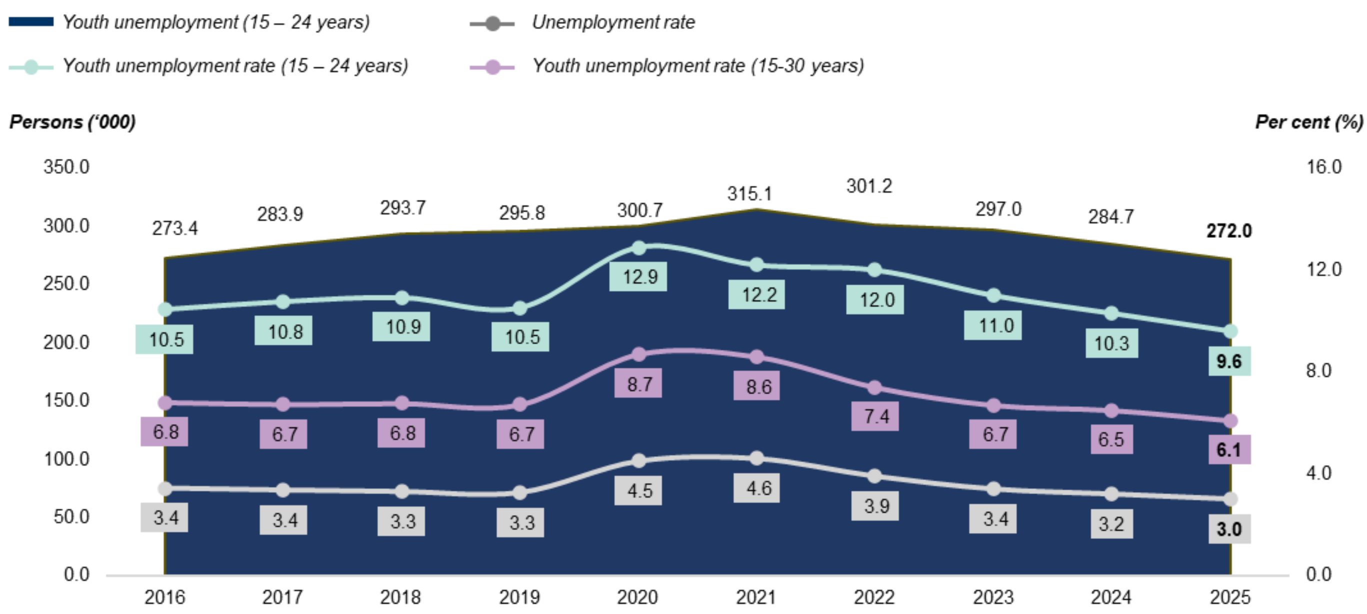
By sex, the unemployment rate declined for both males and females in 2025. The male unemployment rate decreased by 0.1 percentage points to 2.9 per cent (2024: 3.1%), while the female unemployment rate fell by 0.3 percentage points to 3.0 per cent (2024: 3.3%). In line with this, the number of unemployed persons also continued to decrease, with males decreasing by 3.5 per cent to 315.6 thousand unemployed persons and females reducing by 7.5 per cent to 191.6 thousand unemployed persons (2024: 327.1 thousand persons; 207.0 thousand persons), as shown in ***Chart 9****.*

Chart 9: *Unemployed and unemployment rate by sex, Malaysia, 2015 – 2025*



Unemployment rates declined across all age groups in 2025. Among youths aged 15 to 24 years, the rate fell by 0.7 percentage points to 9.6 per cent, corresponding to 272.0 thousand unemployed youths (2024: 10.3%; 284.7 thousand persons). Similarly, the unemployment rate for youths aged 15 to 30 years dropped to 6.1 per cent, with 374.9 thousand unemployed youths (2024: 6.5%; 389.2 thousand persons). For adults aged 25 to 64 years, the unemployment rate moderated further to 1.6 per cent, reflecting a decrease of 0.2 percentage points to 235.2 thousand unemployed persons (2024: 1.8%; 249.4 thousand persons) ***[Chart 10]****.*

