



INFORMAL EMPLOYMENT IN MALAYSIA

FEBRUARY 2024

Trends, Challenges and Opportunities for Reform



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Acronyms and Abbreviations

ASB	Amanah Saham Bumiputera
B40	Bottom 40 percent
CAGR	Compound Annual Growth Rate
CCM	Companies Commission of Malaysia
COL	Critical Occupations List
CSC	Critical Skills Committee
DOSM	Department of Statistics Malaysia
EAP	East Asia Pacific
EIS	Employment Insurance Scheme
EPF	Employees Provident Fund
FDf	Family Development Foundation
FLFPR	Female Labor Force Participation Rate
GDP	Gross Domestic Product
GLOW	Global Online Workforce
HIS	Household Income Survey
ICLS	International Conference of Labour Statisticians
ILO	International Labour Organization
ILO WG	ILO Working Group
KWAP	Public Service Pension Fund (<i>Kumpulan Wang Persaraan</i>)
LA	Local Authority
LFS	Labour Force Survey
LMIS	Labour Market Information System
LPP	Farmers' Organisation Authority (<i>Lembaga Pertubuhan Peladang</i>)
LTAT	Armed Forces Pension Fund (<i>Lembaga Tabung Angkatan Tentera</i>)
MAFI	Ministry of Agriculture and Food Industries
MASCO	Malaysian Standard Classification of Occupations
MDEC	Malaysia Digital Economy Corporation
MOF	Ministry of Finance
MOHR	Ministry of Human Resources
MOOCs	Massive Open Online Courses
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PKEH	Malaysian E-Hailing Industry Workers Welfare Association (<i>Persatuan Kebajikan Pekerja Industri E-Hailing</i>)
PMR	<i>Penilaian Menengah Rendah</i>
PPK	Association of Area Organizations (<i>Pertubuhan Peladang Kawasan</i>)
SESSS	Self-Employment Social Security Scheme
SIP EMP+	Employment Insurance System Job Search Allowance+ (<i>Sistem Insurans Pekerjaan Elaun Mencari Pekerjaan+</i>)
SNA	Systems of National Accounts
SOCsO	Social Security Organisation
SPM	<i>Sijil Pelajaran Malaysia</i>

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Executive Summary



With technological advances, aging, and other factors, changes to the nature of work are challenging the notion that with development more and more workers will transition into what has until recently been regarded as 'standard' employment relationships. In many developed and emerging economies, a greater proportion of the labor force engages in part-time work, self-employment, the gig economy, and zero-hour contracts. In many countries, the coverage of traditional social insurance policies has been either stagnating or declining. This raises important questions for the protection of workers, as standard employment relationships have typically been the basis for many social protection policies, in particular to social insurance policies related to pensions, disability and unemployment (World Bank 2019a).

Workers without access to employment-based social insurance coverage are typically considered to constitute the informally employed workforce, are particularly vulnerable to a range of shocks within and outside the labor market. There is also a concern that many workers in such non-standard employment may be less productive, and therefore, also less able to withstand such shocks. These factors underline the need for a better understanding of informal employment, and the role of public policy to support such workers to derive the benefits offered by emerging forms and mediums of employment while ensuring their protection against shocks, and a path to enhanced productivity.

This study aims to narrow the knowledge gap on informal employment in Malaysia, with the ultimate

objective of suggesting policy recommendations to strengthen the protection and productivity of informally employed workers. Using a working definition of informal employment based on coverage by a pension, retirement savings, or employment injury insurance, this study analyzes the scale and trend of informal employment, the correlates of informal employment, and the employment characteristics and income of informally employed workers. The study describes the regulations, policies, and programs governing informal employment, including recent initiatives by agencies such as EPF, SOCSO and MDEC targeted towards informally employed workers. The study also analyzes the vulnerabilities associated with informal employment, the willingness to pay for social insurance, and the valuation of attributes of work by informally employed workers. Finally, the study analyzes the evolution of informal labor in the period 2020 to 2040, given differing scenarios of employment and GDP growth.

The study uses a range of data sources and analytical methodologies to conduct an in-depth assessment of informal employment in Malaysia and to inform policy recommendations. These include detailed descriptive and econometric analyses of multiple rounds of national survey datasets (the Household Income Surveys and Labour Force Surveys), administrative data received from EPF, SOCSO and MDEC, the World Bank's High Frequency Phone Surveys (HiFy) conducted during the COVID-19 pandemic, an online survey of digital freelancers conducted by the World Bank in partnership with MDEC, and qualitative assessments with select groups of informally employed workers across Malaysia.

Main Findings

Scale and Trends of Informal Employment

- Informal employment in Malaysia has been decreasing consistently over time; using the proxy definition proposed in this report and data from the Household Income Survey (HIS), the rate of informal employment decreased consistently from 38.4 percent in 2012 to 26.8 percent in 2022. Declines have been observed even after excluding agricultural workers.
- However, among all informally employed workers, the subset of gig workers, and particularly location-based gig workers has been increasing in number, as indicated by data from MDEC.

Characteristics of the Informally Employed

- Analyzing data from the HIS surveys between 2009 and 2019, we find that women, youth, less educated persons, and workers from lower income households, rural areas, and less developed states are more likely to be informally employed.
- The majority of workers in the agriculture and construction sectors are informally employed; however, given their relatively smaller share in total employment, we see that largest numbers of informally employed workers in the services sector.

Features of Work: Underemployment, Earnings and Work Characteristics











- Skill-related underemployment, defined as the share of those with tertiary education working in mid- or low-skilled jobs in the workforce is higher among those in informal employment and is growing, relative to those in formal employment. Using Labour Force Survey (LFS) data, formally employed workers experienced an increase from 16.2 percent in 2010 to 26.5 percent in 2020, while informally employed workers experienced a much larger increase from 23.7 percent in 2010 to 73.2 percent in 2020. Women across groups were more likely to experience skill-related unemployment.
- While informally employed workers work fewer hours on average than those in formal employment, their time-related underemployment (availability to work additional hours) is higher. However, time-related underemployment has been reducing over time.
- The formality premium, or the earnings differential between formally and informally employed workers (after accounting for demographic, education, and location characteristics), though positive, especially for women, has been declining over time. In 2009, formally employed workers earned about 43.4

percent more than similar informally employed workers on average, but by 2022, the premium had declined to 23.2 percent. Further, in 2022, the formality premium for women was 40.9 percent compared to 16.8 percent for men.











- Qualitative assessments suggest workers value different attributes of informal and formal employment respectively. In informal employment, workers value flexibility, autonomy, and the ability to earn more incomes by working more, while they dislike the risks faced in work and the lack of adequate social insurance coverage. Formal employment was found to be associated with social insurance coverage, stability of incomes and access to formal credit, but also lacking in flexibility and autonomy.
- The HiFy surveys conducted by the World Bank during the COVID-19 pandemic suggest that informally employed workers were more likely to lose their jobs, receive irregular payments, and experience reductions in income. They were also more likely to experience food shortages and to rely of harmful coping strategies. These findings underline their vulnerabilities to shocks and limited abilities to cope effectively.
- Flexibility in terms of working arrangements is important to informally employed workers. A small sample survey of freelancers conducted for this study shows that substantial shares of workers prefer jobs with flexibility in working hours and the ability to work from home, even when there is a trade-off in terms of income. Similarly, qualitative analysis of focus group discussions and key informant interviews of informally employed workers shows that flexibility of work hours and work arrangements are the top reasons why informal (or non-standard) employment is preferred over formal, standard employment. Among the reasons for this is the ability to attend to care duties that could take place during “normal” working hours.
- While informal employment is correlated with poverty, there is some evidence that some informally employed workers are willing to pay for social insurance. This study utilized a vignette-based experiment, incorporated in the online survey of digital freelancers to uncover the willingness to pay for social insurance coverage. The experiment reveals that a majority of respondents would be willing to trade off a certain share of their income per month to be able to be covered by unemployment insurance, retirement savings fund, and insurance for workplace injuries at levels of contribution and benefits that are similar to those offered by EIS, EPF, and SOCSO, respectively.









Policy Recommendations

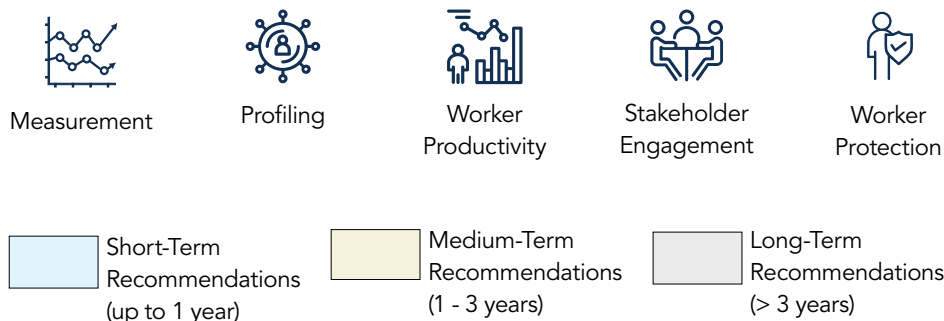
The main reform priorities to support the protection and productivity of informally employed workers are outlined below.¹

Policy Area	Key Challenges and Policy Goals	No.	Policy Reform	Complementary Policy Actions
	Insufficient information on the scale and composition of informal employment, especially new categories of informal work.	1	Ensure granular and up-to-date measurement of informal employment that includes continued refinements and revisions in line with emerging global conventions and best practices.	3, 5
		2	Undertake regular assessments of changing employer needs with respect to informally employed workers through a Labor Market Information System (LMIS), and employer skills surveys.	5, 8
	Insufficient knowledge of the concerns of informal employment stakeholders (workers, platforms, employers) and their perceptions of policy measures.	3	Establish and operationalize a Convening Body to bring together stakeholders including government departments and agencies, employers, gig platforms, informal workers' associations and leaders, technology platforms, and training agencies.	4, 8, 18, 24
		4	Conduct regular consultations with informal employment stakeholders, and the public, for periodic reviews of policy.	3, 8
		5	Developing a comprehensive Labor Market Strategy can help balance interests and provide a clear direction to coordinate initiatives for supporting informally employed workers.	1, 2, 12, 15
		6	Engage periodically with associations and representatives of informal workers across sectors/ clusters to share information on needs for support.	3, 4
	Weak evidence base on which informally employed workers need what kinds of support.	7	Develop an Integrated Social Protection Strategy and System to enhance protection among informally employed workers.	7, 17, 22
		8	Establish and use profiling approaches to determine the suitable package of benefits or referrals to be provided to informally employed workers.	8, 17, 22, 27
	Insufficient provision of retirement savings among informal workers.	9	Use existing quasi social insurance initiatives such as the Farmers' Family Smart Card (<i>Peladang-i</i>) as an entry point for social insurance coverage.	11
		10	Enhance the content of Skills Training programs to include awareness of social insurance programs.	16, 26

¹ Chapter 4 provides a detailed discussion of a full range of policy recommendations.

Policy Area	Key Challenges and Policy Goals	No.	Policy Reform	Complementary Policy Actions
	Insufficient provision of retirement savings among informal workers.	11	<p>Improve outreach and communication for social insurance schemes by:</p> <ul style="list-style-type: none"> - Relying on formal and informal peer networks and informal workers' associations, including through social media. - Emphasizing the benefits of SI coverage (e.g., enhanced protection, financial inclusion) in outreach activities to incentivize uptake and participation in SI schemes. 	9, 13
		12	Mandate automatic contributions for retirement savings for incomes earned through digital platforms — See Annex.	5, 15
		13	Encourage group-based enrollment and synchronized contribution options to encourage workers to contribute regularly, relying on peer networks.	11, 19, 23
		14	Encourage voluntary savings schemes to (i) complement the EPF's retirement savings schemes through improved outreach, and (ii) serve as an entry point for EPF enrollment for those not currently covered.	11
	Insufficient protection of informally employed workers against health/ injury risks.	15	Mandate digital platforms to provide injury insurance for tasks that involve a high degree of health and injury risks, and standardize the coverage offered.	5, 12
	High vulnerability among the informally employed to multiple shocks which can threaten their wellbeing.	16	Ensure that the content of Skills Training programs includes relevant occupational health and safety measures.	10, 26
		17	Extend Social Assistance and Care Services to targeted groups of informally employed workers based on Profiling.	7, 8
	Existing Social Insurance Schemes do not fully meet the needs of the informally employed.	18	Alter the design of Social Insurance Schemes by offering greater flexibility that is suited to the needs of Informally employed workers.	3, 19, 20, 21
		19	Explore partnerships with Group-based microinsurance schemes to expand SI coverage in the medium-term.	13, 18, 20, 21
		20	Use technology to enhance flexibility in the mode and frequency of making social insurance contributions through in-built platform options, automatic reminders for contributions etc.	18, 19, 21

Policy Area	Key Challenges and Policy Goals	No.	Policy Reform	Complementary Policy Actions
	Informally employed workers unable/unwilling to make SI contributions.	21	Explore the feasibility of Default Options for EPF contributions and easier social insurance registration.	18, 19, 20
		22	Identify workers who may need subsidized contributions for social insurance coverage; pilot, evaluate and scale up subsidized payments to identified groups.	7, 8
		23	Encourage group-based enrollment and synchronized contribution options for SI schemes by leveraging associations and peer networks of informal workers to encourage regular contributions.	13
	Need to upgrade skills of the informally employed.	24	Encourage the role of Employer/ Client-provided Training through recognition, publicity and sharing of best practices.	3
		25	Enhance the existing SIP EMP+ program targeted to informal workers by including a training component, and expand it to include those who are contributing to the Self Employment Social Security Scheme (SESSS)	10, 16
		26	Ensure relevant, up-to-date curriculum in training programs for informally employed workers by seeking industry input (including informal employers and digital platforms), providing on-the-job and applied training, and emphasizing digital skills and emerging technologies.	10, 16
		27	Tailor Active Labor Market Programs to the needs of the informally employed by offering modular skills training and referrals to (public or private) training providers, in a format that is suitable to intended users.	8
		28	Use post-training Monitoring and Evaluation to Calibrate Skills Training Curricula used in training institutes.	10, 16, 26, 27





CHAPTER 1

Introduction

With technological advances, aging and other factors, changes to the nature of work are challenging the notion that with development, more and more workers will transition into what has until recently been regarded as ‘standard’ employment relationships.

This standard employment relationship, characterized by long-term, full-time wage employment with a single employer, provides the basis for many social protection policies, in particular to social insurance policies related to pensions, disability and unemployment (World Bank 2019a). However, in developing and emerging economies, a large proportion of the labor force has never been involved in these kinds of standard relationships. This has been exacerbated by the changing nature of work, with disruptive technologies increasingly eroding existing sources of standard employment. As a result, in many developed and emerging countries, a greater proportion of the labor force engages in part-time work, self-employment, the gig economy, and zero-hour contracts. In many countries, the coverage of traditional social insurance policies has been either stagnating or declining. Early research suggests that these trends have accelerated as a result of the COVID-19 crisis. For example, during the pandemic, firms in Malaysia made investments in digital solutions and digital platforms (Kuriakose et al. 2021), which may have lasting consequences for the world of work. There is also evidence from various countries worldwide — including Malaysia — that the preference for working from home is a lasting phenomenon (Aksoy et al. 2022).

Various indicators demonstrate a high prevalence of non-standard forms of work in Malaysia, even before the pandemic. According to the Department of Statistics Malaysia (DOSM)’s Labour Force Survey (LFS), the share of own-account workers (that is, self-employed persons without paid employees) as a proportion of all workers has remained relatively high and growing, increasing from 16.4 percent in 2010 to 19 percent in 2019, before dropping to 14.8 percent in 2021. The increase in own-account work has been particularly pronounced in the case of women until 2019, among whom the share of own-account workers increased from 11.6 percent in 2010 to 17.7 percent in 2019, before falling to 10.7 percent in 2021.² Because women’s labor force participation rose during the 2010 to 2019 period and new forms of work such as those in the gig economy emerged, it is likely that the change in the share of self-employed women was 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. At the same time, out-

of-necessity self-employment may leave women in a relatively unprotected situation. That is particularly the case because most of Malaysia’s social insurance (such as that provided by the Employees Provident Fund (EPF) or the Social Security Organization (SOCSO) is either directly tied to an employer-employee relationship, or in practice has much higher coverage for employees than for own-account workers, with coverage for the latter being a nascent effort with low take-up rates.

This report aims to narrow the knowledge gap on informal employment in Malaysia, with the ultimate objective of suggesting policy recommendations to strengthen the protection and productivity of informally employed workers. Using a working definition of informal employment based on coverage by a pension, retirement savings, or employment injury insurance (see Section 2.6), this study analyzes the scale and trend of informal employment, the correlates of informal employment, the employment characteristics, and income of informally employed workers. Moreover, the study also analyzes the vulnerabilities associated with informal employment, the willingness to pay for social insurance, and the valuation of attributes of work by informally employed workers, based on data that was collected throughout the duration of the study.

Contrary to some public perception, informal employment in Malaysia has been decreasing over time; however, the number of gig workers, and particularly location-based gig workers has been increasing. Calculations using data from the Household Income Survey (HIS) show that the rate of informal employment in Malaysia has been declining between 2009 and 2022. At the same time, data from MDEC show that between 2016 and 2021, the number of digital labor platforms registered with MDEC, as well as the number of active gig workers have been increasing. This increase has been particularly pronounced for location-based work, or work that is enabled through digital means (typically through an app) but needs to be performed on-site such as ride-hailing, delivery, and domestic services. This may explain the public perception of rising informal employment — there are more and more different types of informally employed workers, including those that are more visible to the public eye. It should be noted that an increase in the *number* of informally employed workers does not necessarily translate into an increase in the *rate* of informal employment, as the rate of informal employment is also determined by the total number of employed persons, which has been increasing over time.

² In 2020, the share of own account workers is 15.9 percent, and the share of women who are own workers is 14.4 percent. However, due to the COVID-19 pandemic, data collected in 2020 are not reflective of “ordinary” times.

Informally employed workers are more vulnerable and are subject to more precarious working conditions than formally employed workers. On average, informally employed workers have lower levels of educational attainment than formally employed workers, and are more likely to be from lower income households. They are also more likely to be employed in low-skilled jobs compared to formally employed workers. Further, informally employed workers earn less than formally employed workers, even after taking into account gender, age, education level, sector of employment, urban-rural location, and ethnicity. Both time- and skill-related underemployment is higher among informally employed workers. Concerningly, the gap in the skill-related underemployment rate between formally employed and informally employed workers has been increasing over time. During the COVID-19 pandemic, informally employed workers were more susceptible to job losses and reductions in income and were also more vulnerable to food insecurity.

Informal employment is projected to decrease to 21 percent of employment by 2040 if productivity growth is high. Projections made by the World Bank show that informal employment is likely to persist over time, although the extent of informal employment will depend on the growth of total factor productivity, and the relative growth of labor costs. The higher the growth of total factor productivity relative to the growth of labor costs, the smaller the projected share of informal employment, and the higher the GDP growth.

Moving forward Malaysia can enhance the protection of informally employed workers by a combination of measures to increase the coverage of social insurance,

leverage private sector instruments, and extend social assistance coverage. Malaysia can take steps in the short-, medium-, and long-term to comprehensively enhance the protection and productivity of informally employed workers. These include: (i) expanding the coverage of existing social insurance schemes through enhanced outreach to informally employed workers (extending existing initiatives and partnering with new partners and networks), enhanced flexibility and suitability of schemes, targeted subsidies for social insurance coverage, the use of technology, leverage of private insurance instruments, and voluntary savings schemes, mandating social insurance coverage and registration requirements; and (ii) enhancing social assistance coverage among informally employed workers through improved targeting and profiling of workers and integrated social protection delivery. Existing programs for skills training can contribute further to increase the productivity of informally employed workers by enhancing the content and suitability of training curricula, offering relevant modular training through active labor market programs, and updating and calibrating training content and practices based on continued evaluations.

This report is organized as follows. The next chapter provides an overview of informality, including both the informal sector and informal employment, globally and in Malaysia. This section also describes the regulations, policies, and programs that exist for informally employed workers in Malaysia. Chapter 3 presents and discusses the findings of the study. The report concludes with a presentation and discussion of policy recommendations in Chapter 4.





CHAPTER 2

Overview of Informality

2.1 The informal sector, informal employment, and the intersection between the two

Since the term ‘informal sector’ was coined in the 1970s, the concept of ‘informality’ has evolved considerably. Formerly used to refer to employment in the underground economy or in a specific type of production unit, it has broadened into an economy-wide phenomenon. The 15th ICLS introduced the notion of *informal sector* as a statistical concept to measure informality in terms of characteristics of the production units (enterprises). It also recognized the need for statistics on employment in informal jobs, not only on employment in the informal sector. However, it was not until 2003, that the 17th ICLS guidelines recommended an international statistical definition of *informal employment* to complement the informal sector definition. The introduction of the concept of work and the narrower definition of employment in 19th ICLS Resolution I applied has required the revision of the concept of informal employment as defined in the 17th ICLS guidelines.

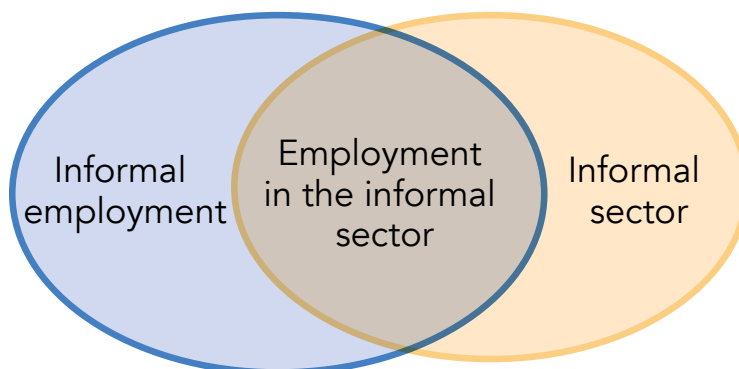
The 20th ICLS, held in October 2018 decided to initialize a revision of the current statistical standards on informality. An ILO Working Group (WG) widely agreed with the proposal to introduce the underlying concept of *‘informal productive activities*

and the concept of the *informal market economy*. The new concept of informal productive activities would potentially include all forms of work, and therefore, all productive activities within the System of National Accounts (SNA) general production boundary. The next ICLS (in 2023) is expected to approve a resolution on informality; in the meantime, the ILO provides the following terminology and operational definitions. Informality includes:

- **Informal employment in formal sector:** all persons in employment who, by law or in practice, are not subject to national labor legislation and income tax or entitled to social protection and employment benefits.
- **Employment in informal sector activities:** unpaid work in a family enterprise, casual wage labor, street vending, or employers in informal manufacturing establishments, or as skilled self-employed workers in small businesses.

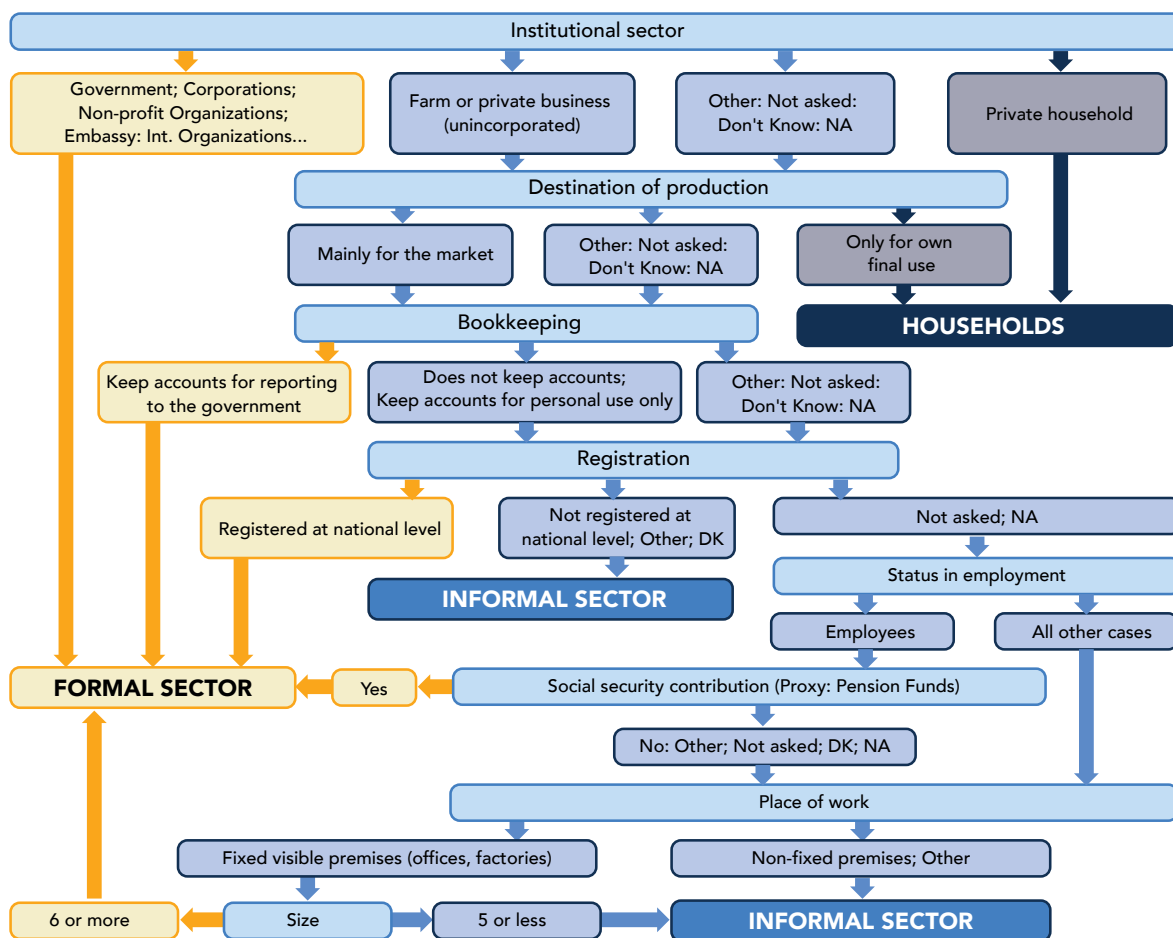
These definitions of informality comprise three statistical components: (1) informal sector, (2) employment in the informal sector, and (3) informal employment (see Figure 1).

FIGURE 1
Statistical components of informality



Source: ILO

FIGURE 2
Operational definition of 'informal sector'³



Source: Adapted from ILO: <https://ilostat ilo.org/resources/concepts-and-definitions/description-informality/>

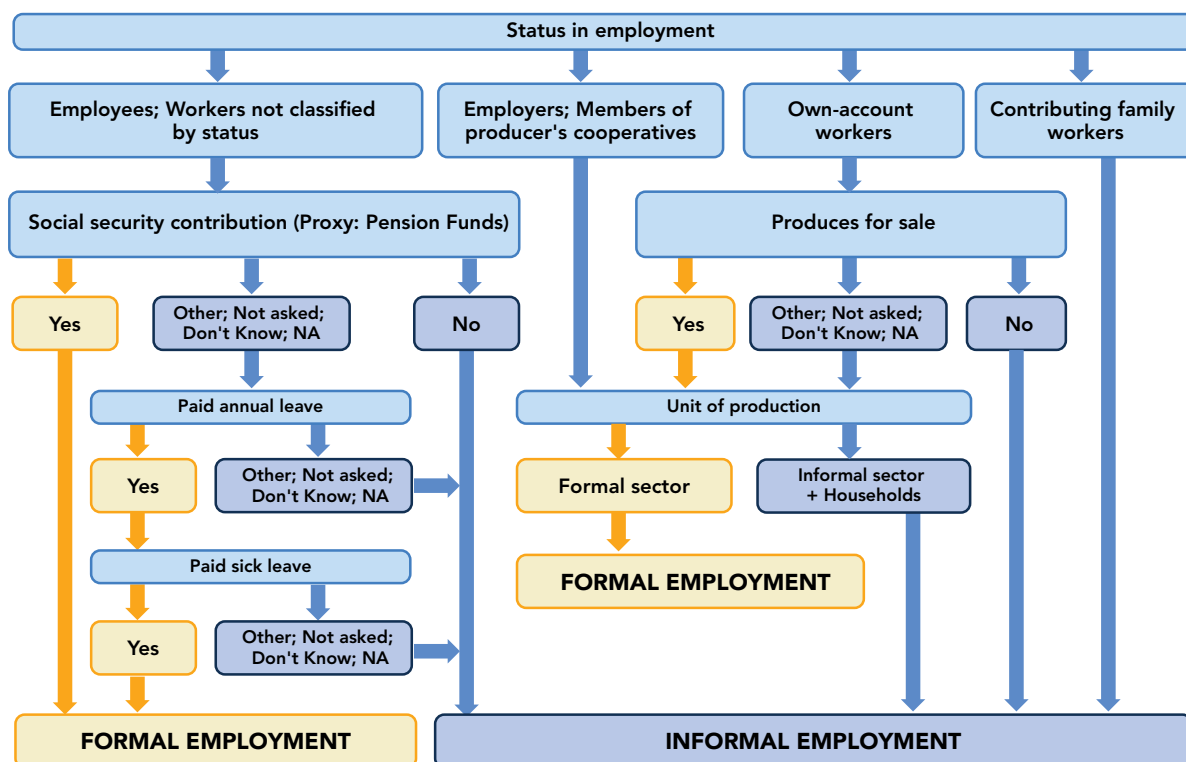
The term **informal sector** was officially introduced by the 15th ICLS (1993) to provide better clarity on the different reasons for informality. In particular, it separates the underground economy from actors that may not have a deliberate intention of avoiding tax payments and/or social security contributions, or violating the legislation, including labor norms. The informal sector is defined in terms of the characteristics of the production units (enterprises) in which the activities take place and persons are classified as being employed in the informal sector if they work for profit (sale or barter) in enterprises (farm or private business) with characteristics corresponding to the definition of that sector. The concept of *employment in the informal sector*, therefore, relies on the narrowed definition of employment as work for pay or profit (19th ICLS, 2013)

and the type of enterprise. The operationalization of these statistical components requires data collection on the following characteristics of the employer or the entity/enterprise (production unit) in which the activities took place in a specific reference period (see Figure 2):

- Work *mainly* for profit
- Does not keep accounts or only keeps accounts for personal use
- Is not registered at the national level
- Is unincorporated (business and owner are not separate legal entities)
- Place of work is without fixed premises
- The entity/enterprise has less than 5 employees

3 Note: The box 'At least partially for the market' was updated as 'Mainly for the market' to be consistent with the revised definition of work and employment (19th ICLS).