Chart 10: *Unemployment rate by selected age groups, Malaysia, 2015 – 2025*

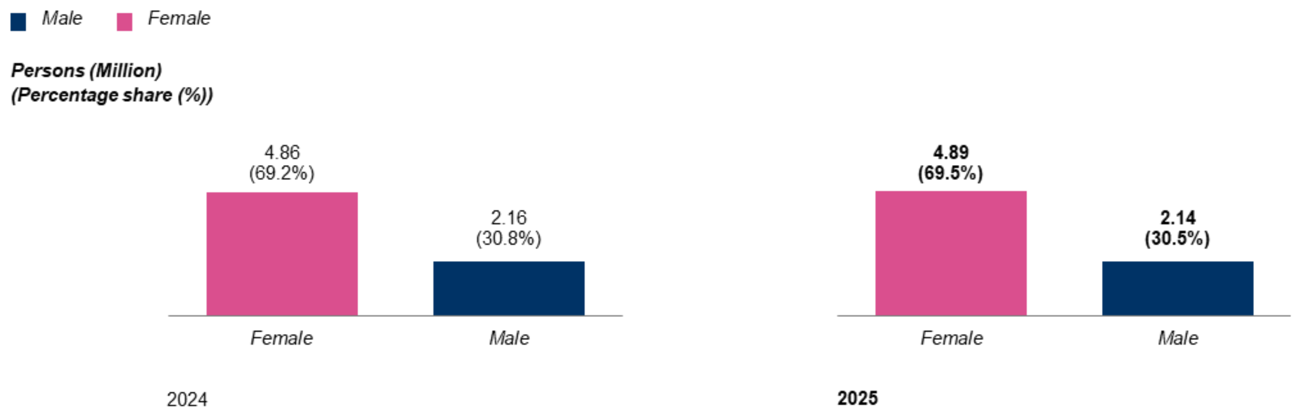


6. Outside Labour Force

Females accounted for the majority of persons outside the labour force

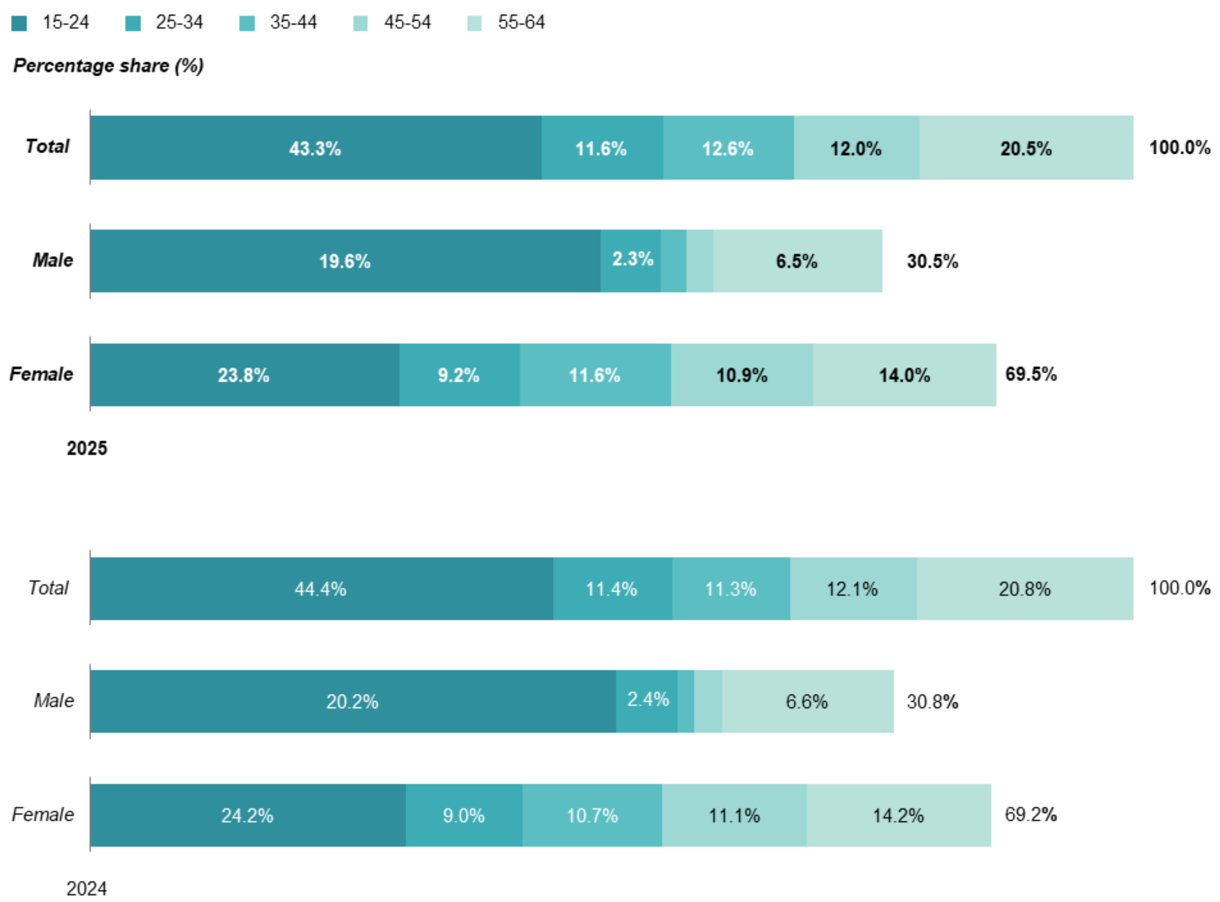
The number of persons in the outside labour force slightly increased by 0.2 per cent in 2025, rising by 11.1 thousand persons to record 7.03 million persons (2024: 7.02 million persons). Females accounted for the majority of persons outside the labour force, constituting 69.5 per cent of the total, while males represented the remaining 30.5 per cent. The number of females in this category rose up by 0.7 per cent to 4.89 million persons compared to 4.86 million persons in 2024. Conversely, the number of males in the outside labour force decreased by 1.0 per cent, recording 2.14 million persons, compared with 2.16 million persons in the previous year, as illustrated in ***Chart 11****.*

Chart 11: *Population of outside labour force by sex, Malaysia, 2024 and 2025*



In terms of age group, persons aged 15 to 24 years continued to record the highest composition of those outside the labour force at 43.3 per cent. Within this age group, females contributed 23.8 per cent, while males accounted for 19.6 per cent, as indicated in ***Chart 12****.*

__Chart 12:__ Population of outside labour force by age group and sex, Malaysia, 2024 and 2025



Housework or family responsibilities accounted for the highest share of the outside labour force

*Housework/ family responsibilities accounted for the highest share of the outside labour force representing 43.8 per cent, followed by those in the schooling/ training category at 42.2 per cent, as depicted in **Exhibit 4**.*

__Exhibit 4:__ Share of outside labour force by reasons for not seeking work, Malaysia, 2024 and 2025

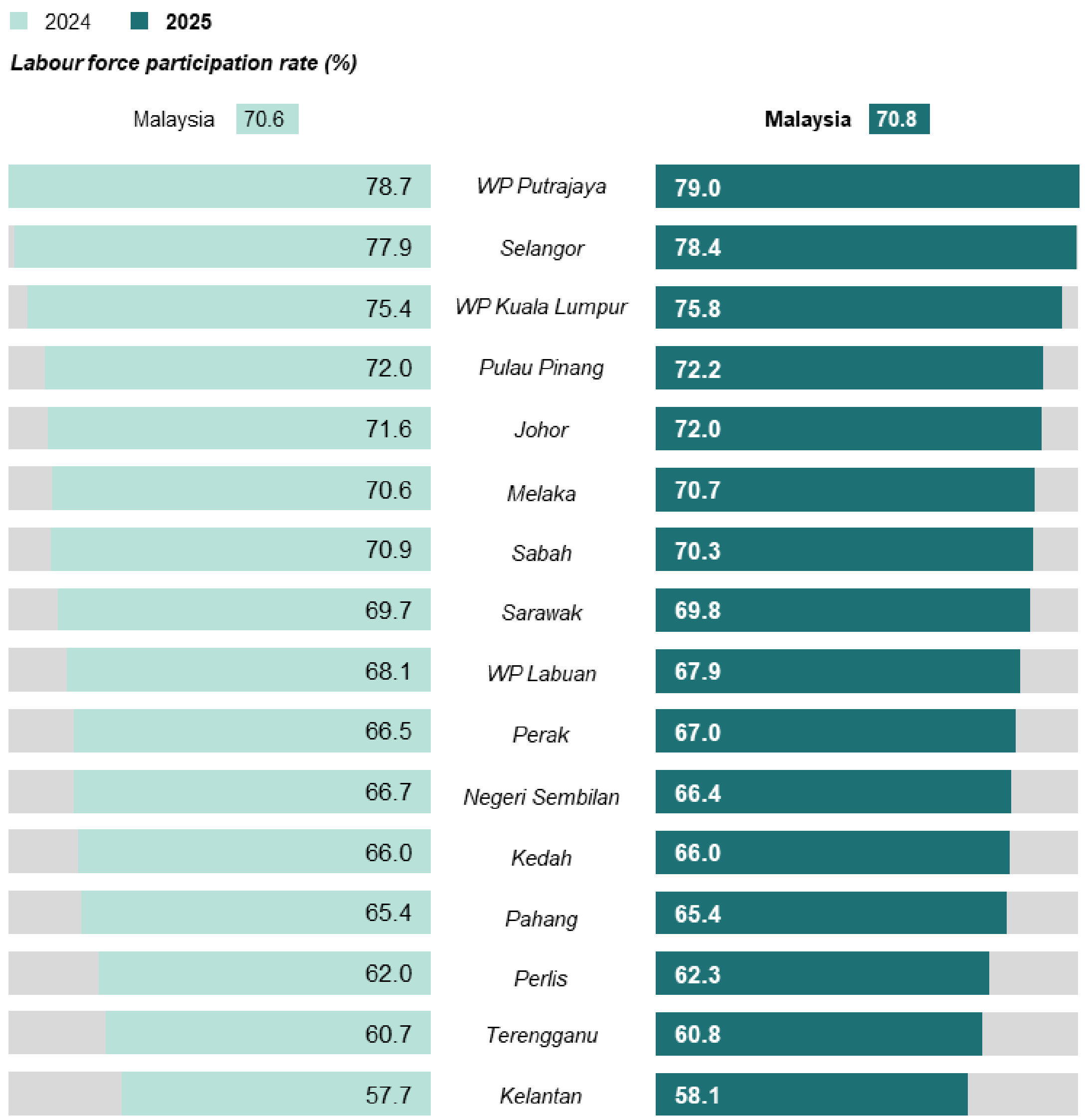
	2024	2025	
Housework / Family Responbilities	43.1	**43.8**	▲ **0.7**
Schooling / Training	41.3	**42.2**	▲ **0.9**
Retired / Old Age	9.8	**9.4**	▼ **(0.4)**
Disable	3.7	**3.6**	▼ **(0.1)**
Going For Further Studies	1.4	**1.3**	▼ **(0.1)**
Not Interested	0.7	**0.8**	▲ **0.1**