FIGURE 3
Operational definition of 'informal employment'



Source: ILO (<https://ilostat ilo.org/resources/concepts-and-definitions/description-informality/>)

The term 'informal employment' was officially introduced by the 17th ICLS (2003) to comprise the total number of informal jobs carried out in formal sector enterprises, informal sector enterprises, or households, during a given reference period. Informal employment, therefore, is not limited to the informal sector. It can be carried out in formal sector enterprises, informal sector enterprises, or households. The operationalization of this statistical component requires data collection on the work relationship or the status in employment (see Figure 3):

- **Employers, own-account workers, and members of producers' cooperatives are informal if they operate or own an informal household enterprise**
 - *Informal employers are those workers who own and run an **informal enterprise** on their own account, in partnership with others or employing one or more persons as employees (including temporarily absent employees but excluding themselves, their partners, and family helpers) (ILO 2018a).*

- *Informal owner-operators of corporations without employees are those workers who hold a job as owner-operator of an **informal corporation** in which they do not employ any persons (other than themselves, their partners or contributing family workers) to work in the enterprise on a regular basis as an employee (ILO 2018a).*
- *Own-account workers in household market enterprises without employees are those workers who operate an **unincorporated market enterprise for profit**, alone, or with one or more partners, or contributing family workers, and do not employ any persons to work in the enterprise on a regular basis as an employee (ILO 2018a). They are informal due to the informal nature of the household enterprise. Harun et al. (2020) use 'own-account workers' or 'part-time employees' specified in LFS to identify gig workers (such as Grab drivers) in Malaysia.*

- **Employees are informal if they are not subject to national labor legislation, income taxation, social protection, written contract, or entitlement to certain employment benefits**
 - *Informal employees* are those workers employed for pay (money or in-kind) who do not own the enterprise in which they are employed and in law or in practice, they are **not subject to national labor legislation, income taxation, social protection or entitlement to certain employment benefits** (advance notice of dismissal, severance pay, paid annual or sick leave, etc.) (ILO 2018a). The reasons may be the following: (i) undeclared jobs or employees; (ii) jobs with hours of work (e.g., casual jobs) or wages below a specified threshold (e.g., for social security contributions); (iii) jobs in unincorporated enterprises or by persons in households or in a place of work is outside the premises of the employer's enterprise (e.g., outworkers without employment contract); (iv) jobs for which labor regulations are not applied, not enforced, or not complied with for any other reason.
- **Contributing family workers are informal due to the informal nature of this work relationship**
 - *Contributing family workers* are those workers who support other household's members engaged in a market-oriented enterprise, who cannot be regarded as partners. Own-use producers of goods, including subsistence workers, cannot be classified as contributing family workers, but this group does not restrict to unpaid work because the profit made may or may not be redistributed (in cash or in kind) within the household. The job is informal irrespective of whether they work in formal or informal sector enterprises (ILO 2013).
- **Members of producers' cooperatives are informal if they operate in informal cooperatives (under discussion to be dropped)**
 - *Members of informal producers' cooperatives* are those workers engaged in market-oriented cooperatives that are not formally established as legal entities, in which each member shares profits, risks, and production and sales decisions on an equal footing with the other partners.
- **Dependent contractors (still under discussion)**
 - *The challenge is to create a clear boundary between informal employees paid by the piece (in-kind) and dependent contractors. For instance, a street vendor of goods who is not the owner of the business nor receives social insurance contributions, would be considered as a dependent contractor if paid only by commission or directly by clients. The same is true for some types of agricultural workers (e.g., coffee harvesters), who do not have fixed working schedules and get paid by the piece to the head of the household (ILO 2018b).*

Employment benefits for employees mainly include contribution to social insurance, paid annual leave, and paid sick leave. Contribution to social insurance refers to health insurance, pension contributions, unemployment insurance. The WG has been advocating for the inclusion of additional benefits, such as the existence of a pay slip, having access to paid maternity/paternity leave, payment of income tax, possibility to be fired without notice, and the receipt of a thirteenth month salary.

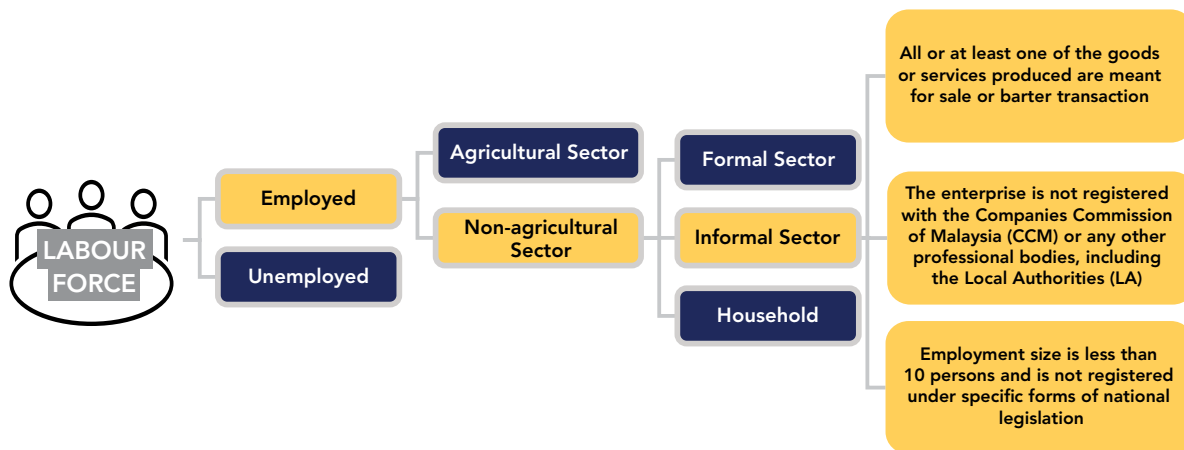
2.2 Current definition of informal sector and informal employment in Malaysia

The most recent definitions for the informal sector and informal employment in Malaysia was made in the Informal Sector Survey Report 2021 by the Department of Statistics Malaysia (DOSM), elaborated below (DOSM 2022).

An enterprise is considered as part of the **informal sector** if:

1. At least one of the goods or services produced are meant for sale or barter transaction; or
2. The enterprise is not registered with the Companies Commission Malaysia (CCM), or any other professional bodies, including the Local Authorities (LA); or
3. Employment size is less than 10 persons and is not registered under specific forms of national legislation.

FIGURE 4
Conceptual framework of the informal sector by the Department of Statistics Malaysia



Source: Informal Sector and Informal Employment Survey Report 2021 (DOSM)

A worker in **informal employment** refers to any worker who does not have access to at least one social security scheme or employment benefit, for example pension fund, basic health insurance, injury insurance, disability

benefits, survivors' benefits, paid annual leave, paid sick leave, paid maternity leave, and unemployment insurance.

FIGURE 5
Conceptual framework of informal employment by the Department of Statistics Malaysia

Production units by type	Jobs by status in employment (I: Informal; F: Formal)									
	Own-account workers		Employers		Unpaid family workers	Employees		Members of producers' cooperative		
	I	F	I	F	I	I	F	I	F	
Formal Sector Enterprises					1	2				
Informal Sector Enterprises (a)	3		4		5	6	7	8		
Households (b)	9					10				

 Employment does not exist in the type of production unit	 Formal employment	 Informal employment
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Employment in informal sector (3-8)	Informal employment (1-6, 8-10)	Informal employment outside the informal sector (1, 2, 9, 10)
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Source: Informal Sector and Informal Employment Survey Report 2021 (DOSM)

Notes:

- (a) As defined by the 15th International Conference of Labour Statisticians (ICLS 1993) resolution (excluding households employing paid domestic workers)
- (b) Households producing goods exclusively for their own final use and households employing paid domestic workers

The analysis conducted in this report focuses on informal employment and does not distinguish between informal employment in formal and informal sectors. This is beyond the scope of report, and is also not possible due to data limitations. Unless otherwise

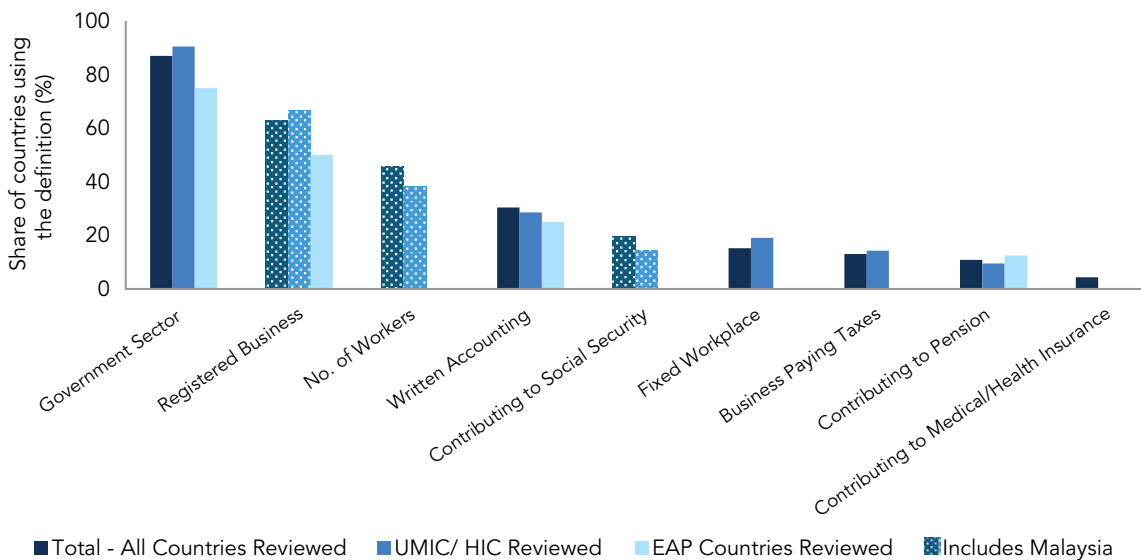
specified, the analysis presented in this report uses the working definition of informal employment proposed and described in Section 3.6, and closest possible proxies for this definition using the specific datasets.

2.3 Global definitions of informal sector and informal employment

The indicators used in Malaysia to define the informal sector are similar to that used in other countries. The application of the operational definitions of the informal sector and informal employment is dependent on data availability on the specific dimensions of informality in different countries. In Figure 6 below, we have summarized the main indicators used by Malaysia and other countries, whereby the indicators used in Malaysia's definition is shown by the patterned bars. The main definition used by other countries for the

formal sector includes "Government Sector," used in 87 percent of all countries reviewed. Less common is the adoption of "Contributing to Social Security" for the informal sector used by Malaysia, whereby no other country in East Asia and the Pacific (EAP) has used this in their definition. However, other indicators such as "Written Accounting," "Fixed Workplace," or "Business Paying Taxes" are currently not in the definition used by Malaysia but it is adopted for other upper-middle income and high-income countries.

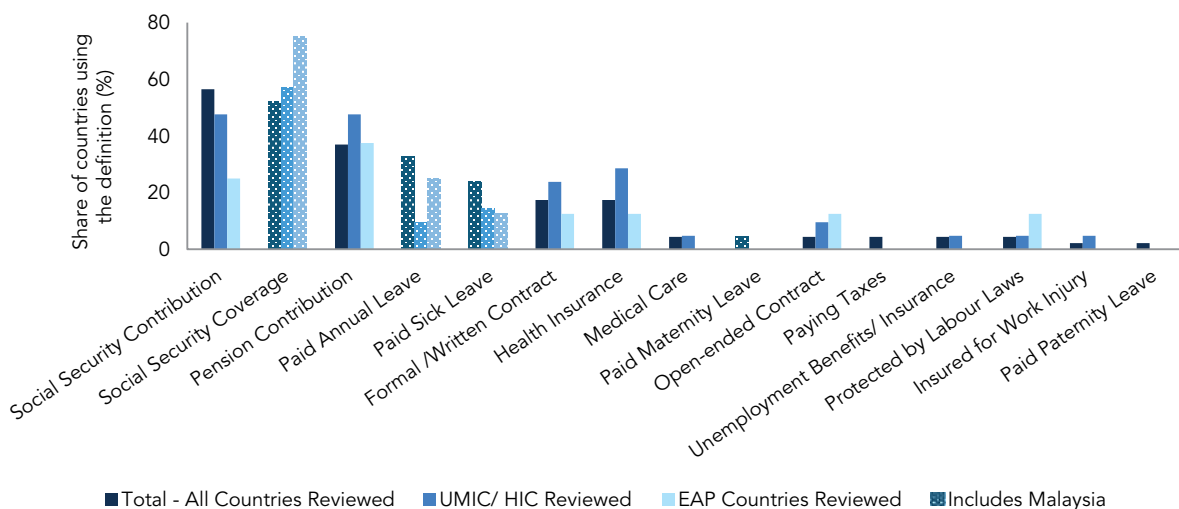
FIGURE 6
Indicators of formal/informal sector used across countries



Source: Authors' analysis using OECD/ILO (2019) and national statistical offices.

Note: The patterned bars reflect indicators that are used in Malaysia. Calculations are based on a total of 46 countries, including countries from Europe & Central Asia, Latin America & Caribbean, East Asia & Pacific.

FIGURE 7
Indicators of formal/informal employment used by countries



Source: Authors’ analysis using OECD/ILO (2019) and national statistical offices.

Note: The patterned bars reflect indicators that are used in Malaysia. Calculations are based on a total of 46 countries, including countries from Europe & Central Asia, Latin America & Caribbean, East Asia & Pacific.

When it comes to informal employment, Malaysia also ticks quite a few indicators commonly used by other countries. This includes “Social Security Coverage,” “Paid Annual Leave,” and “Paid Sick Leave” (see Figure 7). While the social security coverage indicator is quite common in the definitions used by other countries, the “Paid Maternity Leave” criteria adopted by Malaysia is fairly progressive, with only 4 percent of countries

reviewed using the indicator. In about 37 percent of the countries reviewed, “Pension Contribution” is specifically mentioned as one of the criteria and in about 17 percent of the countries “Formal/Written Contract” is also adopted. Very few countries have also used “Unemployment Benefits” and “Paid Paternity Leave” as part of the criteria.

2.4 Gig employment

Informal employment encompasses gig-employment, which refers to employment that is typically facilitated through digital labor platforms (ILO 2021). Typically, gig employment is flexible and is based on short-term, temporary arrangements between organizations and individuals. There exist two broad categories of digital labor platforms, the first being online web-based platforms, and the second being location-based platforms (ILO 2021). Through these platforms, three types of tasks can be performed. Digital microtasks and freelance or digital work, hosted on online web-based platforms, and location-based

work, hosted on location-based platforms. Digital microtasks refer to simple tasks that do not require specific skills, such as data entry or the processing of images. Freelance work refers to skilled digital work, such as website development, graphic design, or software testing. Location-based work refers to work that is enabled through digital means (typically through an app) but needs to be performed on-site such as ride-hailing, delivery, and domestic services. In Malaysia, digital labor platforms are overseen by MDEC (see Section 3.1.2).

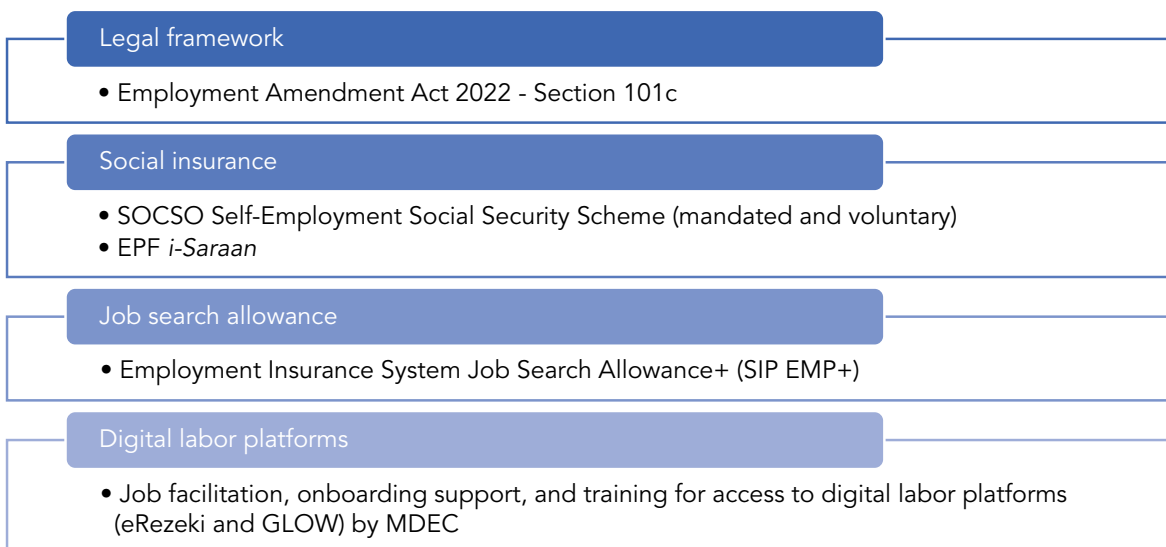
2.5 Regulations, policies and programs in Malaysia for informally employed workers

Malaysia has taken important strides in developing policies and programs for informally employed workers (see Figure 8). These include a legal framework that can be applied on a case-to-case basis, social insurance

schemes by SOCSO and EPF, job search allowance by the Employment Insurance System (EIS), and support for access to digital labor platforms by MDEC. All of these policies and programs are elaborated on in this section.

FIGURE 8

Overview of main policies and programs for informally employed workers in Malaysia



Source: Authors' elaboration

2.5.1 Regulations

In recent years, the only national regulation that has affected informally employed workers in Malaysia is mandatory coverage for SESSS for workers in the e-hailing sector introduced in 2017 (see Section 2.5.3). Other than that, requirements for workers are determined by digital labor platforms, within the bounds of the laws of Malaysia. In March 2022, amendments to the Employment Act 1955, which includes provisions that can potentially affect informally employed workers,

were passed by the Malaysian Parliament. In particular, Section 101c of the Employment (Amendment) Act 2022, which will take effect on September 1, 2022, is elaborated below in Box 1. Based on discussions with the Ministry of Human Resources (MOHR), Section 101c may be applied on a case-to-case basis in the event of a dispute between a gig worker and the party through which they are generating an income.

BOX 1

Presumption as to who is an employee and employer

101c. (1) In any proceeding for an offence under this Act, in the absence of a written contract of service relating to any category of employee under the First Schedule, it shall be presumed until the contrary is proved that a person is an employee —

- (a) where his manner of work is subject to the control or direction of another person;
- (b) where his hours of work are subject to the control or direction of another person;
- (c) where he is provided with tools, materials or equipments by another person to execute work;
- (d) where his work constitutes an integral part of another person's business;
- (e) where his work is performed solely for the benefit of another person; or
- (f) where payment is made to him in return for work done by him at regular intervals and such payment constitutes majority of his income.

(2) For the purpose of subsection (1), it shall be presumed until the contrary is proved that a person is an employer —

- (a) where he controls or directs the manner of work of another person;
- (b) where he controls or directs the hours of work of another person;
- (c) where he provides tools, materials or equipments to another person to execute work;
- (d) where the work of another person constitutes an integral part of his business;
- (e) where another person performs work solely for his benefit; or
- (f) whether or not payment is made by him in return for work done by him by another person.

(3) The first mentioned person in subsection (2) includes the agent, manager or factor of such first-mentioned person.”

Source: Employment (Amendment) Act 2022

The Ministry of Transport is planning to amend the Road Transport Act 1987 to regulate the p-hailing industry.

The amendments are still in progress. However, the Minister of Transport has mentioned that the riders will be registered and given a special vocational license (Tan and Gimino 2022). He also mentioned that p-hailing riders will

be given a token (for registering), and that it will not cost more than RM10. On top of that, one of the objectives of the registration of p-hailing riders is to ensure that riders' welfare will be taken care of, implying that it will serve as a social registry.⁴

2.5.2 Retirement savings

In 2010, EPF, which is Malaysia's national retirement savings fund catering to the private sector introduced the **Skim Persaraan 1Malaysia (SP1M) program, a retirement savings program for self-employed persons.** The SP1M program has since been rebranded as *i-Saraan* in 2018. *i-Saraan* is a voluntary matching contribution program through which EPF members who are self-employed and do not earn a regular income can make voluntary contributions toward retirement of up to RM60,000 per year. The incentives provided by the government has evolved ever since its inception. In 2010 to 2013, the Government provided a matching contribution of 5 percent, subject to

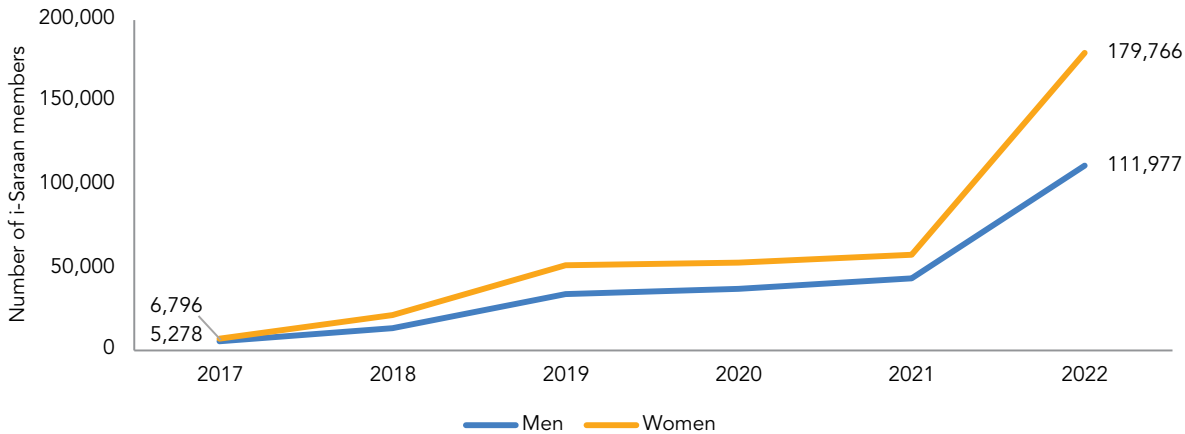
a maximum limit of RM60 per year for those aged 55 years old and below. In 2014-2017, this matching contribution increased to 10 percent, subject to a maximum of RM120 per year. By 2018, the Government provides a 15 percent matching contribution for all eligible workers — which includes those who do not received fixed employer contributions — up to a maximum of RM250 per year. This matching contribution is valid between the years 2018 and 2022. In 2022, the eligible age to receive incentives was increased from 55 to 60 years old. Registration and contributions to *i-Saraan* can be made both online and in person. Workers are able to make online transfer directly

⁴ The Minister of Transport was quoted as saying: “If we want to give aid, where can we obtain data on p-hailing drivers? Even e-hailing operators do not have a full list. With this system, we will know with just one click.” (Tan and Gimino 2022).

through their digital banking accounts with nine banks. Moreover, recurring contribution options are available for five out of these nine banks. Workers are also able

to make contributions to *i-Saraan* through bank agent counters in four banks, and through EPF counters.

FIGURE 9
Number of *i-Saraan* members by gender, 2017 - 2022



Source: EPF (2023)

Despite efforts to increase coverage and accessibility to *i-Saraan*, take-up remains low. Even though the absolute number of *i-Saraan* members have increased over time, as shown in Figure 9, coverage as a share of employment remains low. The share of *i-Saraan* members has increased from 0.1 percent of all employed workers in 2017, to 0.6 percent of all employed workers in 2019, and to about 1.9 percent of all employed workers in 2022. This is equivalent to 0.4 percent (year 2017), 2.6 percent (year 2019), and 12.6 percent (year 2022) of all self-employed workers, defined as own account workers and unpaid family members. The coverage of *i-Saraan* is higher among women, likely because of the simultaneous *i-Suri* matching contribution program targeted to housewives.⁵

To increase the coverage of retirement savings among informally employed workers, EPF has pursued collaborations with two gig platforms, Grab and GoGet, implementing novel strategies. More specifically, Grab has introduced matching contributions for its workers, and has also organized campaigns to promote saving with EPF. The collaboration between EPF and GoGet is even more dynamic. Together, they have introduced a “contribute as you earn” model, through which workers on GoGet (referred to as GoGetters) have the option of contributing a share of their earnings from every job through automatic deductions. Further, GoGet has introduced an easy

registration process to this program, which allows GoGetters to be opted-in to the program as long as they provide their consent. Finally, information on the importance of retirement savings is also shared on the app, alongside other information that may encourage GoGetters to enrol to the program. EPF’s collaborations with Grab and GoGet utilize novel approaches and behavioral nudges — methods of positive reinforcement and indirect suggestions — to influence the choices that people make regarding their retirement savings. These approaches seem to be promising, and opens the door to collaborations with other gig platforms.

During the COVID-19 pandemic, the government allowed early withdrawals from EPF accounts to mitigate the impact of the financial shock. Four withdrawals that were allowed between March 2020 and March 2021. The four withdrawals totaled RM145 billion (Fatimah Zainal and Ragananthini Vethasalam 2022). Data collected by the World Bank suggests that EPF withdrawals were an important coping strategy during the pandemic (see World Bank 2021). However, it has led to concerns of adequacy. As of September 23, 2022, about 52 percent of EPF members have less than RM10,000 in their accounts, and 27 percent have less than RM1,000 (Fatimah Zainal and Ragananthini Vethasalam 2022). Thus, even among those who are covered by EPF, savings adequacy is a major concern.

⁵ Under *i-Suri*, housewives or their husbands can make voluntary contributions to EPF, and are eligible to a 100 percent matching contribution of up to RM480 per annum. As of January 2022, 24.4 percent of *i-Saraan* members are housewives.

2.5.3 Employment injury and disability insurance

The Self-Employment Social Security Scheme (SESSS), which encompasses employment injury and disability insurance, was introduced by the Social Security Organization (SOCO) in 2017. In its inception, the scheme was only compulsory for the self-employed in the passenger transportation sector; in January 2020, it was extended to 19 other sectors.⁶ Under the provisions to the Self-Employment Social Security Act 2017, SESSS provides self-employed insured persons protection against employment injuries, including occupational diseases and accidents during work-related activities. SESSS also provides temporary disablement benefits and permanent disablement benefits, among others. Workers can make either monthly or yearly contribution payments, with the minimum monthly contribution payment being 13.10 MYR (for an insured monthly earning of up to 1,050 MYR), and the highest monthly contribution payment being 49.40 MYR (for an insured monthly earning of up to 3,950 MYR). Registration to SESSS can be made either online or in person. Contributions to SESSS can be made through SOCSO's online portal, with detailed instructions having been provided.