7. Selected Indicators by State

LFPR, unemployment rate and skill-related underemployment rate by state

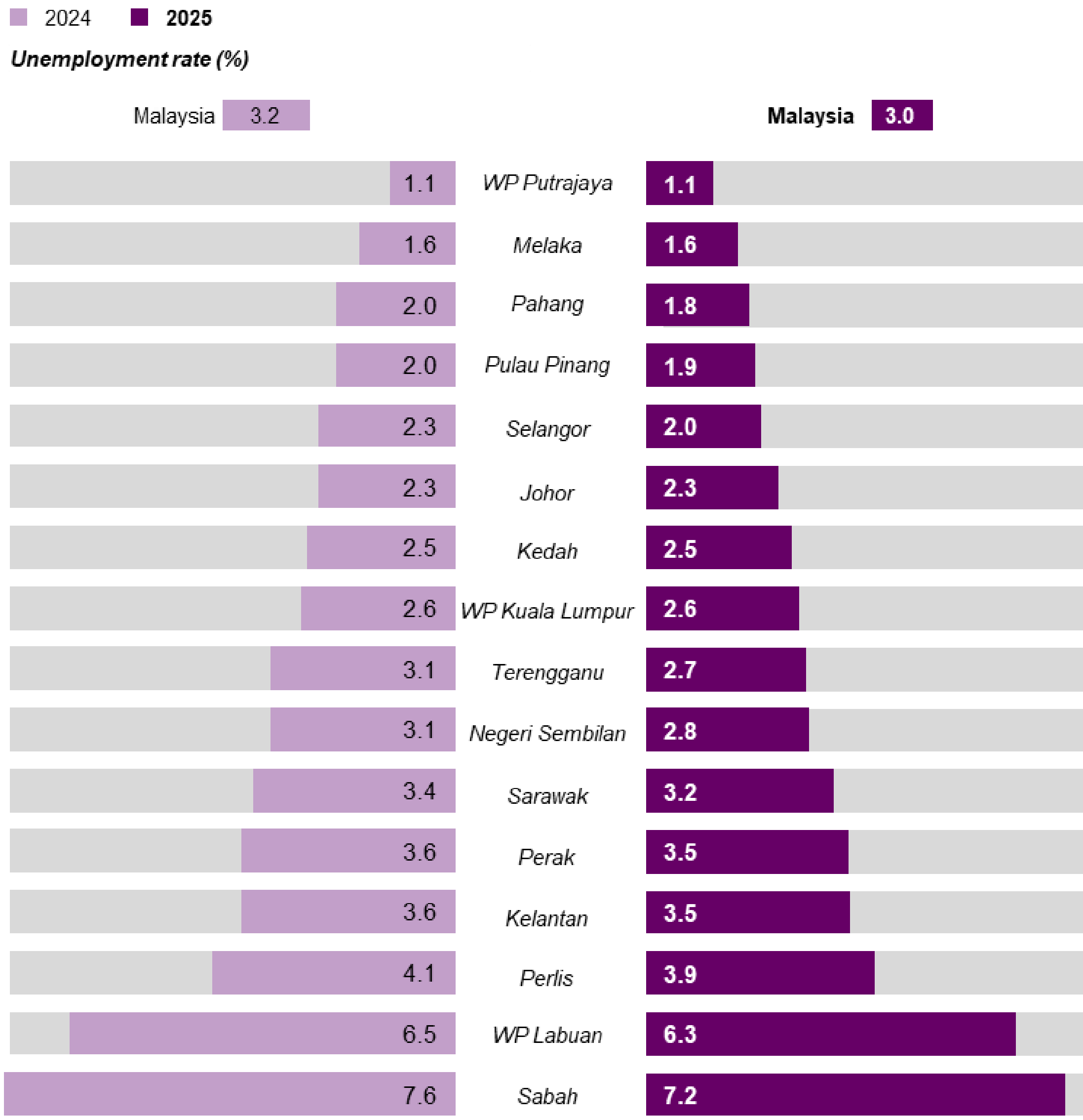
Labour force participation strengthened across all states in 2025, with each state recording a higher LFPR compared with the previous year. Among the states, W.P. Putrajaya registered the highest LFPR at 79.0 per cent, followed by Selangor (78.4%), W.P. Kuala Lumpur (75.8%), Pulau Pinang (72.2%) and Johor (72.0%) as presented in ***Chart 13****.*