During the COVID-19 pandemic, the government increased support for the protection of informally employed workers by offering partly and fully subsidized coverage for SESSS. The first iteration of the incentive was part of the *PenjanaGig* COVID response program announced in June 2020, through which 70 percent of contribution for SESSS (Plan 2) for the year 2020 was subsidized by the government. *SPS Lindung* was announced in Budget 2021, through which the government fully subsidized SESSS (Plan 2) for the year 2021 for four categories of workers: delivery riders, volunteers from the military, police, public defense, and maritime sectors, mosque workers (*guru takmir, noja, siak, imam, bilal, and merbut*), and public sector workers employed under contracts for service. *SPS Lindung* was also extended in the year 2022, with two separate programs targeting different categories of workers. The first, *SPS Padanan Caruman*⁷ is a matching contribution program through which 80 percent of the contribution for SESSS (Plan 2) for the year 2022 is subsidized by the

government. The second, *SPS Khidmat*⁸ fully subsidizes the contribution for SESSS (Plan 2) for the year 2022.

Coverage of SESSS remains low when compared to the informal employment rate, even with the provision of significant subsidies by the government. It is important to note that subscription to SESSS has to be renewed annually — hence, numbers on coverage reflect coverage in a given year, and are not cumulative over time. In 2017 and 2018, the first two years of its introduction, the coverage for SESSS was below 0.1 percent of employment. In 2019, it was higher at 0.8 percent of workers. At the same time, at least 30.5 percent of workers (that is, the rate of informal employment for the year — see Section 3.1.1) remained uncovered in 2019.⁹ The coverage of workers by SESSS was even higher in 2020, when the 70 percent subsidy by the government was introduced, but only marginally so. Specifically, coverage was about one percent of employment or 5.1 percent of self-employment. In terms of the number of workers covered, this is equivalent to a 30 percent increase. While this may seem large in absolute terms, it is still low when compared to the rate of informal employment.

The low take-up rate for SESSS persists despite being compulsory for the passenger transportation sector (which includes taxi and bus drivers, as well as e-hailing and p-hailing). This suggests that *mandating* coverage is insufficient to *guarantee* coverage, and that such initiatives would need to be followed up by enforcement to ensure complete implementation. Enforcement might indeed be the motivation behind the planned amendments to the Road Transport Act 1987 (see Section 2.5.1). Later in this report (Section 4.1, Box 7) we briefly assess the likely consequences of mandating automatic contributions for self-employed workers, underlining the advantages for more complete social insurance coverage, as well as pointing to practical difficulties in enforcing such mandates, as well as likely unintended effects. We also discuss the advantages of enhancing the flexibility of contributions and coverage options in Section 4.1.

6 The other sectors are good and food transport, agriculture, livestock, forestry, fisheries, food construction, manufacturing, hawkers, accommodation premises, agents, support services, arts, household services, and beauty and healthcare.

7 *SPS Padanan Caruman* covers self-employed women, indigenous Malaysians (*Orang Asli* and *Orang Asai*), self-employed persons working through digital platforms, hawkers, persons with disabilities, workers in the tourism sector, and workers in the arts sector.

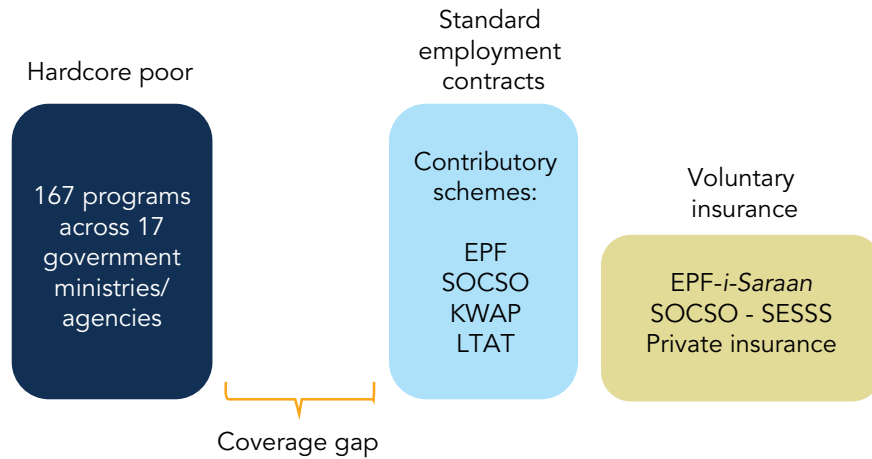
8 *SPS Khidmat* covers volunteers from the military, police, public defense, and maritime sectors; mosque workers employment by the Department of Islamic Development Malaysia; community recovery coordinators and workers; and public sector workers employed under contracts for service.

9 The informal employment rate calculated takes into account contributions to both EPF and SOCSO (see Section 2.6). Hence, it is possible for the share of workers not covered by SOCSO (but covered by EPF) to be higher than the informal employment rate, although that share cannot be determined using the data made available for this study.

BOX 2

The social insurance landscape in Malaysia

FIGURE 10
Coverage gap in social insurance in Malaysia



Source: Authors' illustration

There are gaps in social insurance coverage in Malaysia.

While the majority of the labor force is covered by some form of social insurance through employer-based contributions via standard employment contracts, and the hardcore poor are meant to receive some form of social assistance (though in reality some may not, due to errors of exclusion in social assistance). There is still a considerable coverage gap, particularly for those in non-standard employment or informal employment (see Figure 10 above), often referred to as the “missing middle.” Specifically, private employees typically receive EPF and SOCSO coverage through mandated contributions from their employer, which also

include employees’ contributions. Public sector employees such as civil servants and members of the armed forces also have pension coverage through the Public Service Pension Fund (*Kumpulan Wang Persaraan*), KWAP, and the Armed Forces Pension Fund (*Lembaga Tabung Angkatan Tentera*), LTAT, respectively. While voluntary schemes such as *i-Saraan* and SESS have made significant progress in recent years in terms of coverage of the informally employed (especially the self-employed), it is still far from universal (at 12 percent and 16.4 percent of self-employed in 2021, respectively). Hence, a large portion of the self-employed remains unprotected.

2.5.4 Job search allowance

In 2021, the government introduced unemployment assistance¹⁰ in the form of job search allowance for non-SOCSO contributors; in 2022, this program was continued with an increase in duration and also the introduction of a work preparation allowance. In 2022, the program, referred to as SIP EMP+ (Employment Insurance System Job Search Allowance+, *Sistem Insurans Pekerjaan Elaun Mencari Pekerjaan+*) is open to all individuals aged 18 to 60 years old who have not been registered or are not actively contributing to SOCSO after June 1, 2021, and are not receiving other forms of financial assistance administered by the Employment Insurance System (EIS) office. Beneficiaries are required to attend at least one interview for each allowance installment

received, up to a maximum of three installments of RM300. If the beneficiary is hired within four months, they are eligible to receive a one-off work preparation allowance of RM400. Beneficiaries are required to self-report attendance to interviews and job offers, with spot checks being conducted by the EIS office.

In effect, SIP EMP+ is a program that incentivizes formal employment, or formalization. Other than the financial assistance, beneficiaries are also assigned to a career counsellor. As of July 2022, 9,494 applicants have applied for the incentive, and 699 applicants (7.4 percent) have obtained a job. The average duration for which benefits are received is 1.3 months out of the maximum of three months.

¹⁰ While the program is implemented by the Employment Insurance System office, it is more accurately described as unemployment assistance given that workers are not required to make contributions.

2.5.5 Job facilitation, onboarding support, and training incentives for access to digital labor platforms administered by the Malaysia Digital Economy Corporation

In 2015, the government launched eRezeki, a digital labor platform aggregator which provides onboarding support and access to digital microtasks, location-based work (used interchangeably with the term 'digitally-enabled work'), and digital work hosted by digital labor platforms. These types of work are typically informal, as they do not provide automatic access to social insurance. This is particularly important for those who do not have other jobs that provide them with this protection. Digital microtasks and location-based work are typically low- and mid-skilled jobs, requiring relatively low levels of specialized skills. On the other hand, digital work comprises typically high-skilled jobs that require more advanced digital skills to perform specialized tasks such as web and mobile app development, graphic design, and software testing.

eRezeki is developed and hosted by the Malaysia Digital Economy Corporation (MDEC), a government agency tasked with the development of the digital economy in Malaysia. The objective of eRezeki is to provide opportunities for people to earn additional income through working online, with a focus on those in the bottom 40 percent of the income distribution (B40). In the Eleventh Malaysia Plan 2016-2020, eRezeki was listed as one of the strategies through which the income and wealth of B40 households are to be lifted. In the Twelfth Malaysia Plan 2021 - 2025, the importance of eRezeki to provide economic opportunities was reiterated, with a slight shift in focus. eRezeki was listed as one of the strategies to provide skills and opportunities to Malaysians in Sabah and Sarawak, which are lagging states located in East Malaysia,¹¹ and as a means to expand digitalization with the goal of inclusive development in Malaysia as a whole.

MDEC has also introduced the Global Online Workforce (GLOW) program, which is a training program tailored toward equipping workers with skills to perform digital work, or to become digital freelancers. The training modules in the GLOW program relate to knowledge on starting a profile as a digital freelancer, and understanding of the workflow, on managing and improving performance, and on financial management. Given the high-skilled nature of digital work, the eligibility of GLOW is limited to Malaysians aged 18 and above with computer skills, English language proficiency, and the specialized digital skills needed to perform digital work, such as programming skills. During the COVID-19 pandemic, the government channeled emergency funds towards a strengthened version of GLOW targeted to retrenched workers, workers who have faced salary cuts, and unemployed graduates for digital freelance work. The GLOW PENJANA and GLOW PEMULIH programs are more intensive versions of GLOW, through which participants were trained, monitored, and mentored for a period of three months. Workers trained through the GLOW program can bid for digital work through eRezeki, or directly on digital work platforms.

These programs, and the role that they have been given in the Malaysia Plans as well as during the COVID-19 pandemic illustrates the government's recognition of the potential of digital labor platforms in supporting the livelihood of workers and the economy. eRezeki and all versions of GLOW are fully subsidized by the government. Nonetheless, there remains to be gaps in the protection of these workers, and also in the long-term sustainability of these programs, both financially as well as a means to provide livelihoods. This is especially true for workers who rely on digital labor platforms as their main source of income.

2.6 Working definition of informal employment

Informal employment in Malaysia was formally defined and calculated for the first time in the Informal Sector Survey Report 2019, largely following the ICLS framework, and it was later updated in the Informal Sector and Informal Employment Survey Report 2021 (see Section 2.1).¹² Adapting international

guidelines for defining informal employment to the local context, the proposed operational definition of informal employment in Malaysia is presented in Table 1 with the main difference with the 2021 definition being **the condition of having access to a pension, retirement savings, or employment injury insurance**

¹¹ World Bank (2022) describes lagging states in Malaysia as those with relatively low levels of GDP and high levels of poverty.

¹² Members of producers' cooperatives have been excluded from Malaysia's measure of informal employment.

as a condition for formal employment. Access to a pension, as well as retirement savings or employment injury insurance in the form of both employers’ and voluntary contributions ensures that a worker is protected at old age and in the event of injury at the workplace. Further, the registration of a worker to these schemes means that in the event of an economic shock, such as that during the COVID-19 crisis, the worker would be identifiable to the government for the purpose

of channeling economic support, such as targeted cash transfers. This is possible regardless of whether the worker receives employer’s contributions or makes voluntary contributions. Nonetheless, relying only on voluntary contributions may leave workers in a more precarious position relative to employer’s or mandated contributions, despite being an improvement over no contribution at all.¹³

TABLE 1
Differences between operational definition of informal employment by DOSM and working definition used in this report

Operational definition of informal employment in Informal Sector Survey Report 2019	Working operational definition
<p>A worker in informal employment refers to any worker who does not have access to at least one social security scheme or employment benefit. Workers in the agricultural sector are excluded. If the worker has access to at least one social security scheme or employment benefit, the worker is in informal employment if he/she is:</p> <ul style="list-style-type: none"> ○ An employer or own-account worker in an informal sector enterprise ○ An unpaid family worker ○ An own-account worker engaged in production of goods exclusively for own final use by the household ○ An employee with no paid annual leave, no paid sick leave, and working in an enterprise that does not provide paid maternity leave, all at the same time. <p>Note: The social security benefits and employment benefits referred to are the following: pension fund, basic health insurance, injury insurance, disability benefits, survivors’ benefits, paid annual leave, paid sick leave, paid maternity leave, and unemployment insurance.</p>	<p>A worker in informal employment refers to any worker who is not covered by a pension, retirement savings or employment injury insurance. If the worker has access to a pension, retirement savings, or employment injury insurance, the worker is in informal employment if he/she is:</p> <ul style="list-style-type: none"> ○ An employer or own-account worker in an informal sector enterprise ○ An unpaid family worker ○ An own-account worker engaged in production of goods exclusively for own final use by the household ○ An employee with no paid annual leave, no paid sick leave, and working in an enterprise that does not provide paid maternity leave, all at the same time. <p>Note: Access to a pension, retirement savings or employment injury insurance refers to a pension administered by the Public Service Pension Fund (Kumpulan Wang Persaraan, KWAP) or the Armed Forces Pension Fund (Lembaga Tabung Angkatan Tentera, LTAT), or both employers’ and voluntary contributions to retirement savings in the Employees Provident Fund (EPF) or employment injury insurance from the Social Security Organisation (SOCSO).</p>

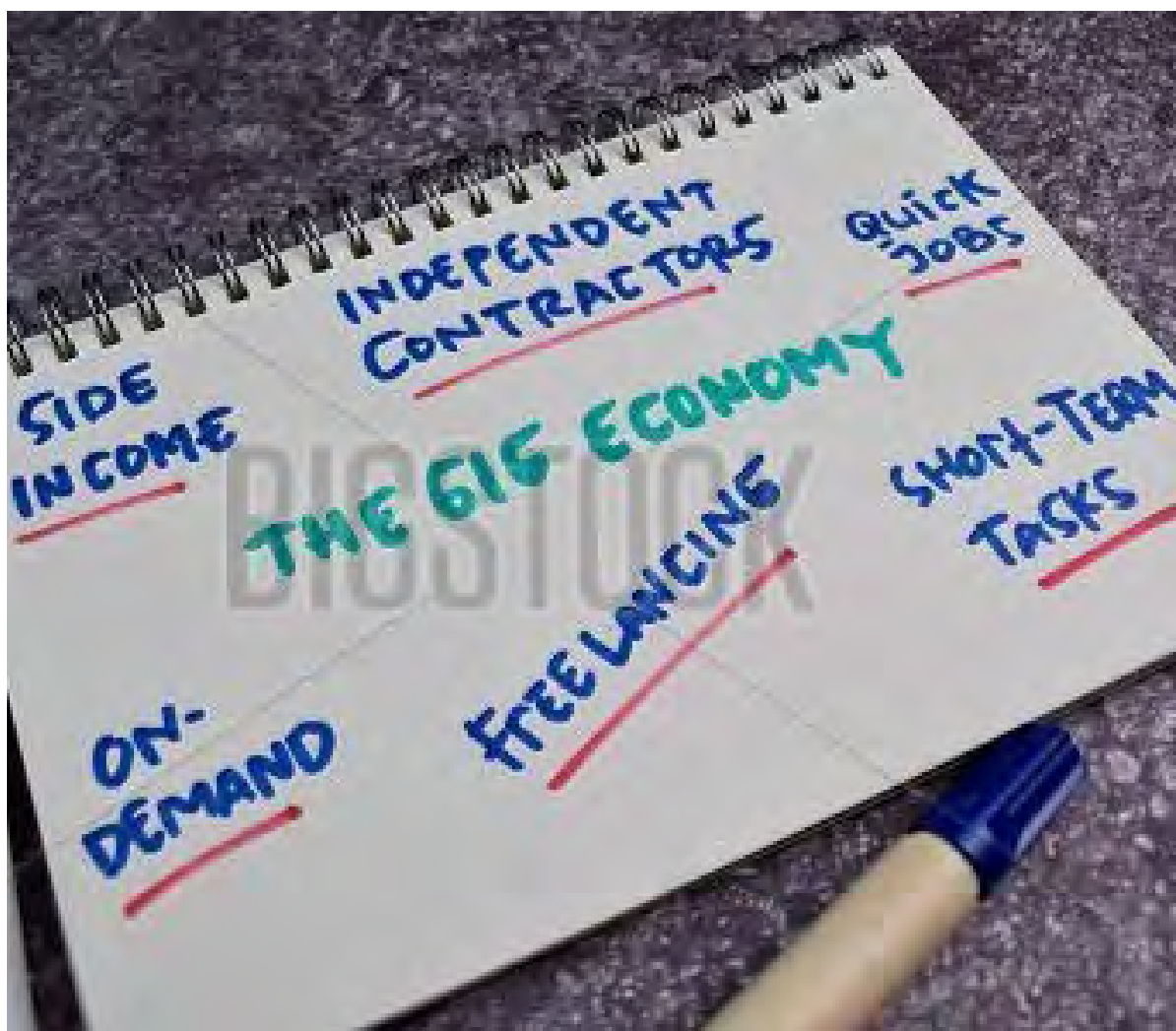
Note: In the Informal Sector and Informal Employment Survey Report 2021, the definition of informal employment was updated as follows: Informal employment refers to any worker who does not have access to at least one social security scheme or employment benefit, for example pension fund, basic health insurance, injury insurance, disability benefits, survivors’ benefits, paid annual leave, paid sick leave, paid maternity leave, and unemployment insurance.

13 While existing data sources do not allow us to distinguish between voluntary and mandated contributions to EPF or SOCSO, using a stricter definition of formal employment which disregards voluntary contributions, if measurable, would result in a higher level of informal employment in the economy.

There are further considerations to be made with regard to the condition of having access to a pension, retirement savings or employment injury insurance. The first consideration is if having access to these schemes would only refer to access to schemes by KWAP, LTAT, EPF or SOCSO, or whether it would include having access to private retirement and insurance schemes. This is because having access to private retirement and insurance schemes also indicates a sufficient level of protection, and may be preferred by some workers. Nonetheless, for registration to retirement savings and employment injury insurance to be an effective conduit for the channeling of government support at times of crises (as described above), this registration should arguably be with the national schemes. The second

consideration is whether the regularity of contributions to retirement savings should be included as part of the operational definition of informal employment, as more regular contributions indicate a better level of protection. In comparison, current contributions (i.e., in the reference week) typically implies active protection and thus is not subject to the same concern.

The working definition can be applied to all workers, including specific groups of workers such as gig economy workers and domestic workers.¹⁴ However, the operationalization of this working definition for the study is dependent on the data available. Box 3 below describes the application of the working definition of informal employment on different datasets.



¹⁴ The working definition for informal employment presented here, as well as the way it has been operationalized using the HIS and LFS datasets was presented in the Inception Report for this study and was approved by the Technical and Steering Committees for this study in July 2021.

BOX 3

Application of working definition of informal employment on existing datasets

Existing national survey microdata does not allow for perfect application of the working definition of informal employment, necessitating the use of proxies. The two national surveys that are used in the analysis of informal employment are the Household Income and Basic Amenities Survey (HIS) for the years 2009, 2012, 2016, 2019 and 2022, and the Labour Force Survey (LFS) for the years 2010 to 2020. The proxies used to capture informal employment using these different data sources, as well as their advantages and limitations, are elaborated below.

Household Income Survey

Informal employment is determined by coverage by social insurance and status in employment. Coverage by social insurance is determined using two variables. The first variable (tp64) captures contribution to EPF/ social security schemes (employee's and employer's contribution), while the second variable (incs19) captures employer's contribution to EPF, SOCSO, and other in annual nominal RM. The formality status in employment is then determined by a worker's status in employment and social insurance coverage as follows: (1) employers, private employees, and self-employed workers are considered informally employed if they are not covered by social insurance, (2) all government employees are considered formally employed, and (3) all unpaid family workers are considered informally employed. People who are not working, such as homemakers, are not included in the calculation of the informal employment rate. The worker should also be within working age, that is, between 15 and 64 years old.

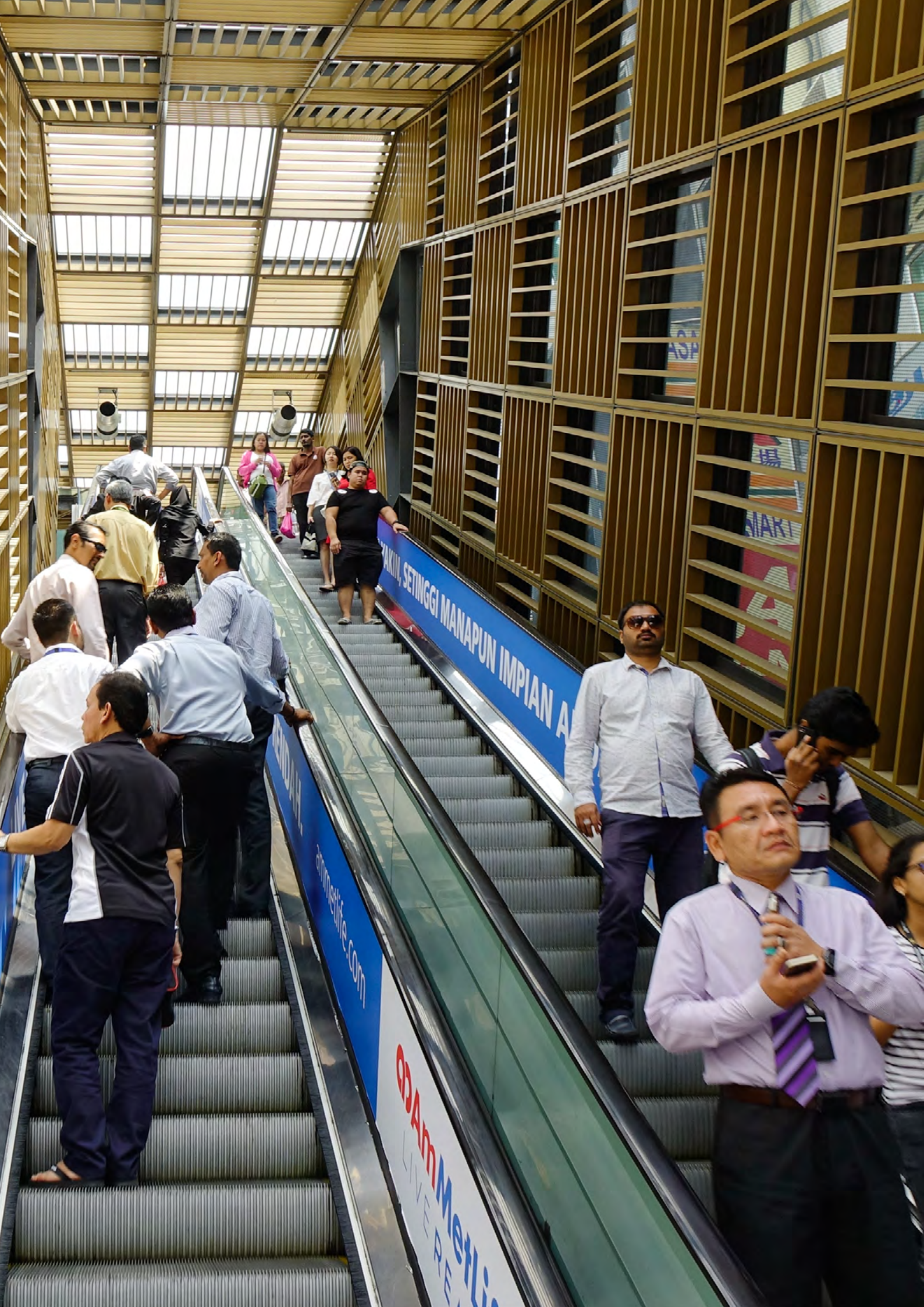
An advantage of this application is that it manages to capture coverage by social insurance, which is the main criteria in the determination of informal employment. A limitation is that because the HIS does not contain

information on the formality status of the sector of employment, and thus the analysis is not able to distinguish between informally employed workers in the formal sector and informally employed workers in the informal sector. The HIS also does not capture other employment benefits, namely the different types of annual leave, thus these are not taken into account in the determination of informality using the HIS. Further, this measure does not manage to capture the frequency and level of social insurance contributions, or distinguish between voluntary (own) and employers' contributions, and thus there's no measure of adequacy of protection. Moreover, informally employed government workers, such as contract employees, will not be captured as informally employed.

Labour Force Survey

For analyses using the LFS, informal employment will be proxied by: (1) all own account workers, and (2) all unpaid family workers. People who are not working, such as homemakers, are not included in the calculation of the informal employment rate. The worker should also be within working age, that is, between 15 and 64 years old (which is consistent with the LFS sample).

An advantage of using this proxy is that it is comparable with other countries. This group of workers (i.e., own account workers and unpaid family workers) are referred to as being employed in vulnerable employment by the ILO, for which cross-country statistics are available. A disadvantage is that it does not capture any information on social insurance coverage (through either own or employers' contributions) and adequacy, and any other types of employment benefits such as annual leave. The formality status of the sector of employment also cannot be determined using this dataset. However, it should be noted that such information is collected and reported by DOSM, as presented in Box 4.



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CHAPTER 3

Findings and Discussion

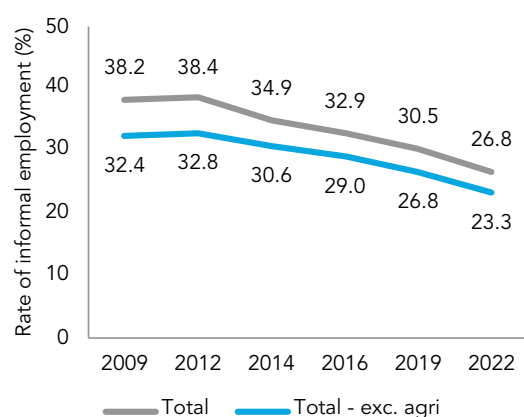
3.1 Scale and trend of informal employment

3.1.1 All informally employed workers

The rate of informal employment in Malaysia for all groups of workers has been declining over time and stood at 26.8 percent in 2022, which translates into about 4.1 million workers. As can be seen from Figure 11, the rate of informal employment stood at 38.2 percent in 2009 and peaked to 38.4 percent in 2012 but has since been on a downward trend. Excluding agricultural workers, informal employment is lower at 23.3 percent in 2022. Furthermore, the rate of informal employment has been higher among men compared to women throughout the period, especially when agriculture workers are included (given that more men are employed in the agriculture sector) (see Figure 12). Based on the rate of informal employment, the number

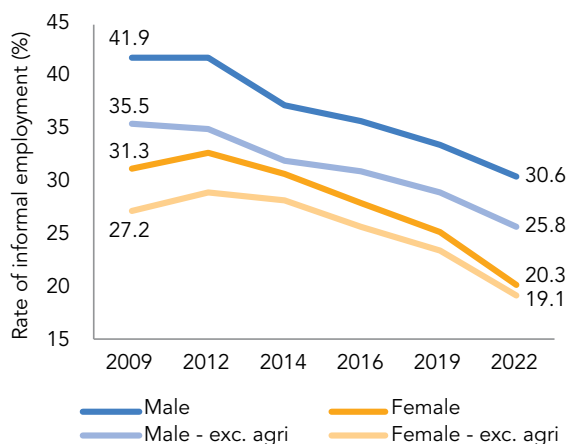
of informally employed workers in 2022 is estimated to be 4.1 million. When agricultural workers are excluded, the number of informally employed workers in 2022 is estimated to be 3.2 million. There is also some indication that informal employment is higher in Malaysia than in aspirational high-income countries, but lower than in regional peer countries. Figure 13 shows that the share of own account workers and unpaid family workers in total employment (referred to as “vulnerable employment” by the ILO) — a measure that is internationally comparable — in Malaysia is higher than in developed countries like Australia, Singapore, and the United States, but lower than in Thailand, Indonesia, and Vietnam.

FIGURE 11
Rate of informal employment, 2009 - 2022



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

FIGURE 12
Rate of informal employment by gender, 2009 - 2022



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

BOX 4

A summary of findings from the Informal Sector and Informal Employment Survey 2021

In 2021, DOSM conducted the Informal Sector and Informal Employment Survey, which introduced a number of changes and improvements to the Informal Sector Survey 2019. The main change is an explicit focus on informal employment, as reflected in the title of the survey. Other than that, the report included statistics both including and excluding the agriculture sector. In previous

rounds of the Informal Sector Survey, the agriculture sector was excluded. The report also included statistics for households as a production unit, on top of formal sector and informal sector enterprises. Some of the statistics on informal employment from the report are shown in Table 2 below.

TABLE 2:
Informal employment as measured in the Informal Sector and Informal Employment Survey 2021 (DOSM)

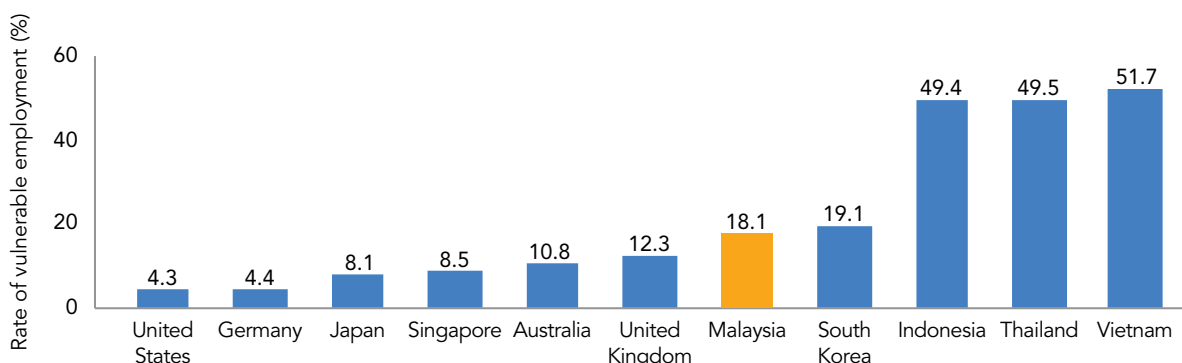
Informal employment (including agriculture)	Number ('000)	Share of employment (%)
Formal sector	1,469.2	9.8
Men	849.6	
Women	619.6	
Informal sector	1,996.9	13.3
Men	1,285.4	
Women	711.5	
Households	35.2	0.2
Men	0.5	
Women	34.7	
Total ('000)/Informal employment rate (%)	3,501.3	23.3

Source: Informal Sector and Informal Employment Survey 2021 (DOSM)

Note: Households refer to households producing goods exclusively for their own final use and households employing paid domestic workers.

The difference in the informal employment rate calculated in this report and that in the Informal Sector and Informal Employment Survey 2021 arises from the design of the questionnaire of the latter. More specifically, the survey assumes that all workers with a written contract are formally employed, regardless

of whether they are covered by EPF or SOCSO. In contrast, these same workers would be treated as informally employed in this report. Hence, the informal employment rate presented in this report is higher than that published in the DOSM report.

FIGURE 13**Own account workers and unpaid family workers (vulnerable employment) as a share of total employment, 2021**

Source: ILOSTAT and DOSM

The declining rate of informal employment seen over the years may be partly due to the programs that have been implemented by EPF and SOCSO to protect informally employed workers (see Section 2.5.2 and 2.5.3). To reiterate the definition presented in Section 2.6, the rate of informal employment is calculated using the HIS, based on access to employer's contributions as well as self-contributions to EPF or SOCSO. As described in the previous section, the number of members of *i-Saraan* and subscribers to SESSS have been increasing over time. Hence, while there has likely been an increase in the creation of formal jobs over time, accounting for the downward trend, the declining rate of informal employment between 2016 and 2022 is partly also due to the increase in coverage of EPF and SOCSO through *i-Saraan* and SESSS respectively.

Since the pandemic, there may have been a small increase in informally employed workers¹⁵ as shown

3.1.2 Gig workers

Using a broader definition of gig workers,¹⁸ researchers from DOSM estimate that there are half a million gig workers in Malaysia in 2018. Employing a broad definition of gig workers that encompasses contingent workers, Harun et al. (2020) find from LFS data that about 559,900 workers, or about 3.8 percent of all workers in 2018 are gig workers. Gig workers were defined as all

own account workers and all employees working less than 30 hours per week in occupation categories that are identified as "typical" gig-related occupations in their primary jobs. This includes freelancers such as tutors, photographers, and tourist guides, as well as technology-based occupations such as web designers, software developers, ride-hailing drivers, and delivery riders.¹⁹

by HiFy data from May 2021 to May 2022.¹⁶ In Malaysia and elsewhere, COVID-19 has put thousands of workers out of jobs and informal forms of employment have acted as a natural shock absorber to manage excess labor. Thus, while it can be noted that most respondents were in formal employment, there has been a modest increase in those employed informally, from 24.6 percent in May 2021 to 27.8 percent in May 2022 according to the HiFy survey.¹⁷ This could suggest a potentially more precarious situation as these workers are likely to remain with limited or no social protection as they continue to be informally employed in the longer term. Male workers make up a higher share of the informally employed workforce, which increased from 57.7 percent of the share from May 2021 to 60.5 percent by May 2022. Note that these statistics are not comparable to official estimates from the HIS due to differences in definitions and methodology.

15 Workers in the HiFy dataset are defined as wage workers, i.e., employees and interns/apprentices.

16 The HiFy survey defines households as the set of individuals continually residing with the respondent in a given dwelling at the time of the survey and sharing common living amenities and expenditures. If any such household member work informally, the entire household is treated as relying on informally employed workers, whereas if all working members have formal employment it is treated as relying on formally employed workers.

17 See World Bank (2021) for a more comprehensive analysis of the vulnerabilities faced by informally employed workers during the COVID-19 pandemic using the HiFy survey.

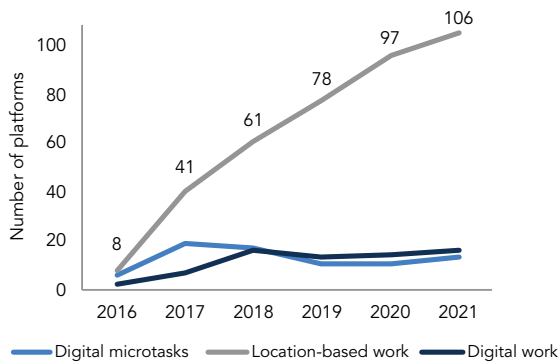
18 Gig employment or gig work is defined as employment that is typically facilitated through digital labor platforms. See Section 2.4.

19 A total of 218 unique 6-digit occupation titles were identified as gig-related occupations in the LFS 2018 dataset based on the Malaysian Standard Classification of Occupations (MASCO) 2013.

From 2016 to 2021, the cumulative number of active gig workers²⁰ working on digital labor platforms registered with MDEC was more than 1 million. It should be noted that it is likely that many of these workers have other jobs; for instance, 68.9 percent of the GLOW workers surveyed reported having another job outside of freelancing (see also Figure 68). Nonetheless, there are indications that the number of exclusive gig workers in Malaysia has increased rapidly over time. Data from MDEC show that the number of digital labor platforms registered with them has increased rapidly, from 11 in 2016 to 123 in 2021, as shown in Figure 14. At the same time, Figure 15 shows that the number of active gig workers on these platforms have increased from 29,200 in 2016 to 330,877 in 2021. The segment that

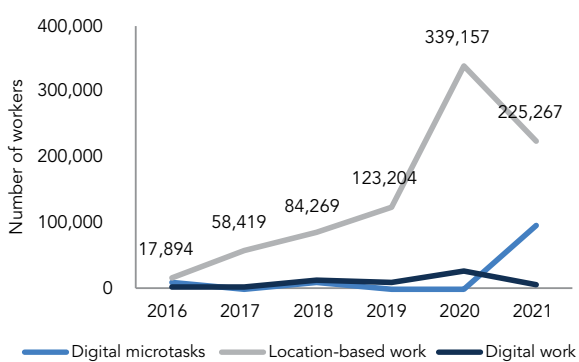
has seen the largest growth is location-based work. In 2021, there were 106 digital labor platforms facilitating location-based work. In comparison, only 14 and 17 digital labor platforms facilitated digital microtasks and digital work respectively. In the same year, the share of gig workers performing location-based work was 68.1 percent of all gig workers. Moreover, there are indications that more Malaysians are prepared to join the gig economy. A survey conducted by Zurich Insurance Group and the University of Oxford in 2018 found that 38 percent of respondents in Malaysia who were in full time employment were looking to become freelancers in the following year — which is higher than the global average of 20 percent (Zurich Malaysia 2020).

FIGURE 14
Number of digital labor platforms registered with MDEC by type of task, 2016 - 2021



Source: MDEC (2022)

FIGURE 15
Number of active gig workers on MDEC’s platform partners, 2016 - 2021



Source: MDEC (2022)

3.2 Correlates of informal employment

3.2.1 All informally employed workers

Generally, prevalence of informal employment is higher among older age groups. As seen in Figure 16, 24.9 percent of workers in the youngest age group are informally employed, compared to 31 percent and 49.6 percent for the 45 to 54 and 55 to 64 age groups, respectively. It is important to note that the overall employment rate is also lower among older persons in Malaysia, and out of those employed, a majority are informally employed, perhaps due to the lack of formal employment opportunities for older persons, particularly after the minimum retirement

age of 60 years (see World Bank 2020b). The rate of informal employment is generally higher among men compared to women as shown in Figure 17. The pattern of informal employment across age groups is similar for both genders.

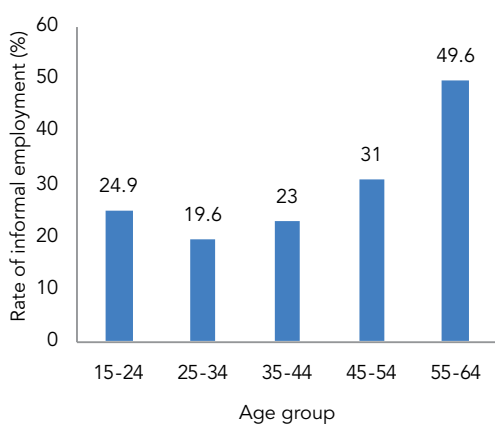
Workers with lower levels of education are more likely to be informally employed, although there is evidence of educational upgrading over time, for both formal and informally employed workers. The rate of informal employment is clearly higher among workers

20 Active gig workers are defined as new income earners earning on digital labor platforms registered with MDEC.

with lower levels of education, with three quarter or more workers without any formal education having informally employed jobs throughout the period, as shown in Figure 18. That said, between 2016 and 2019, there was a significant increase in the rate of informal employment among those with a post-secondary education. This rate increased by about 8.7 percentage points from 18 percent in 2016 to 26.7 percent in 2019.

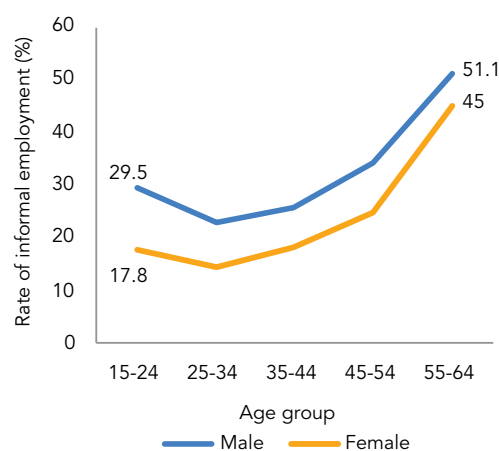
This may be a reflection of the educational upgrading that has occurred over time. Figure 19 and Figure 20 show that all workers are increasingly obtaining more education, reflected by the increasing share of workers with at least a post-secondary education. Nonetheless, it is worth noting that in 2022, the majority of informally employed workers (80.9 percent) have at most a secondary education.

FIGURE 16
Rate of informal employment by age group, 2022



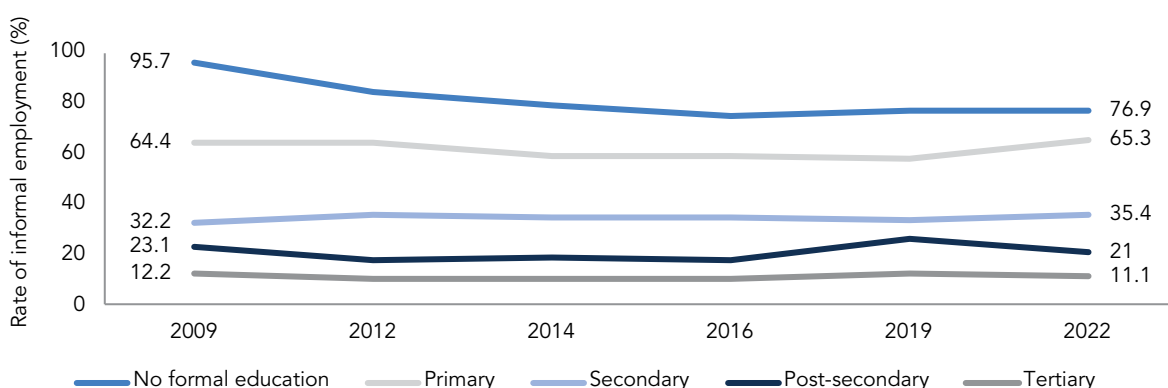
Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

FIGURE 17
Rate of informal employment by age group and gender, 2022



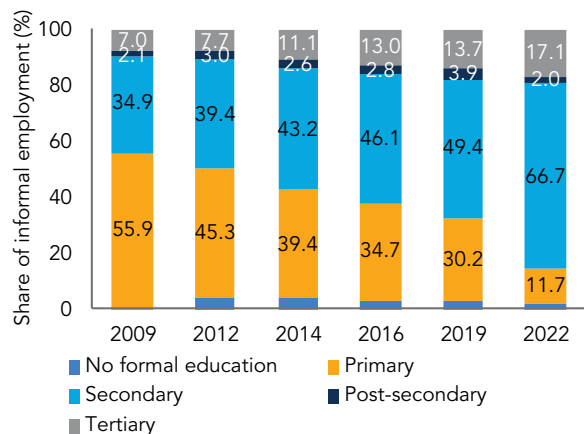
Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

FIGURE 18
Rate of informal employment by education level, 2009-2022



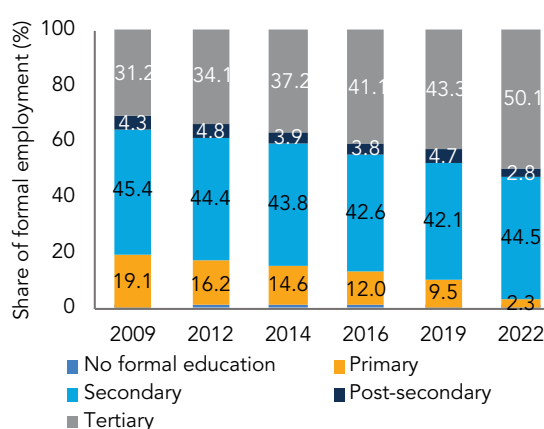
Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

FIGURE 19
Share of informal employment by education level, 2009-2022



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

FIGURE 20
Share of formal employment by education level, 2009-2022



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

TABLE 3
Basic characteristics of different categories of formally and informally employed workers, 2019²¹

	Formally employed workers				Informally employed workers				
	Employers	Employees	Own account workers	All	Employers	Employees	Own account workers	Unpaid family workers	All
Average age	45.9	37.5	42.3	37.5	47.2	37.9	45.3	36.2	42.3
Gender (share of workers, %)									
Male	74.5	60.5	79.8	60.5	85.9	69.8	70.8	39.8	69.6
Female	25.5	39.5	20.2	39.5	14.1	30.2	29.2	60.2	30.4
Total	100	100	100	100	100	100	100	100	100
Age group (share of workers, %)									
15-24		11.4	2.0	11.4	0.9	18.6	3.4	27.1	9.8
25-34	21.2	32.4	26.5	32.4	11.5	26.6	17.5	24.7	20.6
35-44	6.3	28.1	30.1	28.1	25.2	22.1	23.8	16.9	22.9
45-54	52.9	20.4	28.6	20.4	35.4	19.0	29.8	17.2	25.8
55-64	19.6	7.7	12.8	7.7	26.9	13.8	25.6	14.0	21.0
Total	100	100	100	100	100	100	100	100	100
Education level (share of workers, %)									
No formal education		0.4	1.5	0.4	0.8	2.4	3.0	4.6	2.7
Primary	19.0	9.5	20.1	9.5	21.1	30.8	31.1	29.5	30.2
Secondary	40.6	42.1	42.7	42.1	42.7	52.7	47.9	52.4	49.4
Post-secondary	2.1	4.7	7.6	4.7	4.3	3.5	4.1	4.2	3.9
Tertiary	38.4	43.4	28.1	43.3	31.2	10.6	14.0	9.3	13.7
Total	100	100	100	100	100	100	100	100	100
% of respective sample	0.04	99.84	0.12		6.85	33.84	53.18	6.13	

Source: World Bank staff calculations based on data from Household Income Survey 2019 (DOSM)

21 The same table excluding agriculture workers is available in Annex 2.

The gender, age, and education composition of different categories of formally and informally employed workers reveals that these groups are quite heterogeneous. Table 3 shows that on average, informally employed workers are older than formally employed workers by about five years on average. Employers and own-account workers, on average, tend to be older than employees and unpaid family workers. Furthermore, while there is a high concentration of men among most groups of workers, most unpaid family workers are women. This is expected, given the relatively low female labor force participation rate in Malaysia, which stood at 55.6 percent in 2019 (see World Bank 2019b). In terms of education, as already discussed, a much higher share of formally employed workers have completed tertiary education (43.3 percent) compared with informally employed workers (13.7 percent). The patterns are similar when agricultural workers are excluded.

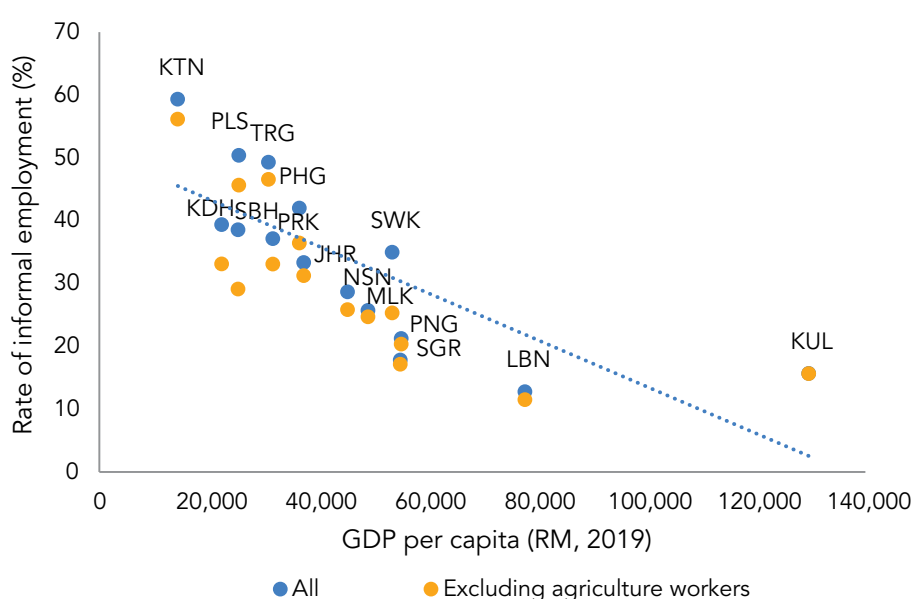
Workers in rural areas are more likely to be informally employed compared with their urban counterparts. Between 2009 to 2019, the average rate of informal employment in rural areas was 54.5 percent whereas in urban areas it was 28.9 percent. The rate of informal employment is much lower in rural areas when agriculture workers are excluded, but remains to be high in comparison to the rate of informal employment in urban areas. Specifically, the rate averaged 41.9

percent in rural areas and 27.7 percent in urban areas. It is worth noting that employment in Malaysia is largely urban with urban employment making up 80.8 percent of total employment in 2019. Hence, despite the relatively high informal employment rate among workers in rural areas, the number of informally employed workers in rural areas is not high.

The less developed states have higher rates of informal employment. In Figure 21 below, it can be seen that states that are more rural and less developed are associated with higher levels of informality. For example, in 2019, the highest informal employment rates could be observed in Kelantan and Perlis with 59.3 percent and 50.4 percent, respectively. On the other hand, WP Labuan and WP Putrajaya had some of the lowest informal employment rates of 12.8 and 7.4 percent respectively. The relationship between informal employment rates and development is illustrated in Figure 21, where a downward trend is observed — higher levels of informal employment are associated with lower state GDP per capita. The coefficient of correlation between state GDP per capita and informal employment is -0.78, which is rather high. Even though this is not an indication of a causal relationship, it does suggest that states with higher level of income are also those that have managed to create more formal jobs, and vice versa.

FIGURE 21

Rate of informal employment and GDP per capita by state, 2019



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

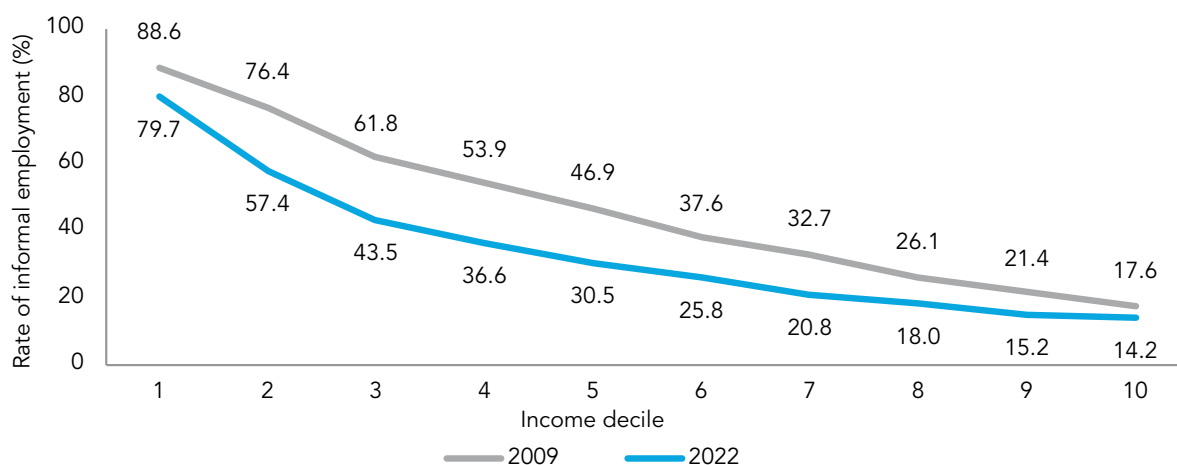
The rate of informal employment is generally higher among the poorest households, and almost half of all informally employed workers are from B40 households.

Figure 22 shows that in 2022, the informal employment rate is highest for workers from households in the bottom 10 percent of the income distribution at 79.7 percent. The rate is substantially lower for workers from households in the second income decile, at 57.4 percent, and is generally lower in higher income

deciles. This is a consistent finding in the literature (Gatti et al 2014). Moreover, between 2009 and 2022, an average of 45.6 percent of all informally employed workers were from B40 households. In comparison, an average of 35 percent of informally employed workers were from households in the top 40 percent of the income distribution. These figures suggest that informal employment is an important source of income for workers from poorer households.

FIGURE 22

Rate of informal employment by deciles of household income per capita, 2009 and 2022



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

Multivariate econometric analysis using data from 2009 to 2019 confirms the analysis presented that women, youth, less educated persons, and workers from lower income households are overall more likely to be informally employed.²² However, unlike the descriptive statistics in which we found a higher rate of informal employment among older workers, econometric analysis indicates a positive association

between youth and informal employment. This may be because other factors associated with older age groups, such as rural residence, education levels, and sector of employment may be stronger predictors of informal employment than older age alone. Once we control for these factors, we in fact find that youth are more likely to have a higher rate of informal employment.

²² A probit regression was used to analyze the likelihood of being informally employed for workers aged 15 to 64 based on different sociodemographic, geographical, and economic factors (see Annex 4). The regression controls for gender, age, age-squared, ethnicity, sector of employment, education level, urban-rural location, income level, state, and year.

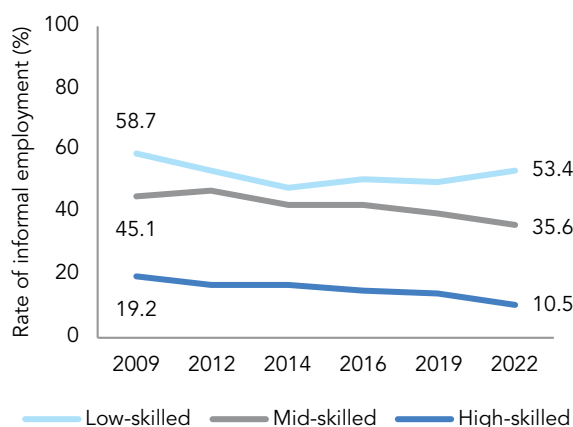
3.3 Employment characteristics of informally employed workers

3.3.1 All informally employed workers

The majority of low-skilled jobs are informal, while most informal jobs in Malaysia are mid-skilled jobs. Figure 23 shows that the rate of informal employment has decreased over time for across all levels of occupational skill, with rates of 53.4 percent for low-skilled, 35.6 percent for mid-skilled and 10.5 percent

for high-skilled jobs in 2022. The largest decline was seen for mid-skilled jobs, from 45.1 percent to 35.6 percent. Between 2009 and 2019, we do not see a pronounced change in the skill level composition of those in informal employment (Figure 24).

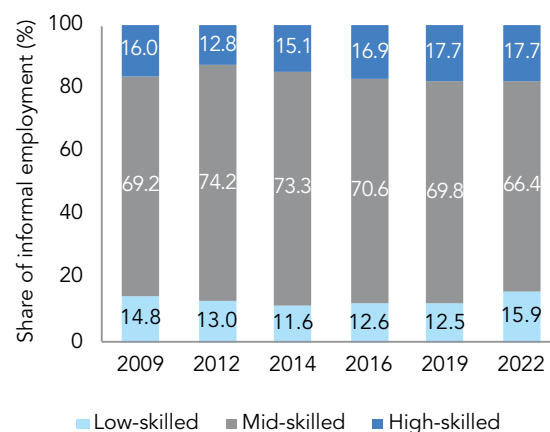
FIGURE 23
Rate of informal employment by skill level, 2009-2022



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

Men and older workers as well as the non-Bumiputera have been found to be more likely to be informally employed in high-skilled occupations. Multivariate economic analysis reveals that informally employed Chinese and Indian workers are more likely to have high-skilled occupations compared to informally employed Bumiputera workers (see Annex 5). In terms of sector of employment, informally employed workers from the mining sector are more likely to be employed in high-skilled occupations compared to those in the services sector. In contrast, informally employed workers in the agriculture, manufacturing, and construction sectors are less likely to be employed in high-skilled occupations compared to workers in the services sector, with workers from the agriculture sector being the least likely. Unsurprisingly, informally employed workers from urban areas, with higher levels of educational attainment, and those from

FIGURE 24
Share of informal employment by skill level, 2009-2022



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

higher income households, are also more likely to be employed in high-skilled occupations.

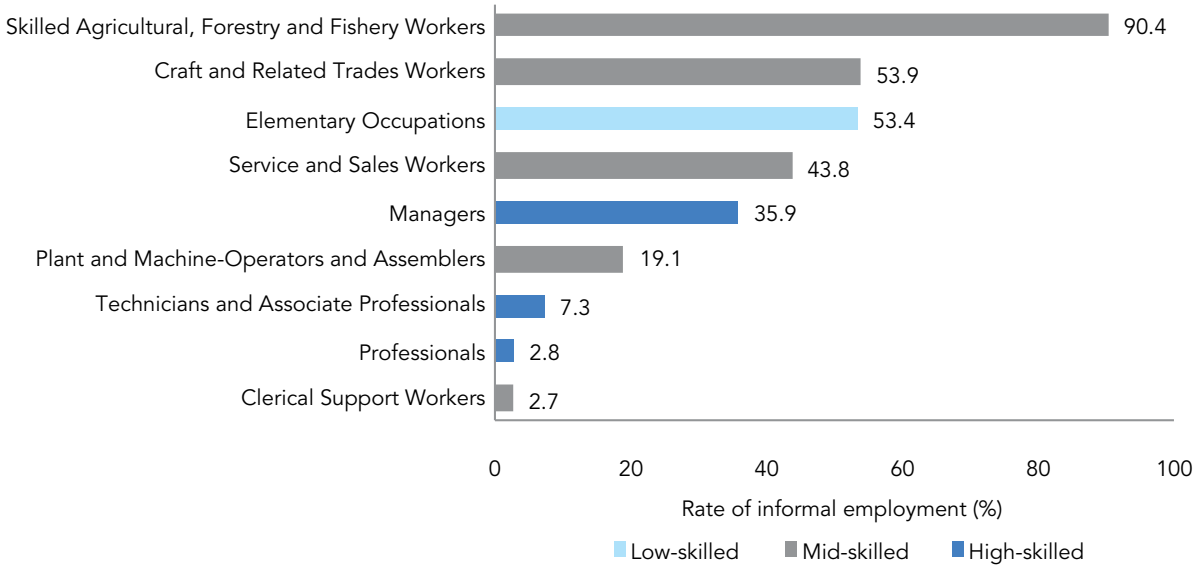
The majority of workers in the agriculture sector are informally employed; however, given agriculture's small share in total employment, larger numbers of informally employed workers are in the services sector. Both the occupational profiles and sectoral profiles of informally employed workers show that most workers in the agriculture sector are informally employed. Figure 25 shows that 90.5 percent of skilled agricultural, forestry, and fishery workers are informally employed — this also represents the highest rate of informal employment among all of the occupations. Further, 76.4 percent of workers in elementary occupations in the agriculture sector are informally employed.²³ Figure 26 reinforces the predominance of informal employment in the agriculture sector, with an average

23 About 18 percent of all workers employed in elementary occupations are employed in the agriculture sector.

of 81.4 percent of workers in the sector being informally employed in the period between 2009 and 2022. This is followed by the construction, services, manufacturing, and mining sectors respectively. However, when it

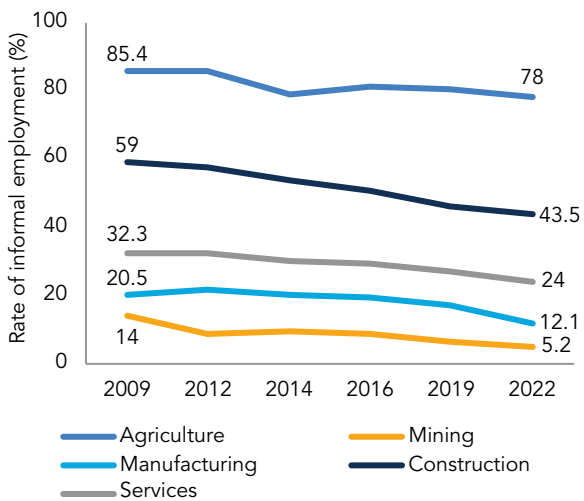
comes to the *share* of informally employed workers, the services sector employs the majority of all informally employed workers in Malaysia and increasingly so, as illustrated in Figure 27.