Chart 13: *Labour force participation rate by state, 2024 and 2025*



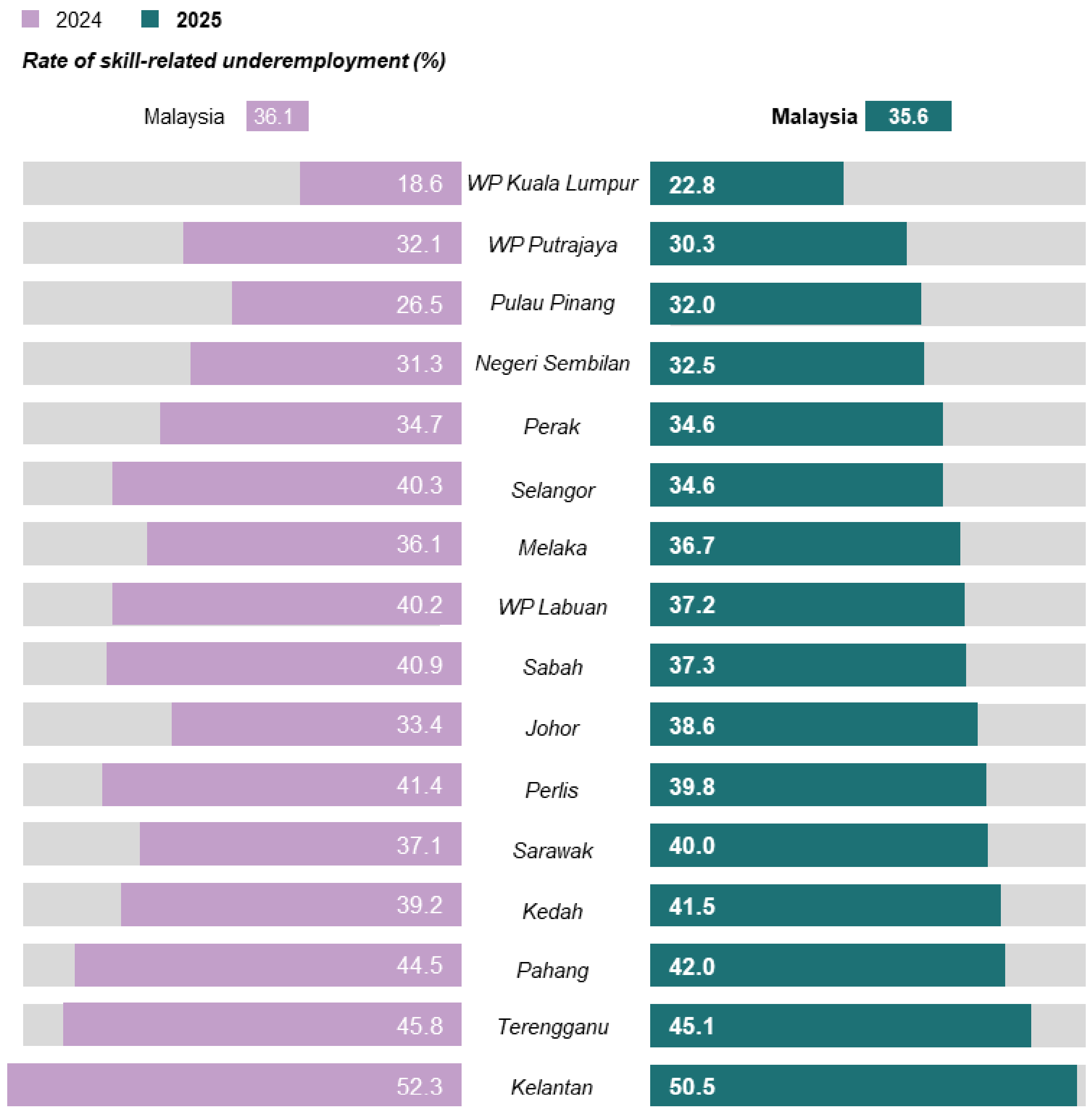
The unemployment rate declined in ten states during the year. W.P. Putrajaya recorded the lowest unemployment rate at 1.1 per cent, followed by Melaka (1.6%), and Pahang (1.8%). Conversely, five states recorded unemployment rates above the national level of 3.0 per cent, namely Sabah (7.2%), W.P. Labuan (6.3%), Perlis (3.9%), as well as Kelantan and Perak, both at 3.5 per cent, as shown in ***Chart 14****.*