FIGURE 25
Rate of informal employment by occupation, 2022



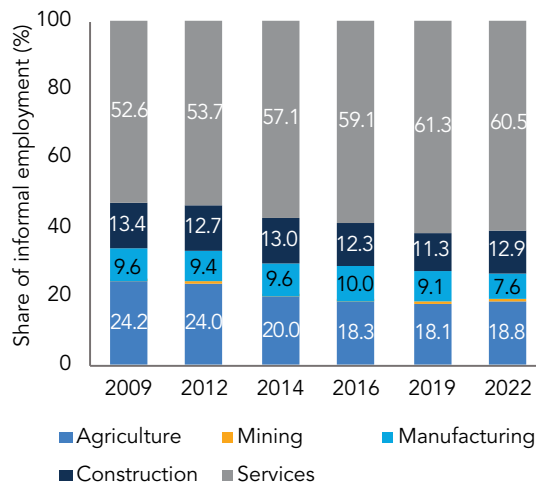
Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

FIGURE 26
Rate of informal employment by sector, 2009 - 2022



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

FIGURE 27
Share of informal employment by sector, 2009 - 2022



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

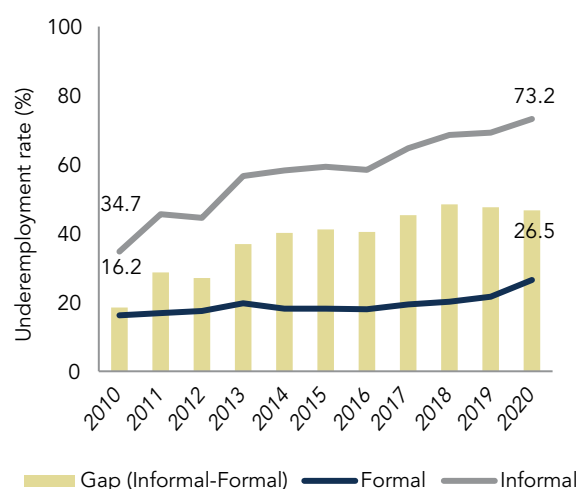
3.4 Underemployment among informally employed workers

3.4.1 All informally employed workers

Skill-related underemployment is prevalent in Malaysia, and the skill-related underemployment rate of informally employed workers is higher and has increased more rapidly than that of formally employed workers. Skill-related underemployment is defined as those with tertiary education working in mid- or low-skilled jobs. The Labour Force Survey Report 2021 (DOSM) shows that the skill-related underemployment rate has exceeded 30 percent since 2015, and has also been increasing over time, reaching 38.7 percent in 2021. When calculated based on type of employment, Figure 28 shows that the underemployment rate of

formally employed workers had increased from 16.2 percent in 2010 to 18.2 percent in 2015, 21.6 percent in 2019, and 26.5 percent in 2020. On the other hand, the underemployment rate of informally employed workers had increased from 23.7 percent in 2010, to 59.3 percent in 2015, 69.2 percent in 2019, and 73.2 percent in 2020. The relatively rapid increase in the underemployment rate of informally employed workers has led to a widening of the gap in the underemployment rate between informally employed workers and formally employed workers, from 18.5 percentage points in 2010 to 46.7 percentage points in 2019.

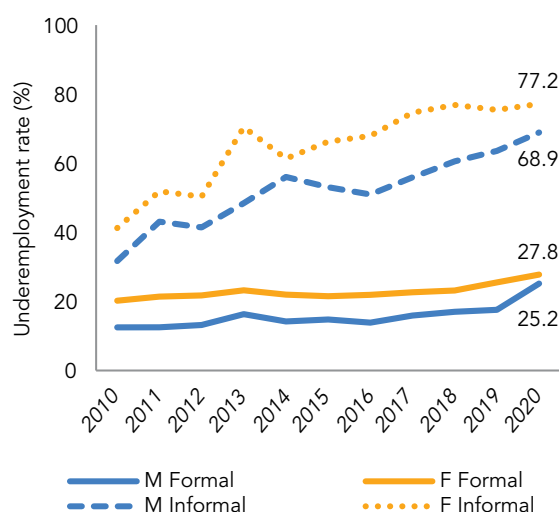
FIGURE 28
Skill-related underemployment rate by type of employment, 2010 - 2020



Source: World Bank staff calculations based on data from Labour Force Survey (DOSM)

The skill-related underemployment rate is particularly high for informally employed women and seems to largely decline with age. The underemployment rate of informally employed women has been consistently higher than that for men, as shown in Figure 29. This may be due to the fact that despite having higher levels of educational attainment, women may find it challenging to balance work and family responsibilities (see World Bank 2019b). Thus, women are more likely to opt for informal employment due to its flexibility. Tertiary employed women are also more likely to be employed as unpaid family workers — which largely consists of

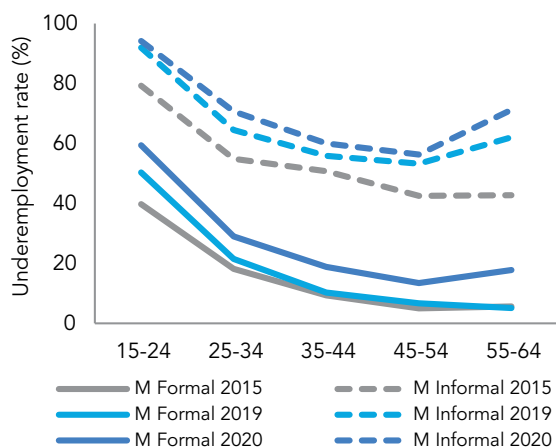
FIGURE 29
Skill-related underemployment rate by type of employment and gender, 2010 - 2020



Source: World Bank staff calculations based on data from Labour Force Survey (DOSM)

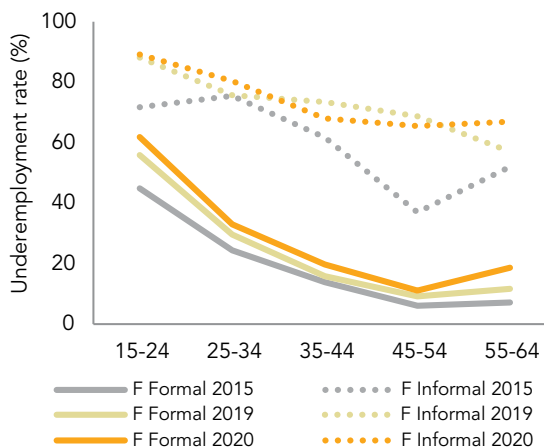
low- and mid-skilled work — compared to tertiary employed men. Further, underemployment appears to decline with age. Figure 30 and Figure 31 show that the underemployment rate is higher for younger age groups, although there are instances where it is higher for those aged 55 to 64 compared to those aged 45 to 54. This may suggest that while younger tertiary educated workers are more likely to be informally employed out of necessity, and hence settle for mid- or low-skilled jobs, some of those who are older are able to obtain high-skilled informal employment and may even choose informal employment, perhaps due to its flexibility.

FIGURE 30
Skill-related underemployment rate of men by type of employment and age group, selected years



Source: World Bank staff calculations based on data from Labour Force Survey (DOSM)

FIGURE 31
Skill-related underemployment rate of women by type of employment and age group, selected years

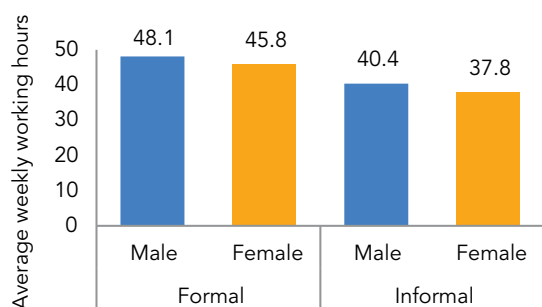


Source: World Bank staff calculations based on data from Labour Force Survey (DOSM)

Informally employed workers work fewer hours than formally employed workers on average. This is true for both men and women, as seen in Figure 32. The gender gap in hours worked may be due to the burden of housework and care duties shouldered by women (KRI 2019; World Bank 2019b). To illustrate the burden of housework on women, data from LFS 2019 show that 60.7 percent of women do not participate in the labor force due to housework or family responsibilities, compared to 3.5 percent of men (in 2021, the relevant shares are 63.2 percent of women and 5.8 percent of men). While it is a different indicator altogether, the lower number of hours worked by women may be indicative of the effort to reconcile between work

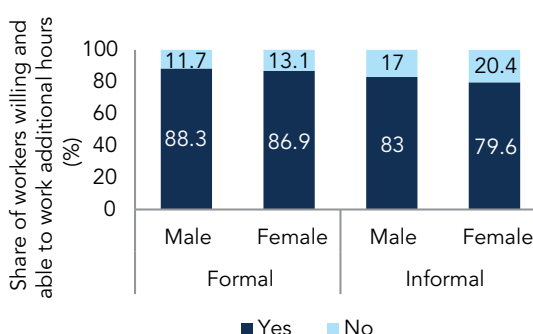
and household responsibilities. That aside, the gap in average hours worked between formally and informally employed workers is larger relative to the gap in average hours worked between men and women within each of these categories. Most workers working less than 30 hours per week are willing and able to work more hours, illustrated in Figure 33. However, slightly higher shares of informally employed men and women are not willing and able to work more. This may reflect the fact that some workers choose to be informally employed *because* they would not need to or are unable to work full time due to other responsibilities, including household responsibilities.

FIGURE 32
Average weekly working hours by type of employment and gender, 2017



Source: World Bank staff calculations based on data from Labour Force Survey (DOSM)

FIGURE 33
Willingness and ability to work more hours by type of employment and gender, 2017



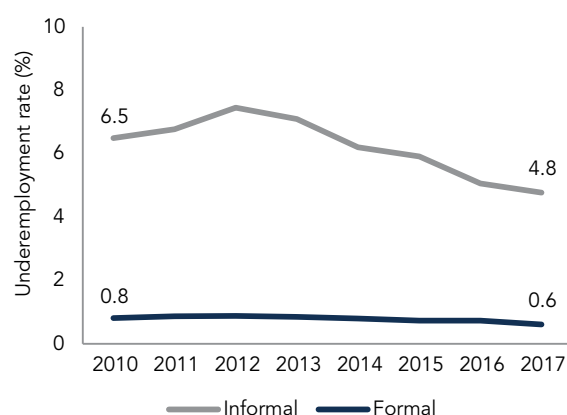
Source: World Bank staff calculations based on data from Labour Force Survey (DOSM)

Note: The sample only includes workers who are currently working less than 40 hours a week.

Informally employed workers also experience higher levels of time-related underemployment. Time-related underemployment is defined as the share of workers who are working less than 40 hours a week, even though they are willing and able to work more hours. Figure 34 and Figure 35 below show that the time-related underemployment rate of informally employed workers is higher than that for formally employed workers, regardless of gender. The time-

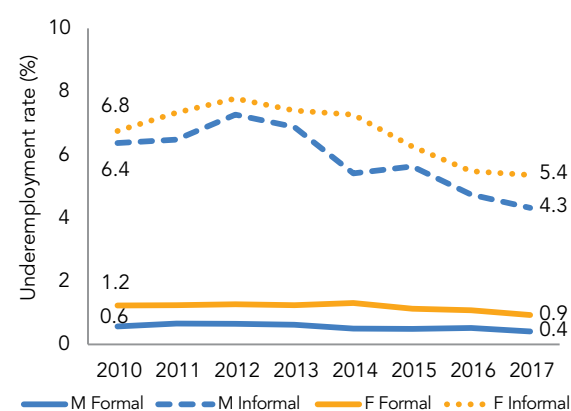
related underemployment rate is also higher for women compared to men. However, the gap in time-related underemployment between informally and formally employed workers has been narrowing over time. Figure 34 shows that the rate of time-related underemployment has been declining over time for informally employed workers, it has stayed more or less constant for formally employed workers.

FIGURE 34
Time-related underemployment rate by type of employment, 2010 - 2017



Source: World Bank staff calculations based on data from Labour Force Survey (DOSM)

FIGURE 35
Time-related underemployment rate by type of employment and gender, 2010 - 2017



Source: World Bank staff calculations based on data from Labour Force Survey (DOSM)

3.5 Income of informally employed workers

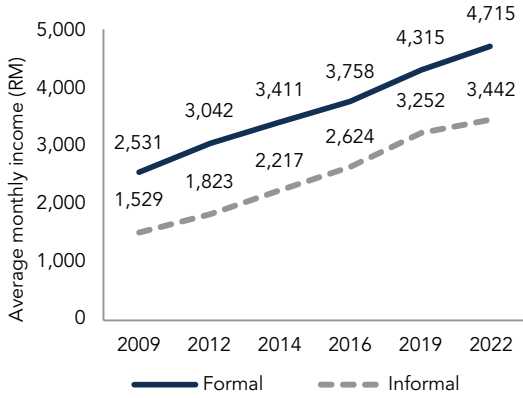
3.5.1 All informally employed workers

Formally employed workers earn more than informally employed workers. Comparing the average monthly incomes of formally and informally employed workers, Figure 36 and Figure 37 show that throughout the period between 2009 to 2022, workers in formal employment consistently earned more than workers in informal employment. However, the difference in average income between the two groups of workers has been falling over time. In 2009, formally employed workers earned about 65.5 percent more than informally employed workers on average. In 2022, they earned about 37 percent more. Figure 38 also shows the distribution of the monthly income earned by those in formal and in informal employment in 2019,

also clearly indicating a concentration of informally employed workers at lower levels of earnings. An important caveat is that the calculation does not account for differences in hours worked between the different types of workers, as this data is not available in the HIS. As shown in Figure 32, informally employed workers work fewer hours compared to formally employed workers on average, and so are expected to earn less on a monthly basis, *ceteris paribus*. The subsequent analyses in this section provide further understanding on the differences in earnings between formally and informally employed workers by using estimated hourly earnings.²⁴

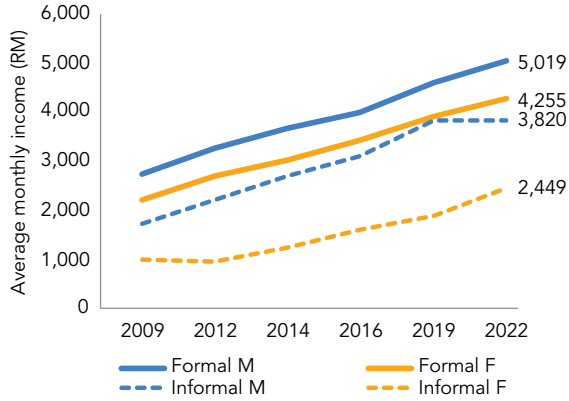
²⁴ Hourly earnings were estimated by calculating the average working hours by formal/informal status, gender, ethnicity, and status in employment (i.e., employer, employee, own account worker, or unpaid family worker). An R-squared decomposition shows that the most important determinants of working hours are status in employment and ethnicity.

FIGURE 36
Average monthly income by type of employment, 2009 - 2022



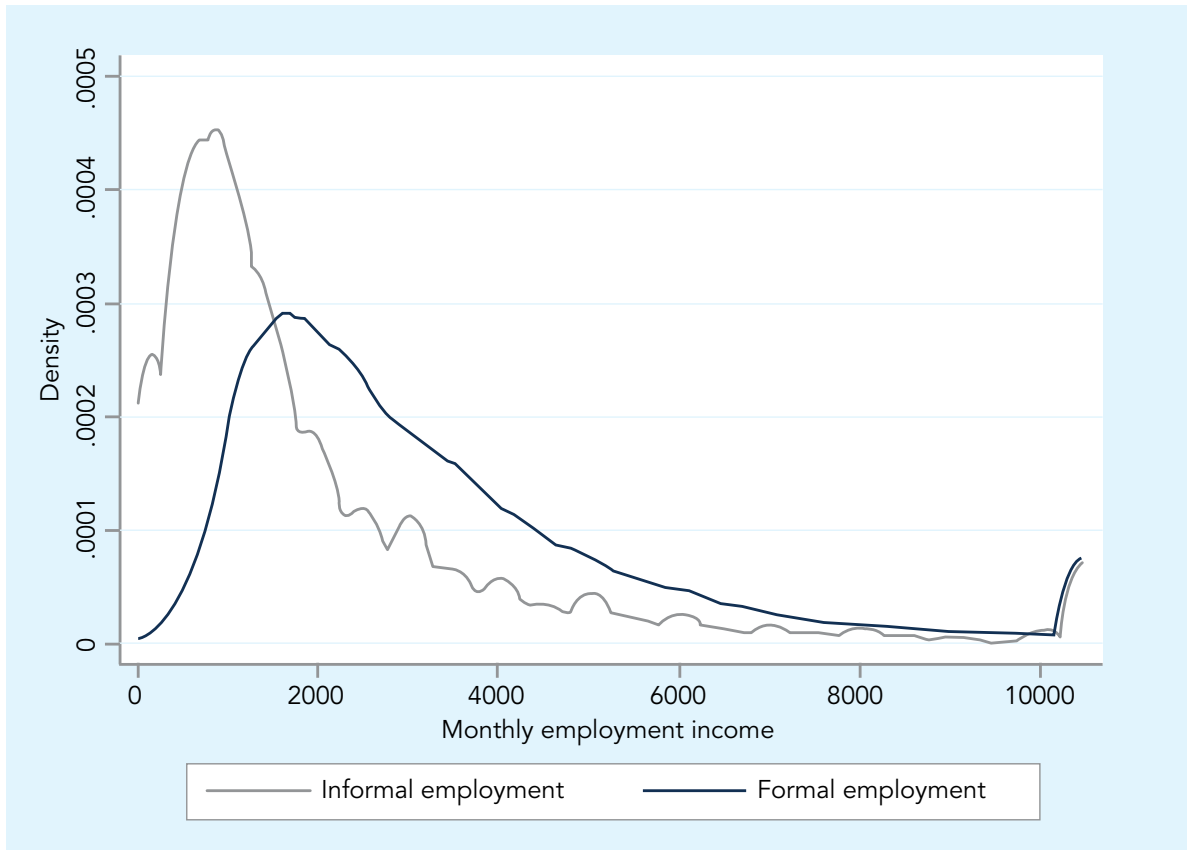
Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

FIGURE 37
Average monthly income by type of employment and gender, 2009 - 2022



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

FIGURE 38
Monthly income distribution by type of employment (Kernel density distribution), 2019



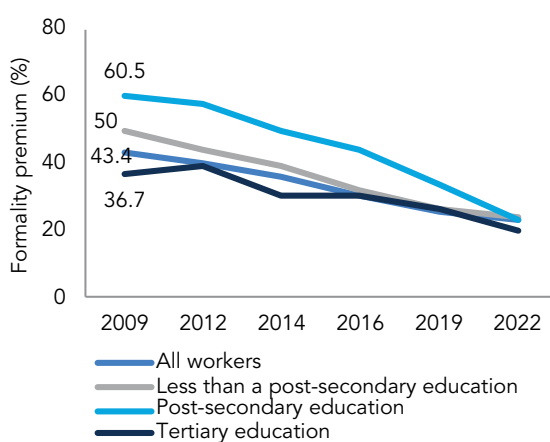
Source: World Bank staff calculations based on data from Household Income Survey (DOSM) 2019

Note: 98% winsorization is performed for earnings per job. The top 1 percent and bottom 1 percent of the observations are replaced with their closest value. This allows us to get a more accurate view of the mean of the variable.

The formality premium, or the earnings differential between formally and informally employed workers, has been declining over time and is substantially higher among women. The formality premium reflects the average level of hourly income earned by formally employed workers relative to informally employed workers, after accounting for the difference in income that can be captured by gender, age, age-squared, sector, ethnicity, education level, and urban-rural location.²⁵ In short, a positive formality premium reflects the degree to which formally employed

workers earn more than informally employed workers on average because they are formally employed (and not because of the characteristics of workers such as age or education level), and vice versa. In 2009, formally employed workers earned about 43.4 percent more than similar informally employed workers on average, as shown in Figure 39. By 2022, the premium had declined to 23.2 percent. Further, Figure 40 shows that the formality premium is substantially higher for women than for men. In 2022, the formality premium for women was 40.9 percent compared to 16.8 percent for men.

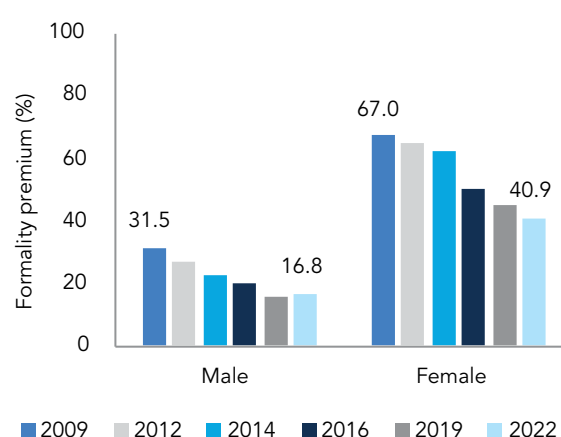
FIGURE 39
Formality premium based on hourly wages by education level, 2009 -2022



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

Note: Unpaid family workers are excluded. The Mincer regressions control for gender, age, age-squared, sector of employment, ethnicity, and urban-rural location. Education level is controlled in the regression that includes all workers. Average working hours are estimated using data from the LFS (see Footnote 24).

FIGURE 40
Formality premium based on hourly wages by gender, 2009 - 2022



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

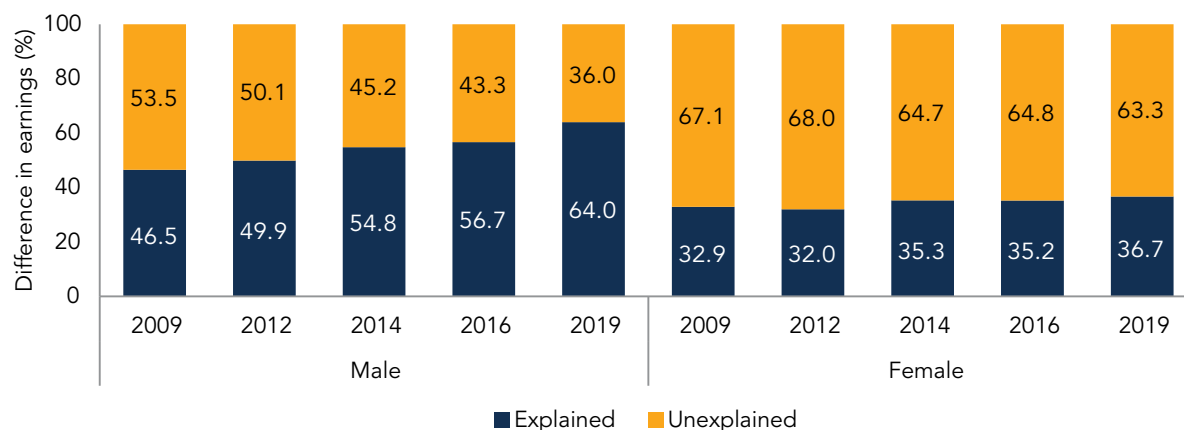
Note: Unpaid family workers are excluded. The Mincer regressions control for education level, age, age-squared, sector of employment, ethnicity, and urban-rural location. Average working hours are estimated using data from the LFS (see Footnote 24).

The difference in hourly earnings between formally and informally employed workers is largely unexplained by differences in gender, age, education level, sector of employment, ethnicity, and urban-rural location. Figure 41 shows that out of the 49.4 percent gap in earnings between formally and informally employed workers in 2019, 44.5 percent can be explained by differences in the sociodemographic characteristics of workers, while 55.5 percent is unexplained. This means that informally employed

workers were paid less than their formally employed counterparts in 2019, even when they had the same sociodemographic characteristics, suggesting discrimination by formality status. That said, consistent with the findings on the formality premium, the unexplained share has declined by 13 percentage points between 2009 and 2019, suggesting that the difference in earnings between formally and informally employed workers can increasingly be attributed to the sociodemographic characteristics of workers.

25 This does not account for differences in employment benefits, but only of hourly income earned.

FIGURE 41
Explained and unexplained differences in hourly earnings between formally and informally employed workers by gender, 2009 - 2019



Source: World Bank staff calculations based on data from Household Income Survey (DOSM)

Note: Unpaid family workers are excluded. The Oaxaca decompositions controls for gender, age, age-squared, education level, sector of employment, ethnicity, and urban-rural location. Average working hours are estimated using data from the LFS (see Footnote 24).

The share of unexplained difference in earnings is also much higher for informally employed women compared to men. More than 60 percent of the difference in earnings between formally and informally employed women cannot be explained by sociodemographic characteristics, compared to 36 percent for men. Indeed, past analyses have shown that the gender gap in earnings is largely unexplained (see World Bank 2019b). The findings presented and to these findings, and suggest that informally employed women likely face more earnings discrimination than informally employed men, or may self-select into less remunerative work due to unobservable factors such as flexibility of work arrangements, mobility restrictions, and the higher acceptability or permissibility of certain jobs, or may also face greater skills mismatches (see Section 3.4).

Econometric analysis confirms the gender gap in earnings among informally employed workers, and reveals age, ethnic, and sectoral differences in

earnings.²⁶ Excluding unpaid family workers, informally employed men are found to earn about 43.3 percent more than informally employed women. Being older is also associated with 6.4 percent higher earnings per hour, although this age premium declines after a certain age. Compared to those without any formal education, workers with primary education are earn about 10.1 percent more, and those with tertiary education earn about 79.8 percent more. Informally employed workers in urban areas also earn about 9.5 percent more than informally employed workers in rural areas. Earnings are lowest in the agriculture sector, followed by manufacturing (12.9 percent higher than agriculture), construction, services, and mining (49.1 percent higher than agriculture). Non-Bumiputera informally employed workers are also more likely to earn more than their Bumiputera counterparts, with Indians earning about 5.2 percent more and the Chinese earning about 35.8 percent more. Other ethnicities earn about 3.2 percent more.

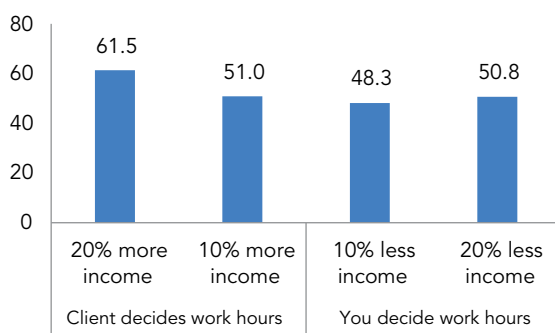
²⁶ A left-censored Tobit regression was adopted to analyze which factors, including sociodemographic, geographic, and economic factors, are associated with higher earnings per hour for 15 to 64-year-old persons who are working. See Annex 6.

3.6 Perceptions of informal employment

Our small sample analysis of freelancers²⁷ reveals that a substantial share of freelancers value flexibility in terms of work hours and work location. When given a choice between deciding their own working hours and a client deciding their work hours, about half the freelancers surveyed would be willing to give up 10 to 20 percent of their income if it means being able to decide their own working hours (Figure 42). Similarly,

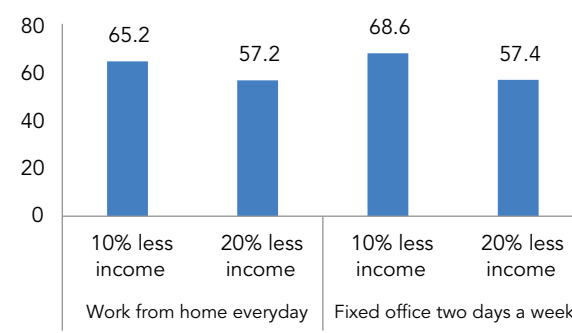
as shown in Figure 43, more than half (57.2 percent) of freelancers were willing to forego 20 percent of income in order to work from home daily, and this share is higher with a tradeoff of 10 percent (65.2 percent). Further, the preference to work at an office two days a week versus all days of the week is also highly valued by freelancers, even when it came at a cost of 10 to 20 percent of income.

FIGURE 42
Likelihood of choosing Job B and tradeoff between work hours flexibility and income



Source: Ghorpade, Jasmin and Abdur Rahman (forthcoming)

FIGURE 43
Likelihood of choosing Job B and tradeoff between work location flexibility and income



Source: Ghorpade, Jasmin and Abdur Rahman (forthcoming)

TABLE 4
Summary of advantages and disadvantages of (in)formal employment, as informed by FGDs and KIs

Advantages of Formal Employment

- EPF/ SOCSO coverage
- Basic salary/ stable income
- Good remuneration package (paid annual leave, medical leave)
- Easier loan approvals (from monthly pay slips)
- No operating/capital costs
- Job stability and clearer career paths
- Awareness of social security
- Positive impression in society
- Fixed work hours

Disadvantages of Formal Employment

- Inflexibility of work hours
- Inflexibility of work arrangements
- Inability to earn higher income by working more
- Need approval for leave
- Stagnant income/insufficient income (capped at min wage)
- Confined to a superior/bound by instructions
- Tied to company processes
- Limited opportunities for career growth
- Stagnant income and work experience

Source: World Bank qualitative data collection of agricultural laborers, location-based workers, care workers and hawkers.

This echoes findings from our qualitative study,²⁸ which show that flexibility of work hours and work arrangements are the top reasons why informal employment (non-standard jobs) is preferred over

formal, standard employment (Table 4). Many respondents of qualitative surveys conducted for this report expressed that they prefer flexibility since they have to attend to care duties that could take place

27 See Annex 7 for a description of profiles of respondents in our survey of digital freelancers.

28 See Annex 7 for a description of profiles of respondents in our qualitative study.

during “normal” working hours, especially handling young children or elderly, as well as being to attend to any emergencies. For some, flexibility also allowed for more family time together. Being tied to a fixed office location is also seen as burden to informal workers.

Furthermore, being in informal employment allows individuals to work more than one job simultaneously. The quotation below depicts an informally employed baker relaying the importance of flexibility of work (such as choice of work hours and work location).

INTERVIEW QUOTE 1

“...Time is also flexible in case there is an emergency. Right now, my mom is not feeling well and is not working anymore while my father works in Kuala Lumpur. If anything happens, she has a companion and also assists me at work. I do not like to be bound from an 8am to 5pm job. When you have your own business, you have to be disciplined on your own.”

(Female baker from Pahang)

Due to the flexibility of working hours, informally employed workers explained that they are able to earn higher income by working more hours. This reinforces the findings from the analysis of the LFS discussed in Section 3.4.1 on the higher incidence of time-related underemployment (the greater availability to work additional hours) among informally employed workers. Some of the respondents also expressed that income from formal employment is stagnant and insufficient

(i.e., capped at the minimum or a fixed wage). As an example, hawkers and street vendors are able to earn revenue on a daily basis while formal employees receive a fixed amount of monthly salary. This approach could be very profitable, especially if there are events and carnivals within their localities. In one case, daily income is preferred over monthly salary, so that they are able to buy necessities daily.

INTERVIEW QUOTE 2

“Although I am tired from sleepless nights preparing the food and beverages to be sold the next day, it will make me happy when we get the money and profit. We can get daily income, and we can always buy our needs daily. We don't have to wait until the end of the month for the salary.”

(Female street vendor selling *kuih* from Sabah)

However, due to the nature of their work, many informally employed workers do not have a stable stream of income, which could depend on several factors such as weather conditions, customer orders,

as well as location of workplace, unlike standard employees who receive a monthly income. The quote below illustrates the volatility in earnings for street vendors.

INTERVIEW QUOTE 3

“...For hawkers, I'm not saying that they cannot operate when it is raining, but when it does, there are barely any customers. Especially if you sell things like beverages. When it is raining, who would want to drink cold beverage? Usually when it was raining, you can see that most of the products are still on the table. But when it's hot, there products are easily sold out. So, what would usually affect hawker's economy and income is usually the price and weather.”

(Male street vendor from Sabah)

As for perceptions of formal employment, respondents across all sectors noted that coverage from EPF and SOCSO as among its top advantages (see Table 4).

Furthermore, on top of a basic salary, formally employed workers typically enjoy a remuneration package which includes perks such as paid annual and medical leave; benefits that are not available to informally employed workers. Furthermore, due to stable monthly income

(and formal income statements), formal employment was also seen as enhancing access to formal credit. This is because formally employed workers can show their pay slips as proof of their ability to repay loans, and may navigate the financial system with greater ease. This underlines the benefits of formal employment that may extend to other dimensions of development, including financial inclusion.

INTERVIEW QUOTE 4

“For me, there are a lot of benefits of formal employment. It is brighter future, entitle for EPF, get promotion, paid leave and they get a lot of privilege. So, simply speaking it is more secured.”

(Female care worker from Sabah)

INTERVIEW QUOTE 5

“It is difficult because being self-employed, there is no pay slip compared to when we worked previously. You only have to work three months, compile your pay slip and apply for a loan.”

(Male farmer from Sabah)

Other advantages of formal or standard employment include no operating or capital costs incurred, provision of job-related training, job stability, and clear career paths. Since most informally employed workers are own-account workers who typically own their business, they incur high material costs for their products such as fresh produce for hawkers and pesticides and machinery for agricultural laborers. Rising prices reduce their profits, further adding to the unstable income stream noted earlier. Additionally, provision of job-related training, easier access to aid from the government, awareness of social security, as well as a safer work environment, are some of the other advantages of formal employment compared to informal employment.

On the other hand, requesting approval for annual leave as well as following company processes were cited as disadvantages of formal employment, whereas for informal jobs, the individual is typically not tied to any employer and in many instances, they are their own employer. Being confined to a superior may limit the job scope of an individual, and being in standard employment could also limit an individual to acquire entrepreneurial skills on the job, unlike own-account workers who could learn how to manage their own finances and accounts, manage inventory, improve soft skills, and enhance their overall business acumen.

INTERVIEW QUOTE 5

“For example, if we have important matters to attend, we must ask for permission from our boss. But if we are self-employed, we can leave at any time. Sometimes, asking for permission is so difficult...”

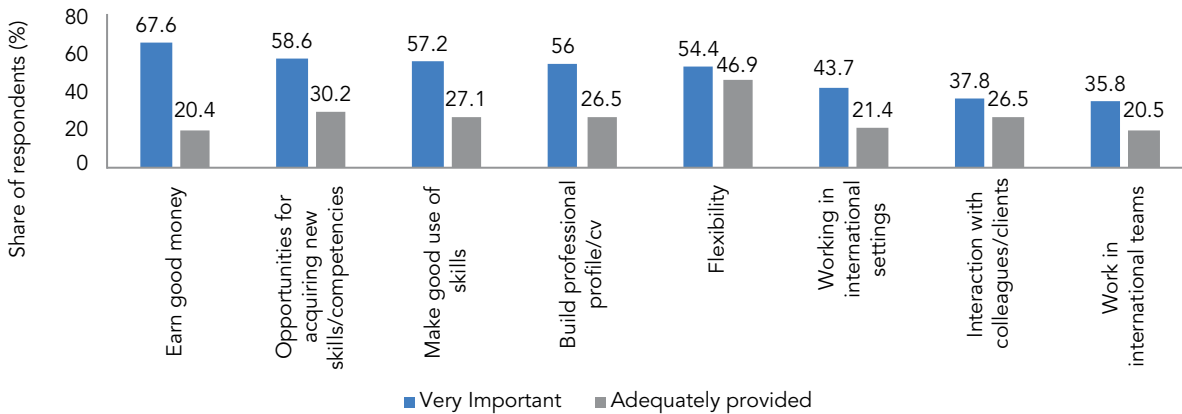
(Male farmer from Sabah)

There is a mismatch between what freelancers deem as very important for their work and what they currently have in their jobs.

Figure 44 maps out what the freelancers prefer versus what they have in their jobs, and the difference between the two could be perceived as an “expectation gap.” It could be seen that the gap between preferred and current work characteristics is most significant for insurance for workplace injuries, pension income upon

retirement, earning good money, and health insurance. Moreover, when inspecting further by gender, it is found that the expectation gaps for the same work characteristics are relatively similar. This indicates that freelancers desire to have social insurance but may face issues in accessing it. As seen in Interview Quote 7, the respondent disclosed that they would like to have EPF/SOCSSO coverage but are not disciplined to contribute monthly.

FIGURE 44
Share of freelancers that consider a work characteristic as being “very important” v/s such a characteristic being adequately provided in their current work



Source: World Bank survey of freelancers

While informally employed workers can, at least in theory, easily make voluntary contributions to obtain social insurance coverage through EPF and SOCSSO, in reality they face many barriers in doing so.

When asked about making voluntary contribution, participants expressed several concerns, for example they are unsure about making contributions due to unstable income and that there is a lack discipline to commit. Additionally, awareness amongst informal workers is

also perceived to be low. It was also revealed that some workers had alternative plans for EPF and SOCSSO. For instance, P2 from Kelantan (without social security net) prefers to save in Amanah Saham Bumiputera (ASB)²⁹ as opposed to EPF. This is due to the ease of withdrawing their cash in cases of emergency, whereas EPF (full) withdrawals can only be made upon retirement age (although partial withdrawals are permissible, with strict conditions).

INTERVIEW QUOTE 7

“ Since I started my business, it has only been a few times when I paid KWSP (EPF) for myself. Because actually I feel like I can afford it, but I do not have the discipline to keep paying.”

(Male night market street vendor and e-hailing driver from Sabah)

²⁹ ASB is an investment fund for Bumiputera aged 18 and above, has similar returns to EPF but is accessible to be withdrawn at any point in time.

3.7 Vulnerabilities associated with informal employment

Occupational health and safety are the common concern amongst informally employed workers in all sectors studied (see Table 5). For all informally employed workers interviewed, there are various risks involved in their jobs. For example, for location-based workers, there are risk of accidents on the road while delivering a parcel, as well as potentially harming effects of long driving and riding hours on

their health. Similarly, for agricultural laborers, there is a risk of accidents whilst operating machinery. For care workers, improper handling of clients could result in fatal accidents. For street vendors, one respondent mentioned that there is a risk of fire when conducting business. Across sectors, informally employed workers face considerable risks when performing their work, making it imperative to protect these workers.

INTERVIEW QUOTE 8

“ I am also concerned about my health and safety. In the burger business, the risk is when the gas explodes or is struck by fire. I still do not have any insurance coverage yet.”

(Male burger stall vendor from Pahang)

The instability of income as well as mistreatment of clients/employers are also cited as concerns for informally employed workers. Particularly for location-based workers, where they face customer complaints and for care workers, where the employer (head of household) tends to ask to complete tasks beyond care duties. For location-based workers, it

has been mentioned that there is no place for them to file grievances. Furthermore, respondents in the street-vending business have also mentioned that they face certain regulatory hurdles — in one case, the respondent worry that they do not have a stable business location despite having applied for a license, and fears that the location will be demolished.

INTERVIEW QUOTE 9

“ My current concern is the location of my business. Actually, the place of our business has yet to be approved by the Kota Kinabalu City Hall (Dewan Bandaraya Kota Kinabalu, DBKK). In any time, the place of our business can be demolished. That concerns us. After this, it would be harder for us to look elsewhere if our business place is demolished. Even before this, we had our place of business demolished.”

(Female night market stall vendor from Sabah)

TABLE 5

Concerns with current work conditions of informal workers across various sectors

Concerns with current work conditions	Agricultural laborers	Location-based workers	Care workers	Hawkers
Occupational health and safety	✓	✓	✓	✓
Instability of income	✓	✓	✓	✓
Abuse/mistreatment by clients/employers		✓	✓	
High operating costs	✓			✓
Regulatory hurdles				✓

Source: World Bank qualitative data collection of agricultural laborers, location-based workers, care workers and hawkers

In terms of changes that informally employed workers would like to see in their work conditions, the provision of EPF/SOCSO as well as job-related training were cited as the main ones (see Table 6). As discussed earlier, some informal workers would like to have EPF/SOCSO coverage but admitted to not being disciplined to contribute monthly. Some have suggested for employers to auto-deduct from their pay to ensure

that they have coverage while an e-hailing association leader stated that EPF and SOCSO contributions are the “responsibility of the operator.” Additionally, as an example of job-related training, informal care workers shared that they would like to receive training on caring for young children, such as feeding and bathing them, to ensure customer safety and to enable them to do their job well.

INTERVIEW QUOTE 10

“ Now we can contribute to EPF, but they can deduct directly from our payslip if possible... Our only excuse is that we are lazy to do it ourselves. If possible, they can just deduct from our pay monthly together with SOCSO, so it’s easier for us.”

(Male e-hailing driver from Sabah)

TABLE 6
Suggested changes for improvement in work conditions of informal workers across various sectors

Suggested Changes for improvement	Agricultural laborers	Location-based workers	Care workers	Hawkers
EPF and SOCSO contributions/deduction	✓	✓		✓
Job-related training	✓		✓	✓
Funding opportunities (Financial assistance to small businesses should be made more accessible)	✓			✓
Awareness and recognition of the sector and job		✓	✓	
Impose minimum and fixed salary	✓			

Source: World Bank qualitative data collection of agricultural laborers, location-based workers, care workers and hawkers

Associations of informally employed workers could potentially bridge the gap for the missing middle of social insurance coverage. By using their networks of informally employed workers, association leaders may be able to spread awareness among members, build a bridge between members and policymakers to convey workers’ needs, provide support in times of crises, and facilitate outreach and registration for EPF/SOCSO among those in informal employment. Membership towards such associations often involves a small fee; for example, membership for the Malaysia

E-Hailing Drivers’ Association costs RM50 yearly. The association leader mentioned that with this fee, members get priority to certain services, such as access to hygiene kits and food baskets during the peak of COVID-19. For farmers and hawkers, the association leaders interviewed only have informal groups amongst themselves on WhatsApp, with no membership fees. Thus, associations’ network of informally employed workers could have an important role in convening informally employed workers and extending the reach of EPF and SOCSO coverage.

BOX 5

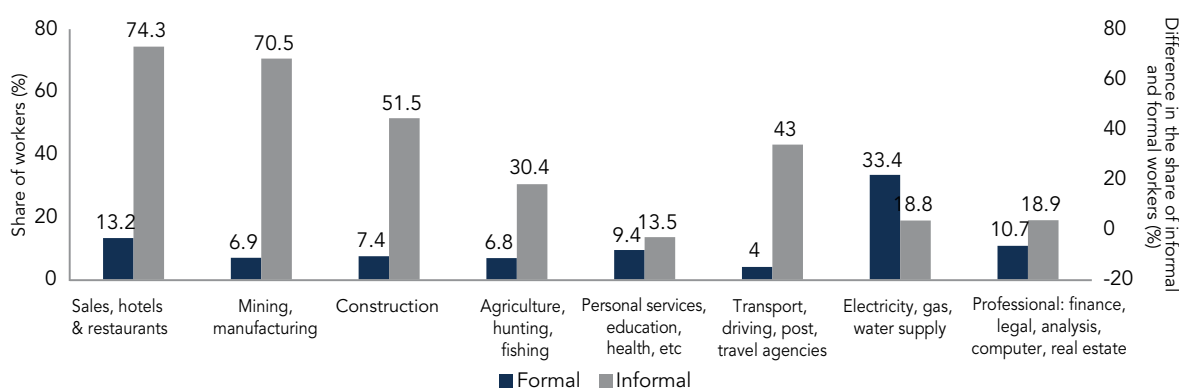
Welfare impacts informally employed workers and their households during COVID-19 using HiFy

At the peak of COVID-19, informally employed workers were more susceptible to job losses, particularly those working in sectors requiring high levels of physical contact. Being employed in sectors such as Sales, Hotels, and Restaurants involved workers working directly with customers and Mining, Manufacturing, Construction, and Agriculture involved workers conducting their jobs in-person. These sectors saw higher rates of job

losses due to the implementation of Movement Control Orders (MCOs). However, informally employed workers in these sectors were particularly affected — Figure 45 shows that 74 percent of informally employed workers in the Sales, Hotels, and Restaurant sector lost their job any time from March 2020 to June 2021, compared to 13 percent for formally employed workers.

FIGURE 45

Share of those who stopped working at any time since March 2020 to June 2021, by sector and employment type



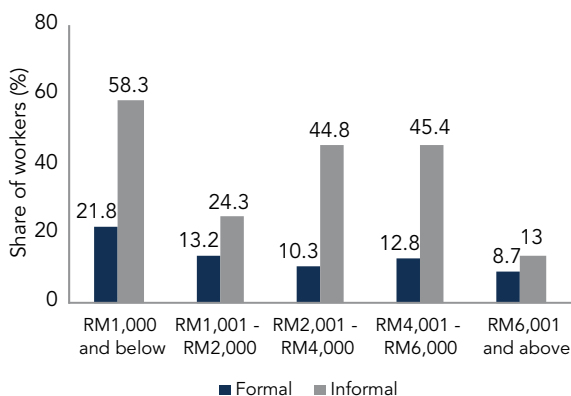
Source: World Bank (2022a)

At the same time, informally employed workers across all income groups were more susceptible to job losses and food insecurity compared to formally employed workers. Figure 46 shows that informally employed workers, particularly those in the lowest income group, were more likely to have stopped working during the peak of COVID-19 in Malaysia. Furthermore, informally employed workers were more likely to have stopped working at any time, even during times of economic

recovery, compared to formally employed workers (see Figure 46). Furthermore, while all households with either formal or informally employed workers were affected by the crisis from a food security aspect, households with informally employed workers were more likely to have faced food shortages in any time period, and in particular had members of their household eating less than usual in the past month to cope with the crisis (Figure 47).

FIGURE 46

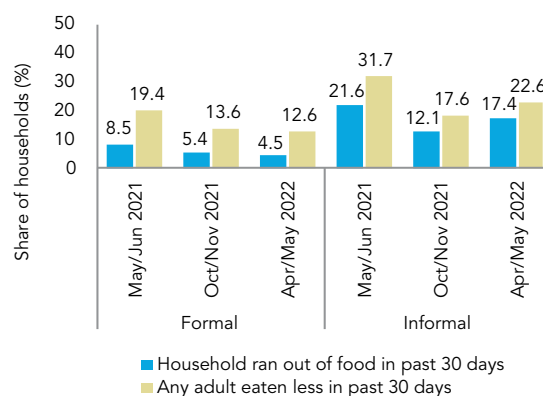
Share of those who stopped working at any time since March 2020 to June 2021, by income level and employment type



Source: World Bank (2022a)

FIGURE 47

Share of households with food insecurity by employment type

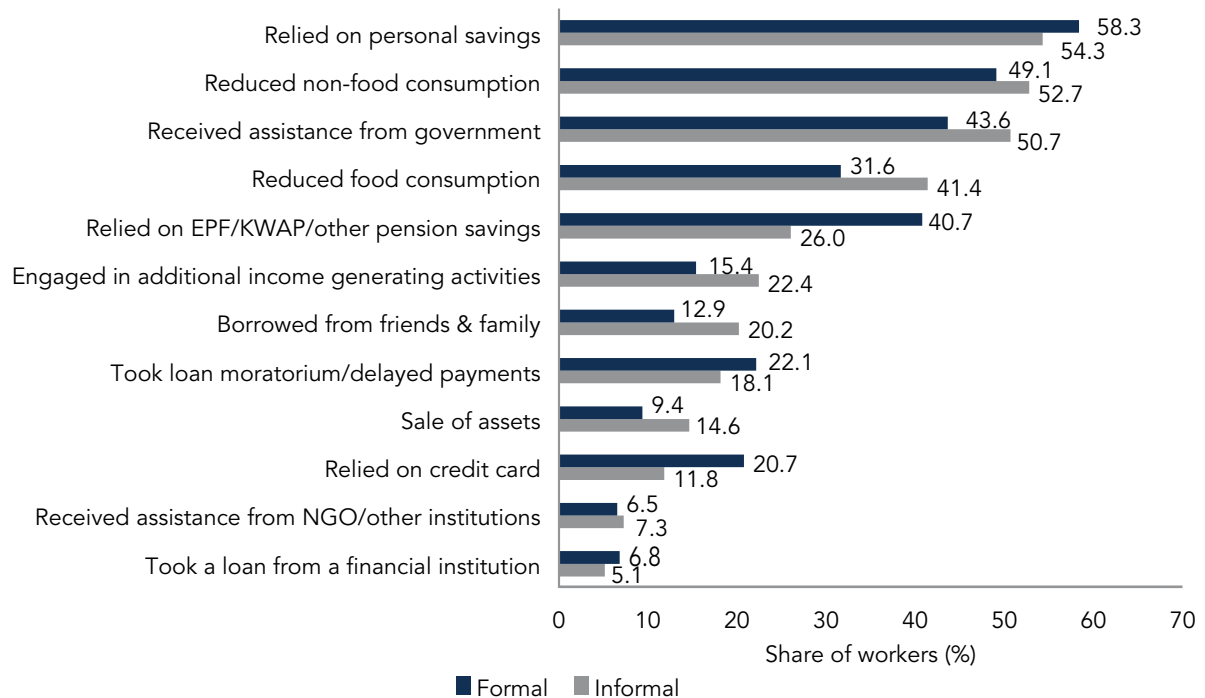


Source: World Bank (2022a)

During the COVID-19 pandemic, informally employed workers were more likely to have experienced reductions in their income compared to pre-pandemic levels, and were also more likely to have received irregular payments. Comparing incomes in April 2022 versus pre-pandemic levels, 86.1 percent of formally employed and 68.6 percent of informally employed workers highlighted that their income has either stayed the same or increased, which highlights a sign of recovery. However, a higher share of informally employed workers experienced a decrease in their income compared to formally employed workers, which is a consistent finding throughout all rounds. Furthermore, while most workers received full normal payment for their work, a slightly higher share of informally employed workers were more likely to have received only partial or no payment at all.

Informally employed workers were more likely to rely on harmful coping strategies that may reduce their households' long-term productive potential in the aftermath of the pandemic. As discussed in World Bank (2021), informally employed workers relied more heavily on harmful coping strategies, such as reduction in food consumption and sale of assets (Figure 48). These strategies are deemed more harmful because they can affect the ability of households to participate in productive activities as the economy recovers, and can have long term effects on human capital development. Even during the recovery period by May 2022, informally employed workers were still more likely to have depended on these harmful coping strategies, while formally employed workers were more likely to draw on formal entitlements and cash reserves to smooth consumption. This includes through the EPF, government pension funds (KWAP), or other pension savings, and taking loans from a financial institution.

FIGURE 48
Share of workers and coping strategies in Apr-May 2022, by employment type



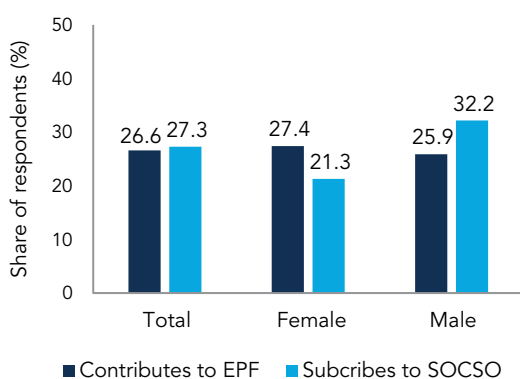
Source: World Bank (2022a)

3.8 Protection of freelancers

While a majority of freelancers do not contribute to national social insurance schemes, those who do contribute to insurance appear to have a higher preference for private schemes. Based on an online survey of freelancers conducted in partnership with MDEC (to provide indicative rather than representative estimates), we find that the majority of freelancers in our sample do not contribute to EPF nor do they subscribe to SOCSO — with only 26.6 percent and 27.3 percent respectively who do (Figure 49). Women were less likely to have contributed to social security compared to their male counterparts, particularly for SOCSO. While

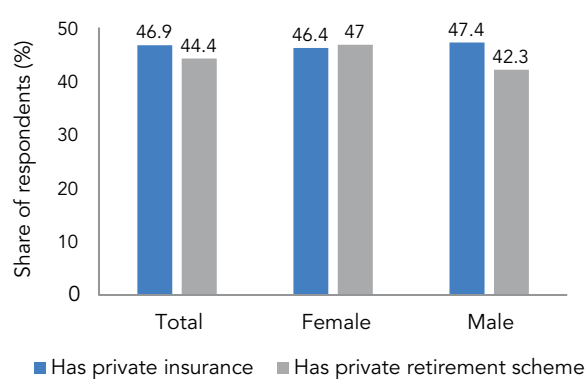
among women, more were likely to contribute to EPF, subscription to SOCSO was higher among men, possibly due to the employment of men in location-based work involving higher occupational risk, a finding that is also in line with the findings using SESSS administrative data in Section 2.5.3. However, subscription towards private health insurance and private retirement schemes is significantly higher in this sample, at 46.9 percent and 44.4 percent of respondents respectively (Figure 50). Subscription towards health insurance is relatively even across gender, but a higher share of women subscribed to retirement schemes compared to men.

FIGURE 49
Share of surveyed freelancers with EPF and SOCSO coverage, by gender



Source: Ghorpade, Abdur Rahman and Jasmin (forthcoming)

FIGURE 50
Share of surveyed freelancers with private health insurance and private retirement scheme, by gender



Source: Ghorpade, Abdur Rahman and Jasmin (forthcoming)



BOX 6

Reclassifying gig workers for better protection— lessons from around the world

All over the world, countries are grappling with appropriately classifying, and subsequently protecting workers in the gig economy, with a particular spotlight on e-hailing drivers. In recent years, there have been a number of trials between workers and digital platforms on the gig economy business model, in which workers are classified as independent contractors, and are therefore, exempt from basic employment benefits. Some country examples are depicted below, illustrating very different outcomes from this exercise.

After five years of legal battle, in February 2021, the Supreme Court ruled in favor of Uber drivers in the **United Kingdom**, to officially classify drivers as “workers,” an alternative employment classification to describe those who are neither employees nor self-employed; who are economically dependent on a company but still possess some level of job autonomy. This would mean that Uber has to cover benefits such as paid annual leave, sick leave, minimum wage (for time spent working with the Uber app active, including waiting time) and retirement scheme contributions.

Similarly, in **Spain** in August 2021, the Supreme Court ruled in favor of gig economy riders, which declared riders as employees rather than self-employed. Social security provision, paying hourly rates instead of per task, as well as paying for ‘waiting’ time were now part of companies’ responsibilities, which reportedly increased costs, leading companies to raise prices. One food delivery company, Deliveroo, exited the Spanish market all together in November of the same year, as the change in law would no longer make Deliveroo’s operations profitable. Other companies have also warned that many of their riders would lose their jobs. Moreover, one of Spain’s leading delivery companies, Glovo, planned to hire only a small portion

of their riders as employees, but intended to keep others as contractors based on a new relationship model that complies with the law without necessarily changing riders’ employment status. Recently, Glovo was fined EUR79 million by the Government of Spain for treating their riders as contractors rather than as employees. Glovo in turn disagreed with the basis for the fine and plans to appeal against it.

In contrast, a court in **Belgium** ruled against a petition by Deliveroo food delivery riders seeking employee status. The court ruled, based on criteria such as the ability of riders to accept or refuse jobs, the platforms’ insistence on appearance (through uniforms, for example) and use of equipment, and the platform’s ability to set pay levels, that the majority of the riders were in fact part of the “collaborative economy,” using platforms to find opportunities to earn through sharing activities, rather than independent contractors.

In 2019, legislators passed a gig economy law in 2019 (Assembly Bill 5 (AB5)) in **California, USA**, which required companies like Uber, Lyft, and DoorDash to employ their drivers as employees. The companies have since responded by threatening to leave the state as well as pouring more than USD200 million into a ballot campaign known as ‘Proposition 22’ in 2020, that would essentially allow app-based drivers to remain as independent contractors with additional yet limited benefits, such as occupational accident insurance. Although the outcome of the ballot initiative favored the companies and essentially overrode AB5, the Service Employees International Union (SEIU) sued the state government, citing Proposition 22’s removal of app-based drivers from the benefits of AB5 as unconstitutional. The eventual outcome of this ruling remains to be studied.