Chart 14: *Unemployment rate by state, 2024 and 2025*



*In addition, for skilled related underemployment by state, six states recorded rates below the national level of 35.6 per cent. W.P. Kuala Lumpur registered the lowest rate at 22.8 per cent, followed by W.P. Putrajaya (30.3%), Pulau Pinang (32.0%), Negeri Sembilan (32.5%), Selangor (34.6%) dan Perak (34.6%). In contrast, Kelantan recorded the highest rate at 50.5 per cent, followed by Terengganu (45.1%) and Pahang (42.0%), as shown in **Chart 15**.*

***Chart 15:** Skill-related underemployment rate by state, 2024 and 2025*



8. Looking Ahead

The global economy recorded moderate growth in 2025 despite persistent geopolitical uncertainties, international trade tensions, and selective inflationary pressures. Amid these external challenges, Malaysia's economy remained resilient and continued to expand, supported by strong domestic demand, sustained strategic investments, and an improving external sector[7]. In 2025, the country's economy grew by 5.2 per cent, sustaining the positive momentum registered in the previous year. This growth was primarily driven by the Services and Manufacturing sectors, which collectively accounted for 82.5 per cent of the total Gross Domestic Product (GDP)[8]. In line with the economic expansion, the government implemented various initiatives to strengthen the labour market and expand employment opportunities. Consequently, Malaysia's labour market remained resilient, and continued to support economic expansion throughout 2025.

The electrical and electronics (E&E) industry remained a key contributor to exports and employment, supported by sustained demand for semiconductors and high-technology components. Meanwhile, the Services sector continued to underpin economic activity, driven by expanding tourism-related activities, resilient consumer spending, and ongoing investments in infrastructure and technology. These developments contributed to business expansion, job creation, and the strengthening of Malaysia's economic competitiveness[9].

At the same time, the transition towards a green economy and sustainable development is continued to create new employment opportunities in renewable energy, environmental management, and green technology. This transition aligned with the country's efforts to strengthen economic resilience while fostering a highly skilled and future-ready workforce. Overall, Malaysia's labour market maintained its positive momentum through the end of 2025, supported by continued policy measures and rising labour demand across various sectors.

Consistent with these developments, Malaysia's labour market remained stable throughout 2025, characterised by continued employment growth and a low unemployment rate. Labour productivity also improved, reflecting higher output per worker and signalling favourable labour market conditions heading into 2026[10]. In addition, labour demand remained strong, particularly in the Services, Manufacturing, and Construction sectors, providing a solid foundation for further employment expansion.[11]

Looking ahead, the Visit Malaysia 2026 (VM2026) initiative is expected to stimulate employment growth in tourism-related industries, including hospitality, retail trade, transportation, cultural services, and community-based tourism activities. The government also continues to implement programmes aimed at broadening employment opportunities and income generation, including short-term public sector employment initiatives and the development of the homestay industry[12]. Collectively, these efforts are expected to strengthen labour market dynamism, improve job prospects, and support more inclusive labour force participation as Malaysia advances towards a low-carbon and sustainable economy.

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[7] *https://www.thestar.com.my/business/business-news/2025/12/26/malaysia039s-economy-remains-resilient-in-2025-amid-tariff-wars-geopolitical-turbulence*
[8] Annual Gross Domestic Product 2025
[9] https://www.hmetro.com.my/bisnes/2025/03/1196627/empat-sektor-utama-penggerak-ekonomi-malaysia
[10] *https://www.businesstoday.com.my/2026/02/23/malaysias-labour-productivity-accelerates-in-4q25-on-strong-economic-growth/?utm_source*
[11] https://bernama.com/bm/news.php?id=2513094#:~:text=%E2%80%9CSecara%20berasingan%2C%20tempoh%202026%20dijangka%20menyaksikan%20pembinaan,Ekonomi%20Khas%20Johor%2DSingapura%20(JS%2DSEZ)%20dengan%20disokong%20dana
[12] *https://www.bharian.com.my/berita/nasional/2025/08/1430033/malaysia-dijangka-tarik-rm637-bilion-pelaburan-dalam-tenaga-boleh*