3.9 Willingness to pay for social insurance

To uncover the willingness to pay for social insurance coverage, the study utilized a vignette-based experiment, incorporated in the online survey of digital freelancers. The experiment contained vignettes of two hypothetical jobs, from which the respondent had to identify the job that they prefer. Job A included a standard baseline scenario for social insurance coverage, whilst Job B is comparable to Job A in most job attributes apart from two dimensions that vary at random: the description of social insurance coverage package, and the associated trade off on their incomes. For the study, three types of social insurance instruments were considered: retirement

pensions, unemployment insurance, and insurance for workplace injuries. The experiment is illustrated in Figure 51, where two vignettes are presented: Job A, and a randomly chosen option among Jobs B1, B2, B3, and B4. While the description of Job A remains identical for all respondents, the attributes of Job B are randomized, among the options B1, B2, B3, and B4. These four options vary from each other in terms of the type of unemployment insurance coverage offered, and the associated “cost” on their incomes. The values for the foregone wages offered in the job descriptions mirror current levels of contributions payable for national social insurance coverage.

FIGURE 51

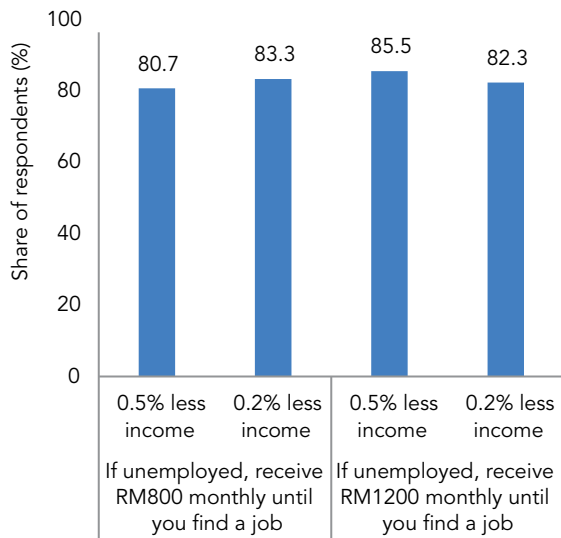
Vignettes of hypothetical jobs: Job A and Job B1, B2, B3 and B4

	Job A	Job B1	Job B2	Job B3	Job B4
Hours worked per week	40 hours	40 hours	40 hours	40 hours	40 hours
Work Hours	Monday to Friday, 9 AM to 5 PM	Monday to Friday, 9 AM to 5 PM	Monday to Friday, 9 AM to 5 PM	Monday to Friday, 9 AM to 5 PM	Monday to Friday, 9 AM to 5 PM
Location of Work	Fixed Office	Fixed Office	Fixed Office	Fixed Office	Fixed Office
EPF	Regular pension after retirement (age 60) based on years of service in this job	Regular pension after retirement (age 60) based on years of service in this job	Regular pension after retirement (age 60) based on years of service in this job	Regular pension after retirement (age 60) based on years of service in this job	Regular pension after retirement (age 60) based on years of service in this job
Health Insurance	Included in compensation package	Included in compensation package	Included in compensation package	Included in compensation package	Included in compensation package
Unemployment Insurance	No unemployment insurance	If you become unemployed you receive a monthly income of MYR 800 until you find a job, for up to 6 months		If you become unemployed you receive a monthly income of MYR 1,200 until you find a job, for up to 6 months	
Monthly Take-Home Salary	Equal to your current take-home salary	0.5% less than your current take-home salary	0.2% less than your current take-home salary	0.5% less than your current take-home salary	0.2% less than your current take-home salary

Our experiment revealed that a majority of respondents would be willing to trade-off 0.2 to 0.5 percent of income to have unemployment insurance of RM800 or RM1,200³⁰ per month for up to 6 months of unemployment.³¹ As seen in Figure 52, as high as 85.5 percent of freelancers were willing to tradeoff proportions of their income to have social insurance coverage, and the willingness does not appear to differ much either by the level of unemployment income offered (RM800 or RM1,200), or by the level of income deduction for having such coverage (0.2 or

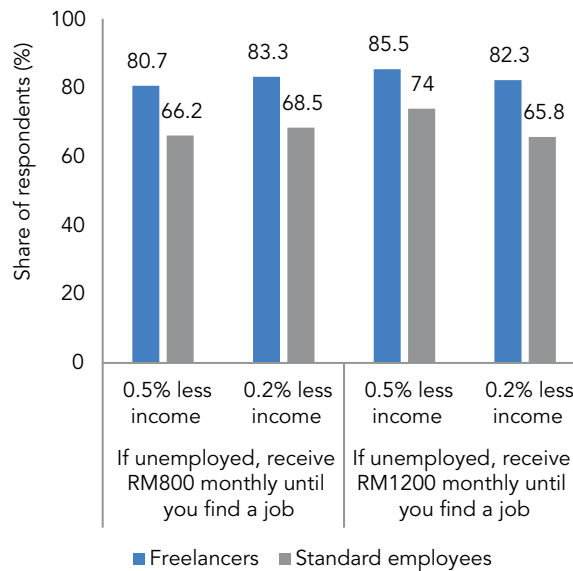
0.5 percent of current income). The high willingness reflected an unmet need, and therefore, a potential market for unemployment insurance among this segment that may be quite susceptible to volatility in the availability of work. Furthermore, freelancers tend to value unemployment insurance higher than standard employees (Figure 53). As discussed in Section 3.7, informally employed workers were more likely to lose their jobs during COVID-19, and many informally employed workers interviewed did not have a stable stream of income.

FIGURE 52
Preference of choosing to pay for unemployment insurance among digital freelancers



Source: Ghorpade, Abdur Rahman and Jasmin (forthcoming)

FIGURE 53
Preference of choosing to pay for unemployment insurance among digital freelancers and standard employees



Source: Ghorpade, Abdur Rahman and Jasmin (forthcoming)

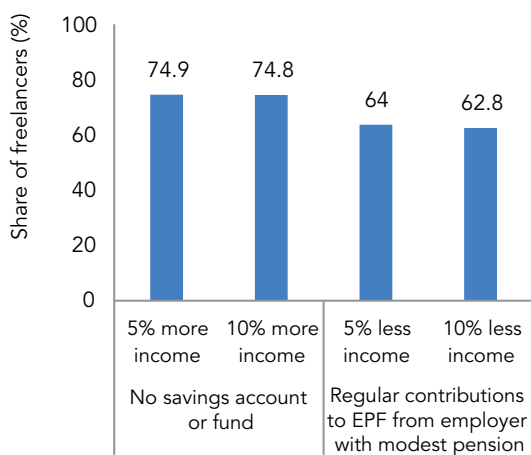
Most freelancers preferred to have EPF coverage in its current form, however this preference reduced slightly when respondents were offered a monthly pension instead of a lump sum payout. When presented with Job A as regular contributions to retirement savings (EPF) from the employer, to be put into a savings account that can be partially withdrawn at age 50 and fully withdrawn at age 55 (or for specific purposes), Figure 54 shows that the majority opted to go with this option with only about a quarter of freelancers preferred not to have any form of retirement savings when offered an increase in income. However, when

respondents were presented with the choice between EPF in its current form and a monthly retirement pension which entailed a further reduction in income by 5 to 10 percent, fewer respondents chose the former (compared to the first set of options between EPF in its current form and no EPF coverage). This suggests that a monthly pension plan could likely attract a considerable share of informally employed workers. Interestingly, more freelancers prefer a monthly pension (even when there is a reduction in income) to an increase in income without any retirement savings.

30 These amounts are set roughly at the prevailing rates of unemployment benefits offered through the Employment Insurance Scheme run by SOCSO

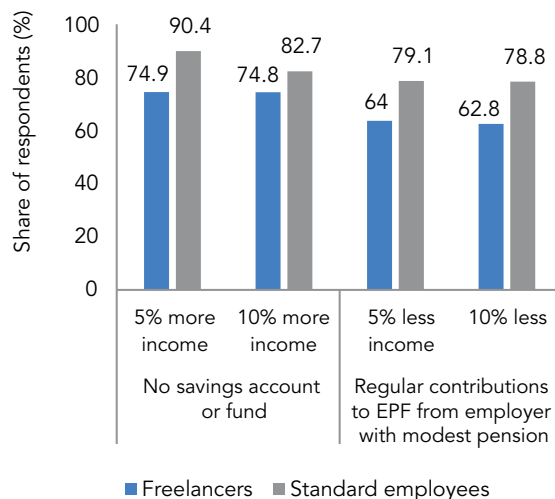
31 These are similar to current deductions for EIS coverage

FIGURE 54
Preference of choosing to pay for EPF coverage among digital freelancers



Source: Ghorpade, Abdur Rahman and Jasmin (forthcoming)

FIGURE 55
Likelihood of choosing to pay for EPF coverage — showing tradeoff between retirement savings and income



Source: Ghorpade, Abdur Rahman and Jasmin (forthcoming)





CHAPTER 4

Policy Recommendations

This report has described the considerable but steadily declining incidence of informal employment in Malaysia. However, the growth of non-standard forms of employment in recent years, through part-time, digital, and gig work, can potentially either decelerate or reverse the trend of declining informal employment. Informal employment in Malaysia encompasses workers across multiple sectors, regions, skill-levels and income profiles, each of which need to be engaged with and understood separately. On the whole, however, we find considerable evidence showing that workers in informal employment face greater risks against a range of shocks, and consequently, have more volatile streams of earnings as well as precarious terms of employment, as was abundantly clear during the COVID-19 pandemic. Workers in informal employment can benefit from targeted policy measures to address these specific vulnerabilities. We now discuss alternate approaches for policy action on informal employment in Malaysia.

Should policy action seek to eliminate informal employment, or formalize all workers?

Formalization refers to a process by which informally employed workers are brought under the ambit of national legislation or policy frameworks that afford them protections that may classify them as formal workers. **Policy efforts should not focus on eliminating informal employment, or formalizing all workers per se, but on extending protection and enhancing productivity of workers in informal employment.** This is based on multiple reasons:

- First, an overzealous focus on the complete formalization of the workforce through regulatory means can have unintended consequences, including informal workers not switching over to formal employment but instead receding into the shadow economy, and potentially even more invisible and precarious terms of employment to escape stipulations of the formalization efforts (Jütting et al, 2009).
- Second, as the experience of several middle- and high-income countries has shown, substantial gains can be made in terms of extending protection to workers even in the absence of formalization, as the latter may require more time and coordinated effort across actors. In the case of Malaysia, measures such as enhanced access to microinsurance, private retirement savings funds, and voluntary savings schemes could significantly

enhance workers' protection even if workers may not immediately transition to formal employment status.

- Third, informal employment may offer valuable flexibility to workers who may otherwise not be able to pursue productive employment as stipulated by strict definitions of formal employment, particularly women. Flexibility is an important consideration for several workers, without which they may not be able to participate (fully or at all) in the labor market. Denying workers such opportunities for engaging in employment could have the unintended effect of lowering economic activity.
- Finally, even in highly advanced economies with strong regulatory capacity, informal employment, especially in newly emerging forms such as in the 'gig' economy, may continue to persist, indicating the limits of regulatory efforts to eliminate informal employment.

Should policy action seek to reduce informal employment?

A downward trend in informal employment, while welcome as an indicator accompanying economic growth and transformation, may not be a sufficient end to pursue in itself. This is because simply observing a decline in informal employment as a whole does not indicate whether this is because of greater access to protection among workers, a misclassification of informal workers as formal (such as by workers appearing to be formal 'on paper' but in reality, remaining in vulnerable and precarious employment), or the exit of informally employed workers from the workforce altogether. Further, as several emerging forms of informal employment, such as digital freelancing, are associated with higher level skills and income, clamping down on such forms of work may deny workers, and the economy, a valuable source of growth.

From a macro perspective, informal employment in Malaysia has already been on a downward trend, driven partly by reductions in the share of the workforce engaged in agriculture, as well as by sustained economic growth, which, has a strong formalization effect on the Malaysian labor force. As such we should expect to see a greater share of formal employment in total employment in the medium to long-term in Malaysia, even though it may not be possible (or even desirable) to pursue a specific target level of informal employment in Malaysia.

However, even in a situation where informal employment as a share of total employment is falling over time, the challenge of reducing the vulnerabilities associated with informal employment in particular sectors or groups of workers may persist. Many of those who continue in informal employment may not have adequate protection against risks, nor the necessary skills to transition to formal employment or to earn high incomes while remaining informally employed. Addressing these concerns would require dedicated policy responses, such that workers in informal employment can be extended greater protection against risks (including through means that can encourage them to formalize), and opportunities for enhanced productivity.

Twin goals for addressing informal employment in Malaysia: Enhancing protection and productivity among the informally employed

The critical challenges to address with respect to informal employment in Malaysia pertain to: (i) the higher degree of unmitigated vulnerability to shocks, and (ii) the relatively lower economic productivity that most informally employed workers experience. Policy action and regulatory efforts should focus on addressing these two challenges, rather than targeting the level of informal employment in the economy per se. Greater protection of informally employed workers can potentially enable them to transition into formal employment in the medium- to long-term. As workers come into the fold of social insurance schemes, they may be reclassified as formal workers. More productivity, on the other hand, can also enable informally employed workers to seek formal employment which may be more remunerative and less precarious. While enhanced protection and productivity can therefore also contribute to the formalization of the labor force, they are important ends to pursue in and of themselves. **A focus on enhancing the protection and productivity of the informally employed puts workers' wellbeing at the center of policy action, and also avoids some of the unintended effects that may result from (over) emphasizing formalization as the ultimate goal.**

A long-term vision for the state of informal employment in Malaysia

Against this backdrop, this report provides a vision for the state of informal employment in Malaysia in the

medium- to long-term, to guide policy and regulatory actions in the years to come. Specifically, we would like to recommend that the Government of Malaysia, and other stakeholders direct their efforts towards the achievement of a long-term (5 to 10 years) view of informal employment, characterized by:

- Gradually declining informal employment, resulting from a conducive macroeconomic environment, non-distortionary policies, and improved access to social insurance coverage.
- Targeted social assistance to the poorest members of society that helps them meet a basic defined standard of living and enables them to participate in the labor force.
- Subsidized social insurance contributions for a targeted group of workers (identified through careful profiling) who may not be able to afford regular contributions to social insurance on their own.
- Adequate³² coverage by social insurance schemes, with contributions from workers/employers, and in the case of own-account workers, through automatic voluntary deductions from earnings for as many workers as possible.
- Easy access to private and group-based savings and insurance instruments for workers who can afford such products.
- Access to sufficient opportunities for skills development, both before entering the labor force, as well as on-the-job through a combination of public, private (including employer/platform-provided), with an emphasis on the quality and relevance of skills imparted to enhance workers' productivity.
- Steadily increasing earnings among informally employed workers that reflects their greater productivity in the economy.
- A policy environment that balances social and private insurance coverage against critical risks related to employment (such as spells of unemployment, income shortfalls, work-related injuries, and retirement) with the flexibility and economic opportunities offered by informal employment, in particular, the gig economy.

32 Adequate coverage of retirement savings refers to contributors receiving a level of retirement income that is considered sufficient to lead a dignified life after retirement, in proportion to their contributions. Adequate health/workplace injury insurance refers to coverage of treatment and rehabilitation costs for most health and injury risks that workers may face.

4.1 Recommendations to enhance the protection and productivity of the informally employed in Malaysia

This section discusses policy recommendations for addressing informal employment in Malaysia. We draw on the analysis conducted and presented in preceding sections of this report, as well as a review of global evidence, to propose recommendations under two distinct objectives; (i) to enhance the protection of Informal workers, and (ii) to enhance workers' productivity.

This dual focus on protection and productivity implicitly recognizes the two main, and often complementary, objectives. On the one hand, those who are currently in informal employment need to have better protection against shocks and risk factors. When such protection is provided by social insurance instruments, this may result also in the 'formalization' of informal workers.³³ When protection is provided by private instruments, workers' exposure to shocks can be significantly reduced, even though this may not result in them being reclassified as 'formal.' Enhanced worker protection is valuable in and of itself, as it can make workers more resilient to short- and long-term shocks, and therefore, also more productive. However,

in contrast to private insurance, social insurance by design achieves better risk pooling, and well-designed and implemented schemes can particularly protect those who might have short contribution histories (often women) or low wages, who may not be able to benefit as much from private insurance.

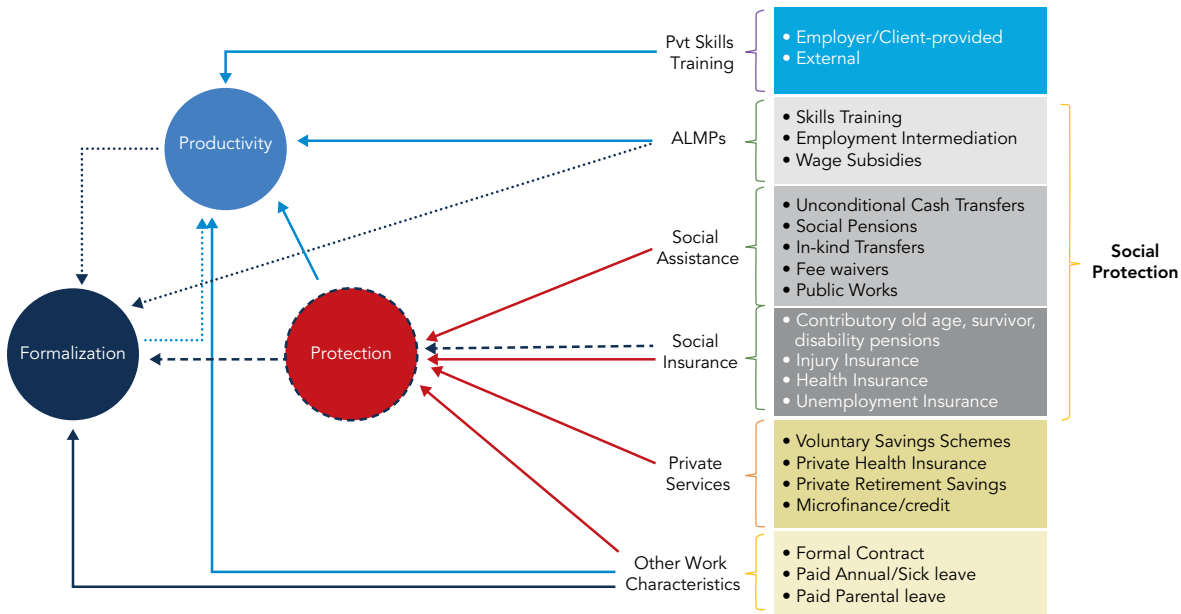
In addition to protecting workers, it is also important to enhance their productivity. This report focuses on the productivity of labor, i.e., that of workers in informal employment.³⁴ While not all informally employed workers may be able to transition into formal employment in the short- to medium-term, enhancing their productivity, primarily through effective skills training, can improve their incomes, enhance their resilience against shocks, and expand their contributory capacity for social (or private) insurance coverage. Enhanced protection and productivity among informally employed workers may also be mutually reinforcing. Figure 56 below depicts the inter-relationship between the protection and productivity of workers and outlines the roles of social protection instruments and private services in enhancing the two.



³³ As noted in the earlier discussion on benchmarking international definitions of informal employment, coverage by social insurance schemes is the most common, and typically necessary condition for a worker to be considered as being in formal employment; this emphasis is also invoked in the working definition of informal employment proposed in this study.

³⁴ Economic productivity, more broadly defined, also depends on several other factors such as capital deepening, investments in Research and Development, innovation, and firm-level policies. The latter can also help informal production units transition to formal status and employ workers formally. While the assessment of such policies is beyond the scope of this report, we note that these are also important to address.

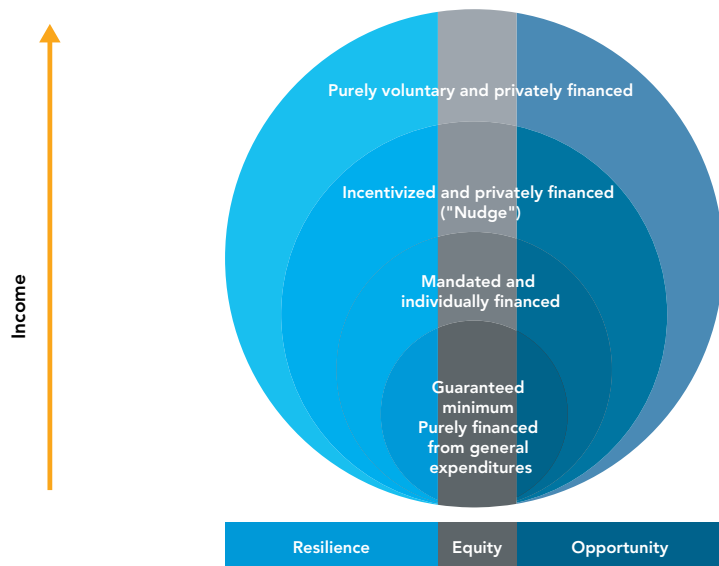
FIGURE 56
Protection, Formalization, and Productivity: Conceptual Linkages with Social Protection



The roles of both social assistance and social insurance are critical to enhance the protection of workers. While social insurance is central to the formalization of informal workers, the role of social assistance is also important especially for the poorest informally employed workers who may not be able to attain social insurance coverage in the short- to medium-term, and who may need various types of targeted income

support to have access to a basic minimum standard of living. As workers' incomes increase, they are better placed to benefit from employment-linked social insurance coverage and may not have to rely solely on social assistance. This gradation from the provision of basic minimums through social assistance, to greater reliance on social insurance and private provision at higher levels of income is depicted in Figure 57 below.

FIGURE 57
The Role of Social Assistance and Social Insurance across the Income Spectrum



Source: World Bank (2020c)

The policy recommendations in this report are structured under two broad headings, based on the level at which they apply, i.e., the Macro (Policy) level, and the Micro (Program/ Implementation) level. Among micro-level measures, we provide recommendations for the informally employed with respect to: (i) enhancing their protection through social assistance programs; (ii) enhancing their protection through social insurance programs; and (iii) enhancing their productivity through skills training. We further classify recommendations in terms of timeframe, comprising Short- (up to one year), Medium- (1 to 3 years) and Long-term (over 3 years) measures.

MACRO (Policy-Level) Recommendations

Short-Term Recommendations (Up to 1 year)

- **Establish and Operationalize a Convening Body to bring together key stakeholders.**

The Government should establish a convening body of key stakeholders involved in the landscape of informal employment. This could include relevant government departments and agencies, employers, gig platforms, informal workers' associations and leaders, technology platforms, and training agencies. Such a convening body can be a valuable space to discuss general and sector-specific policy reform proposals, build trust and confidence between stakeholders, and receive feedback and inputs on the need for any calibration of policy measures. The presence of such an institutionalized forum may enable fuller exchange between key

stakeholders and lead to greater transparency in policy consultations and announcements. Recent initiatives by the Ministry of Human Resources in consulting with select digital platforms for developing a gig economy policy are a welcome step in this direction.

- **Mandate automatic contributions for retirement savings for incomes earned through digital platforms.**

Many digital platforms enable workers to access employment opportunities and also make payments to them in lieu of work performed. Specifically, where platforms record and make payments to workers, earnings above a defined threshold can be made subject to automatic contributions for EPF coverage. This is particularly simple when, as in the case of EPF, self-contributions levels are set at defined percentages of earnings and mandating such contributions may not be prone to errors arising out of differentiated contribution rates by income level. While this measure can potentially be undertaken through changes in relevant laws fairly swiftly, it may not be straightforward to apply this to platforms based and operating outside of Malaysia. However, for the large numbers of workers engaged in known and listed platforms operating in Malaysia (and of which MDEC has an extensive list), such a measure can provide social insurance coverage. For workers who earn below the defined level of earnings for mandated contributions, platforms can also be encouraged to provide easy options for voluntary contributions for social insurance coverage. An example of this already exists in EPF's collaboration with GoGet.



BOX 7

Advantages and disadvantages of mandating contributions for social insurance coverage among self-employed workers

Regulating informal employment among the self-employed, especially those not working on well-defined digital platforms is especially challenging. This is because it seeks to simultaneously balance the wellbeing and protection of informally employed workers, while enabling them to take advantage of the opportunities it offers. While balancing multiple interests, it is important to guard any likelihood of overreach that may dissuade employers, platforms, or the workers themselves. Policy stability and open discussions with a wide range of stakeholders including

government ministries and agencies, the private sector, workers’ representatives, civil society, and academia/ think tanks can be critical for ensuring the balancing of interests and adequate preparation for any regulatory reforms undertaken. Treating informally employed workers as standard employees, and therefore, mandating social insurance contributions (to EPF and/or SOCSO) can be particularly contentious. Below, we list the advantages and disadvantages of mandating (self-) contributions for EPF and SOCSO coverage among the self-employed to proposed policy reforms in this space.

TABLE 7
Advantages and disadvantages of mandating contributions for social insurance coverage among self-employed workers

Advantages of mandating self-contribution for social insurance coverage among all self-employed workers
<ul style="list-style-type: none"> • If followed as intended, can bring self-employed workers into the fold of EPF/ SOCSO coverage • Can contribute towards universalizing social insurance coverage • Can enhance the financial sustainability of EPF and SOCSO by widening their contribution base • If implemented properly, such steps can bring some self-employed people into the tax net and widen the tax base (if declaration of incomes increases, linked to EPF registration)
Disadvantages of mandating self-contribution for social insurance coverage among all self-employed workers
<ul style="list-style-type: none"> • In reality, this may be very hard to enforce, as the earnings of many informal self-employed persons may not be easy to track using administrative databases (unlike formal employees, who receive pay slips) • If contributions are proportionate to income, there may be a tendency to under-report income as some self-employed earnings may be hard to verify; if contributions are flat/fixed in nominal terms, they may particularly seem to penalize low-income and part-time self-employed workers • Enforcing social insurance contributions may displace or reduce contributions that self-employed workers may wish to make towards private insurance, which may provide better suited coverage for such workers’ needs • Aggressive enforcement of contributions through detailed verifications of income or sanctions could discourage small enterprises and low-income self-employed workers. Aggressive enforcement can also make workers fearful of tax implications and any burdensome labor regulations of making social insurance contributions.

- **Mandate injury insurance provision (public or private) by apps for high-risk tasks such as drivers, and p-hailing riders.**

The Government of Malaysia may like to consider mandating insurance provision by digital platforms (through SOCSO or private insurance) for defined and easily identifiable tasks that involve a high degree of health and injury risks. While many e-hailing and p-hailing apps already provide insurance to riders, standardizing the level of coverage required for specific

types of activities, developed in partnership with platforms and workers, can enable better and more uniform protection of critical risks involved in defined types of work. This initiative was announced in Budget 2023, and it would be important to follow through. A similar approach has been adopted in Indonesia where a small amount of the tariff for each ride taken through e-hailing platforms is deducted as a contribution for accident insurance for the duration of that specific ride (ILO 2018c).

Medium (1 to 3 years)

- **Conduct Regular Consultations with Informal Employment Stakeholders and the public, for periodic reviews of Policy.**

While in the short-term we recommend establishing a consultative body of informal employment stakeholders, in the medium- to long-term this platform could be used for consultations on policy reform initiatives, and to understand platforms, employers, and workers' concerns and demands. In addition, important topics consultations can also be opened to the general public to provide a wide range of opinions and inputs on important policy decisions. For instance, in 2018 and 2019, the UK Government conducted a series of consultations on topics such as the employment status of gig workers, labor market transparency, agency, and atypical workers, and the enforcement of employment rights, following the launch of the independent report, 'Good Work: The Taylor Review of Modern Working Practices' commissioned by the Government.³⁵

- **Ensure Granular and Up-to-date Measurement of Informal Employment in Malaysia.**

Existing statistical definitions of informal employment are often not sufficient to understand the wide range of informal employment, comprising, among others, two sub-groups among the self-employed (dependent and independent contractors), as well as necessary details of the production units in which workers work. Such details are necessary to assess the profiles and needs of different types of informal workers to design better targeted policies. While ongoing efforts by DOSM to deploy and analyze the informal sector survey is a welcome step in this direction, the measurement of informal employment can benefit from continued refinements and revisions in line with emerging global conventions and best practices. For example, the UK has a third category for employment status, "worker," beyond the commonly used classification comprising "employee" and "self-employed;" and the US state of California has developed and applied the 'ABC Test'³⁶ to determine status in employment. Applications of alternate classifications of employment status can be tested in specific jurisdictions or industries before they may be rolled out nationally.

- **Undertake Regular Assessments of changing employer needs with respect to Informally employed workers through a Labor Market Information System (LMIS), and Employer Skills Surveys.**

An integrated LMIS combined with employer skills surveys that also covers key sectors in which informally employed workers are engaged can be very useful to identify the skills groups that may need better support and reinforcement through skills training programs that target informally employed workers. While LMIS and employer surveys typically help devise strategies for formal jobs, they can also be used to inform policies for enhancing productivity among the informally employed.

Long-Term (Over 3 years)

- **In the long term, developing a comprehensive Labor Market Strategy can help balance interests and provide a clear direction to coordinate initiatives for supporting informally employed workers.**

While the Twelfth Malaysia Plan clearly lays out a vision for planning and development for the economy as a whole, a dedicated and comprehensive labor market strategy — such as the one being developed by the Ministry of Human Resources — can help harmonize various objectives and interests for different stakeholder groups including workers, employers, and platforms. It can provide a more granular assessment of labor-related priorities and provide specific strategic direction on an agreed set of objectives to coordinate programs and initiatives. This can specifically also help outline the priorities for informally employed workers and the informal sector, and coordinate a wide range of policies (for instance, concerning labor demand, minimum wages, skills development) to address these priorities. National labor and employment strategies have been implemented in several jurisdictions and countries, such as in the European Union (European Employment Strategy),³⁷ the United States (US Department of Labor Strategic Plans),³⁸ and the United Kingdom (UK Labour Market Enforcement Strategy).³⁹

35 A summary of the consultation responses is available here: <https://www.gov.uk/government/publications/government-response-to-the-taylor-review-of-modern-working-practices/summary-of-consultation-responses>

36 See <https://www.labor.ca.gov/employmentstatus/abctest/> for more details

37 <https://ec.europa.eu/social/main.jsp?catId=101&intPagelD=3427>

38 <https://www.dol.gov/sites/dolgov/files/legacy-files/budget/2019/FY2018-2022StrategicPlan.pdf>

39 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040317/E02666976_BEIS_UK_Labour_Market_Enforcement_Strategy_2021-22_Accessible.pdf

- **Develop an Integrated Social Protection Strategy and System to Enhance Protection among informally employed workers.**

Ongoing efforts to finalize the National Social Protection Master Plan can provide the necessary direction for such efforts over a longer time horizon if it can provide the institutional framework to coordinate various social assistance, social insurance, and active labor market programs, to reduce the exclusion of the informally employed and provide them with the necessary support. An integrated social protection system, underpinned by a comprehensive social registry can fill several administrative gaps that result in under-coverage resulting in the higher vulnerability of informally employed workers. The establishment of a well-functioning, comprehensive social registry that links the Management Information System (MIS) and databases of social assistance, social insurance, and active labor market programs can help verify individual and household incomes from all sources to determine eligibility for subsidized social insurance contributions, or social assistance (or both), based on a commonly agreed system of targeting to prioritize the poor and vulnerable. An integrated social registry can also help identify and subsequently reach out to the informally employed and encourage them to register with social insurance programs, and target subsidies for contributions, if required.⁴⁰

An integrated social protection system can also direct informally employed workers to ALMPs to enhance their job search efforts, enable them to apply to a wider range of jobs (including more remunerative and also formal jobs) that they may not have access to on their own, and acquire opportunities for better training. Finally, integrated social protection delivery can be bolstered by the establishment of One-Stop Shop centers (with accessible in-person and digital interface), which can optimize administrative resources while reducing the burden on applicants and beneficiaries, and the likelihood of their exclusion.

MICRO (Program/ Implementation-Level)

A. Enhance Protection by Extending Social Assistance Coverage among the Informally Employed

- **Extend Social Assistance and Care Services to Targeted Groups of Informally Employed Workers based on Profiling**
(Micro, Medium-term 1 to 3 years)

Many informal workers are poor as well as out of the social protection systems (including both social assistance and social insurance programs), which leaves them particularly exposed to risks and without sufficient access to effective means to cope. Many of these workers may not be able to transition into formal work, or cannot be immediately linked to social insurance programs. In such cases, it is critical to extend protection to such workers through social assistance to ensure the basic minimum standards of living for them and their dependents. This in turn requires careful profiling of informally employed workers, including their skills endowments, income profile, income and earnings potential, and the ease/difficulty with which they may be able to transition to formal employment. In addition to profiling, the use of effective targeting systems will be critical for identifying the poorest and most vulnerable who should be eligible for receiving social assistance.

The profiling of workers can be done in two stages:

- In the first stage, basic profiling can be conducted, through collecting information on workers' employment and income characteristics. This can be used to target social assistance in the medium-term (between 1 to 3 years).
- In the long-term, the profiling of workers should be a core component of Malaysia's public employment services. Ideally, social assistance would be linked to labor market outcomes for all workers.

In addition to cash-based social assistance, the provision of complementary services including child care and elderly care services, as well as offering care credits, and enhanced maternity benefits can also encourage women from poorer households to seek employment with protection.

B. Enhance Protection by Extending Social Insurance Coverage among the Informally Employed

I. Outreach and Intake of Informal Workers into social insurance programs

- **Piggybacking on Existing Initiatives**
(Short-term — Up to 1 year)

Malaysia is well positioned to benefit from existing initiatives that provide close access to several target

⁴⁰ The launch of the e-shram portal in India is a notable example in this regard. The digital portal registers informally employed workers along with their national ID number, after which they are provided with initially subsidized social insurance coverage (Niti Aayog, 2022).

groups among informal workers. Initiatives such as the Farmers' Family Smart Card (*Peladang-i*) that has been rolled out among farmers is a planned entry point to provide cardholders with social insurance coverage (*Takaful*). It also has the potential to be a conduit for providing social assistance and other forms of social insurance. Similar initiatives across departments can be mapped and used to categorically extend social assistance and social insurance coverage.

- **Use Peer Networks for Outreach**

(Short-term — Up to 1 year)

Malaysia is well placed to benefit from several formal and informal associations of informal workers, which can networks serve as a means for conducting group-based outreach, enrollment, and continued participation in social insurance programs. Target groups could include formal associations of informal workers, typically organized by industry (e.g., the Malaysian E-Hailing Industry Workers Welfare Association (PKEH), Gabungan E-Hailing Malaysia, Terengganu Family Development Foundation (FDF)), and informal leaders and associations, typically by industry and region (e.g., Night Traders' association in Temerloh, informal leaders of hawkers in several cities), Social media (e.g., Facebook pages, WhatsApp groups), civil society groups, and NGOs. Such networks can provide a ready platform for outreach and intake. In many cases, informal associations charge membership fees for a variety of purposes, and social insurance agencies can explore the possibility of partnering with them to add social insurance contribution fees to the membership fees and facilitate workers' enrollment. In Rwanda, the government has partnered with worker cooperatives, benefitting from their ability to observe and track incomes of informally employed workers, to auto-deduct contributions for social security.

- **Proactive Outreach and Appropriate Content of Messaging, focusing on Incentives**

(Short-term — Up to 1 year)

Bringing informally employed workers into the fold of social insurance coverage may require proactive outreach as these workers are not often easy to reach using existing databases and programs. Targeted

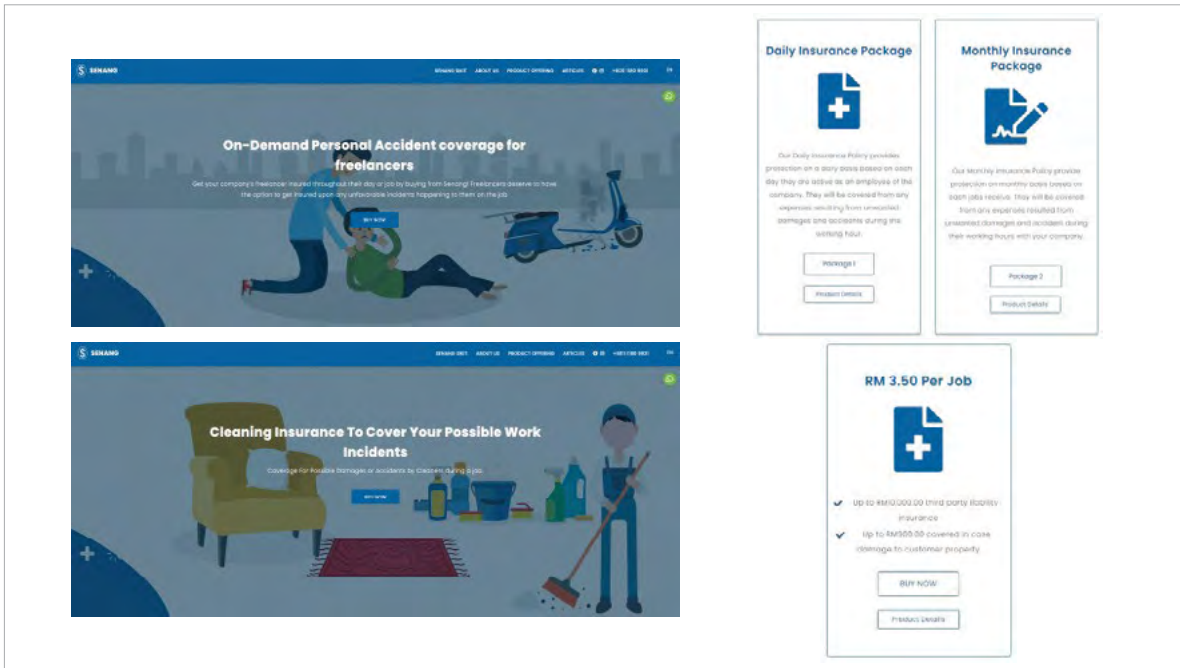
outreach to encourage and enable informally employed workers to subscribe to social insurance programs would require the use of appropriate channels of media (including social media), compelling messaging that provides information about the features and benefits of social insurance instruments, and details of how to subscribe. The content of messaging should focus on incentivizing social insurance coverage, through an explanation of direct benefits of the schemes themselves, as well as secondary benefits that may accrue, such as easier access to formal credit and loans. Messages seeking to incentivize subscription and coverage, rather than to penalize non-subscription may often be more attractive. The method through which information is communicated is also critically important. Instead of lengthy technical details on existing initiatives, messages on how workers can gain from making social insurance contributions can be made the central aspect of outreach programs. Undertaking a media habits study (which analyzes the sources, frequency of access to, and the purpose for accessing information among a target group) with informal workers can help identify the right channels for outreach for different types of such workers.

- **Explore partnerships with Group-based microinsurance schemes to expand SI coverage in the Medium-Term**

(Medium-term — 1 to 3 years)

Many informally employed workers are already enrolled in group-based microinsurance schemes that offer attractive packages of privately provided insurance and keep costs relatively low by benefitting from group-based enrollment. Among these, several may in turn not be covered by social insurance schemes. Partnering with private providers of group-based insurance can help bring informal workers into the fold of protection through private provision initially, and eventually link them with EPF/SOCSO, for instance, by facilitating access to registration with the social insurance agencies. In recent years, Rwanda has successfully leveraged group-based enrollment through cooperatives to enroll workers and auto-deduct contributions from their earnings for social security.

FIGURE 58
Examples of microinsurance policies



Source: <https://www.senangpks.com.my/>

II. Flexibility and Ease of SI coverage options

- **Expand access to On-demand and Group-based Insurance Schemes** (*Short-term — Up to 1 year*)

There is an active market of on-demand and group-based insurance schemes in Malaysia that can provide greater flexibility of contribution and also coverage that is well suited to the specific needs of informally employed workers. The government can encourage platforms to publicize such initiatives among workers and offer easy access for subscription to such insurance schemes, whether on an individual or group basis (the latter can also significantly reduce per capita costs, which in turn can enhance uptake). Informal and formal associations of workers can also be used to share information on such schemes and ensure take-up.

- **Use of technology to enhance ease of contributions** (*Short-term — Up to 1 year*)

Technology can enhance flexibility in the mode and frequency of making social insurance contributions, which is often a limiting factor for several informally employed workers. For instance, for those who work through digital platforms that use apps, inbuilt app

features can provide options for periodic contributions such that contributions can be made at more regular intervals, or depending upon the frequency of payments received, rather than monthly, which is standard practice for the formally employed. Some of these options have been exercised in, for instance by the GoGet platform in Malaysia,⁴¹ as well as regular mobile money platforms in Kenya. Technology can also be creatively deployed to send reminders (in apps or using text messages) for continued contributions for social insurance, and to remind recipients of the benefits of coverage.

- **Encourage Group-based enrollment and synchronized contribution options** (*Short-term — Up to 1 year*)

In addition to group-based enrollment using existing networks or associations of informally employed workers, such networks can also be leveraged to encourage workers to contribute regularly, when they are encouraged to do so along with their peer network.

- **Alter the Design of Social Insurance Schemes by offering greater flexibility that is suited to the needs of Informally employed workers** (*Long-term — Over 3 years*)

41 Together with EPF, GoGet have introduced a “contribute as you earn” model, through which workers on GoGet have the option of contributing a share of their earnings from every job through automatic deductions. Workers have the option to opt-in to the EPF program, through which they will start contributing a self-determined percentage of up to 30 percent of their earnings from jobs conducted through the app, into their EPF account.

Allowing greater flexibility in the options to contribute for SI coverage, with respect to frequency, duration of coverage, and types of benefits can potentially enhance take-up. SI schemes can benefit from some of the innovations in the private sector by studying alternate models (such as on-demand insurance) and attempting to offer a more diverse and differentiated range of products. Enhancing the flexibility of contribution and enrollment options can specifically tap into segments of the informal workforce that have the ability to contribute for social insurance coverage but does not find the existing structures and rules of SI instruments suitable to their needs, as has been experienced in Mexico.⁴² Altered design will require fresh outreach and communication so that existing and target beneficiaries are aware of the new features of social insurance programs.

III. Nudges for Social Insurance registration and Contribution

- **Explore the feasibility of Default Options for EPF contributions and easier social insurance registration** (*Short-term — Up to 1 year*)

EPF may consider partnering with some of the larger digital platforms that provide earning opportunities to workers to pilot default options for social insurance contributions such that contributions are automatically deducted from workers' earnings, but workers have the possibility to opt-out if they so choose. This is similar to EPF's current collaboration with GoGet. Default options have been known to increase the uptake of social insurance across countries, globally. Another option could be to facilitate easy access to registration (even if not contribution) with EPF/SOCSO at the time when workers sign up for private insurance instruments, by partnering with private insurance providers.

IV. Subsidized Contributions for Targeted Groups of Informal Workers

- **Identify workers who may need subsidized contributions for social insurance coverage; pilot, evaluate and scale up subsidized payments to identified groups** (*Medium-term — 1 to 3 years*)

As informal employment is strongly correlated with poverty status, many informally employed workers may not be able to afford regular social insurance

contributions on their own. There is a clear rationale for targeted, time-bound subsidy for contributions for some groups of informally employed workers, while balancing such support with financial sustainability considerations for EPF and SOCSO. This underlines the need for subsidized payments for clearly defined categories of workers, potentially by industry, but based on their assessed contributory capacity, which should be subject to periodic verification. Given the relatively low female labor force participation rate in Malaysia, the Government may wish to consider a higher level of subsidy for women from poorer households in informal employment to encourage the take-up of employment with protection.

The use of integrated social registries that can verify earnings of individuals, as well as their receipts of social assistance, can help automate the determination of eligibility for subsidized contributions. For platform workers, the earnings generated through the platforms can itself be used to determine eligibility for subsidized SI contributions (for those earning below a defined threshold to qualify for subsidized contribution, verified by EPF/SOCSO registration). Efforts to target subsidized payments and matching contributions should be piloted first and scaled-up accordingly to balance the need for support with financial responsibility. On the latter, the World Bank's Scheme Viability Assessment Tool (SVAT)⁴³ can help assess the financial viability of particular social insurances schemes for the informally employed.

This may be particularly challenging in Malaysia, as social protection spending trails aspirational peers (World Bank 2020a). On the one hand, this may require greater revenue collection, while on the other, it can be supported through savings from more streamlined spending across sectors that reduce duplication and administrative costs.

V. Expand the role of Voluntary Savings Schemes

- **Expand the Role of Voluntary Savings Schemes** (*Medium-term — 1 to 3 years*)

Private voluntary savings schemes account for around 20 percent of retirement income in OECD countries (OECD 2019). These can serve as a useful complement to formal retirement income schemes run by the EPF, and can be encouraged through greater awareness-raising, among the general public, as well as among

42 See Rother et al. (2022) for more details on flexible contribution options in partnership with the private sector in Mexico.

43 The Scheme Viability Assessment Tool (SVAT) was developed by the World Bank Social Protection and Jobs Team in collaboration with World Bank Treasury Pension Department to assess the viability of long-term voluntary schemes for the informal sector. The tool can be used to assess viability of an existing scheme as well as provide guidance for policy makers where such a scheme is considered. The SVAT has so far been applied in the case of the Ejo Heza program in Rwanda, and in Benin.

associations of informal workers, and digital platforms as well. Voluntary savings schemes, whether private or public, can provide retirement income, offer buffers to draw on in case of unemployment or other shocks, provide an entry point to reach out to informally employed workers, and encourage them to register with social insurance agencies, to eventually extend the coverage of social insurance among them as well.

C. Enhance Productivity of the Informally Employed through Skills Training

- **Encourage the Role of Employer/Client-provided Training, while noting its limitations**
(Short-term — Up to 1 year)

Recent experience suggests that digital platforms can provide workers with access to training opportunities (e.g., Grab Malaysia providing financial management and digital literacy training to drivers) to platform workers. As such provision gains popularity, other platforms may be encouraged to provide similar opportunities for on-the-job training and skills development. The Government can publicly recognize such initiatives to encourage their adoption by other platforms. However, in many cases training provided by employers or platforms themselves may be firm/platform-specific, which underlines the need for providing broader access to skills training through public or private training programs that are open to informally employed workers, and which enhances their skills as well as job mobility to pursue higher skilled, more remunerative, or even formal employment.

- **Enhance the existing SIP EMP+ program targeted to informal workers by including a training component, and expand it to include those who are contributing to the Self Employment Social Security Scheme (SESSS)**
(Short-term — Up to 1 year)

While the SIP EMP+ currently provides a job search allowance, a work preparation allowance as well as a career counsellor for beneficiaries, the program could be enhanced by including a skills training component to equip individuals for the workplace; for example, digital skills and communication skills. This training component could also include those who are contributing to the SESSS (i.e., the wider group of informally employed workers) as they are currently exempt from the SIP EMP+.

- **Enhance the content of Skills Training programs to include social insurance awareness and related content** *(Medium-term — 1 to 3 years)*

Ongoing skills training programs, whether offered by public or private providers can be enhanced to include modules to improve the awareness of social insurance

instruments, their offerings, and how to access them. This can also be complemented by basic modules on financial literacy, savings behavior and industry-specific occupational safety and health. This can be an effective way of both, widening social insurance outreach to informal workers, and ensuring they have basic training which can provide them protection against risks and improve their productivity on the job.

- **Ensure Relevant, Up-to-Date Curriculum for the needs for Informally employed workers**
(Medium-term — 1 to 3 years)

While Malaysia has a strong presence and network of training institutes and centers across the country, their functioning can be further enhanced to meet the requirements of those in informal employment. Specifically, this entails focusing on sectors and industries dominated by informal employment, and reviewing (for subsequent enhancement) their curricula to ensure relevance to the needs of industry. In addition to traditional industry partners, which represent future employers of trainees, the curriculum should be designed based also on the inputs received from informal sector employers and platforms, as these may be different from the competencies sought by formal employers. Moreover, all skills training should ensure a sufficient quality of instruction for key 21st century skills including digital skills. Skills programs may also need to pivot towards: (i) more applied components (rather than purely classroom-based instruction, through apprenticeships, industry placements etc.), and (ii) on-the-job and lifelong learning models as those in informal employment are likely to seek training while they continue to work, and at different stages of their work lives.

- **Tailor Active Labor Market Programs to Enhance Skills** *(Medium-term — 1 to 3 years)*

Existing Active Labor Market Programs in Malaysia can also contribute immensely to enhancing the skills of the informally employed workers. This can be done by offering modular skills training, referrals, and information on training providers through public (e.g., HRDCorp's *e-Latih* platform for MOOCs, UpskillMalaysia) or private training providers. Globally, evidence suggests that small, and well-targeted training programs may often be as impactful as larger classroom-based training for informally employed workers, especially when it is delivered in a format that is tailored to the requirements of the target audience (with respect to their digital literacy and connectivity, and ability to participate in classroom-based instruction).

- **Use post-training Monitoring and Evaluation to Calibrate Skills Training Curriculum** *(Medium-term — 1 to 3 years)*

Enshrining a culture of conducting post-training monitoring and evaluation through tracer studies, or more rigorous impact evaluation studies can provide useful feedback on the relevance and usefulness of different components of training programs. Such

studies should be conducted with the trainees as well as their employers to enable a well-rounded assessment of the training programs and inform the need for any adjustments.

4.2 Operationalizing recommendations: An action plan for informal employment in Malaysia

In this section we propose how the policy recommendations proposed can be realized and outline a proposed role for different agencies to lead or support these actions. Table 8 below lists some of the key steps that may need to be taken to operationalize

the policy recommendations, against the key actor(s) responsible for such actions. We list steps to extend social insurance coverage, extend social assistance, and enhance the skills of informally employed workers.

TABLE 8
Proposed Action Plan for Strengthening Protection and Productivity of Informally Employed Workers: Actions and Proposed Agencies

	GoM	EPF	SOCSCO	MDEC	HRDCorp	Pvt Insurance Agencies	Platforms/ Pvt. Sector	Workers Associations	Other Agencies
Cross-Cutting / Foundational Actions									
Identify existing programs/schemes that can be leveraged to work with informal workers	✓								
Identify clusters/groups of Informal Workers by Sector for targeted outreach	✓								
Identify existing associations (and leaders) of Informal Workers, incl. on social media		✓	✓					✓	NGOs, CSOs
Create consultative bodies with key stakeholders of informal workers by sector/type/region	✓	✓	✓	✓			✓	✓	MPC, NGOs, CSOs
Establish norms for regular convening of consultative bodies by sector/scale/region	✓	✓	✓	✓			✓	✓	
Map existing skills training and financial literacy programs administered by different agencies for informal workers	✓								
Identify high-risk occupations/tasks and list which platforms workers in such tasks work for		✓	✓			✓	✓	✓	

Policy Recommendations

	GoM	EPF	SOCSCO	MDEC	HRDCorp	Pvt Insurance Agencies	Platforms/ Pvt. Sector	Workers Associations	Other Agencies
Extending Social Insurance Coverage to Informally Employed Workers									
Undertake study of media habits, identify effective contact points and media to reach target workers		✓	✓	✓			✓	✓	
Develop effective Information and Comms. Content for increasing awareness, subscription options		✓	✓			✓	✓		
Work with peer networks and informal associations of informal workers to disseminate information and facilitate uptake of SI		✓	✓					✓	NGOs, CSOs
Identify and partner with local stakeholders for continued outreach		✓	✓					✓	
Ensure Information on SI schemes, OHS, and savings behavior in TVET/ skills training curricula		✓	✓		✓		✓		
Redesign SI schemes to offer a diversified product range and different contribution options		✓	✓			✓			
Mandate EPF/ SOCSCO registration as requirement for private insurance subscription	✓					✓			
Set earnings threshold for mandatory contribution to EPF/ SOCSCO for platforms with in-built payment features	✓								
Develop and implement features for direct contributions from earnings above established threshold, provide option for voluntary contributions							✓		
Direct platforms to contribute towards injury insurance for high-risk occupations/tasks	✓		✓						
Map and share information on private insurance schemes (individual or group) that informal workers can subscribe to with platforms, workers' associations	✓			✓		✓			
Identify and offer group-based microinsurance schemes for informal workers						✓	✓	✓	
Assess contributory capacity of informal workers by sector/activity	✓								
Develop subsidy scheme for specific sectors based on assessments of contributory capacity	✓	✓	✓						

	GoM	EPF	SOCSSO	MDEC	HRDCorp	Pvt Insurance Agencies	Platforms/ Pvt. Sector	Workers Associations	Other Agencies
Add SI contributions to membership fees of associations and facilitate registration of workers with SI schemes		✓	✓					✓	
Leverage platforms to send reminders on benefits of SI contribution, means to contribute							✓	✓	NGOs, CSOs
Direct platforms/apps to ensure default SI contribution options in payment features		✓	✓				✓		
Extending Social Assistance to Informally Employed Workers									
Undertake analysis of informal worker profiles to identify the poor (eligible for subsidized SI coverage and/or SA)	✓								
Develop an integrated national social registry using ind./ HH level IDs and information	✓								
Facilitate workers' registration with national social registry for assessment of eligibility and payment of SA							✓	✓	
Integrate SA and ALMPs to provide cross-referrals	✓								
Establish One-Stop Shop for common access to SA/ SI/ ALMP programs	✓	✓	✓						
Enhancing Skills of Informal Workers									
Undertake regular assessments of employer needs, skills demand	✓				✓				
Review curriculum of Public and Pvt TVET/ Skills Training programs for informal worker occupations	✓								TVET/ Skills Training centers
Seek industry input on relevance and quality of curriculum	✓				✓		✓		MPC
Establish process to enhance and update training curriculum in response to emerging priorities/needs					✓		✓		TVET/ Skills Training centers
Identify need for and set up in-job training programs, including TVET					✓		✓	✓	TVET/ Skills Training centers
Undertake tracer studies, impact evaluation to calibrate training programs	✓						✓		TVET/ Skills Training centers
(Re)design ALMPs to provide modular skills training, referrals to private training programs	✓								
Ensure Information on SI schemes, OHS, and savings behavior in skills training, TVET curricula							✓		TVET/ Skills Training centers

✓ Lead role ✓ Supporting role

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Annex 1: Description of data sources and details of analyses

Analysis of administrative data

Administrative data was obtained from various government agencies to better understand the informal employment landscape. The various data received and analyzed are as follows:

- 1. Data on eRezeki and GLOW PENJANA workers from MDEC.** This contains data on the sociodemographic profiles of the workers (including gender, age group, and education level), as well as their work preferences. For the GLOW PENJANA workers, it also includes data on earnings from gig work. The data on eRezeki is for the years 2016 to 2021, while data on GLOW PENJANA workers is for the year 2021.
- 2. Data on EPF members.** Following the definition of informal employment presented in Section 2.6, EPF members are formally employed workers.

Hence, this data provides insight on the progress of EPF and the government's efforts to ensure coverage of informally employed workers. It also provides the context for policy recommendations on increasing coverage. This data has been presented in Section 2.5.2.

- 3. Data on SOCSO SESSS and SPS Lindung subscribers.** Following the definition of informal employment presented in Section 2.6, subscribers of SOCSO are formally employed workers. Hence, this data provides insight on the progress of SOCSO and the government's efforts to ensure coverage of informally employed workers. It also provides the context for policy recommendations on increasing coverage. This data has been presented in Section 2.5.3.

Analysis of survey of freelancers

As part of understanding different types of informal workers in Malaysia, an internet survey on digital freelancers and gig workers was conducted. The World Bank team partnered with MDEC to tap into their network of digital freelancers via their GLOW participants (see Section 2.5.5). Additionally, the World Bank team partnered with Ipsos, a survey firm, to gather respondents from their online panel of freelancers as well as standard employees. The data collection period is February 2022 to May 2022. In total, the sample consisted of 1,038 freelancers and gig economy workers (subsequently referred to collectively as 'freelancers') as well as 300 workers in standard employment for comparison. The data was collected through an online survey administered by Ipsos.

The online survey questionnaire is divided into four parts to understand the profile of non-standard

workers as well as their preferences on work characteristics and willingness to pay for social insurance: (i) respondents' demographic background, which asks details on age, gender, schooling and marital status; (ii) employment characteristics, which asks details on respondents' current employment such as their status in employment, occupation, duration of employment, weekly pay, social security coverage, and other occupations if they are working more than one job; (iii) an experimental section on choosing between two hypothetical jobs; and lastly (iv) preferred work characteristics, which asks respondents' preferences on different aspects of work characteristics using a 5-point Likert scale from "Very Important" to "Not important." Some examples of work characteristics include earning good money, the ability to work in international settings/teams, insurance coverage for workplace injuries, and pension income upon retirement.

Analysis of focus group discussions and key informant interviews

To complement quantitative findings, qualitative methods in the form of focus group discussions (FGDs) and key informant interviews (KIIs) were also conducted to further understand a broader set of informal workers across four sectors, namely

agricultural laborers, location-based workers, care workers and hawkers/street vendors. In partnership with researchers from Universiti Teknologi MARA (UiTM), the study interviewed 109 respondents from different parts of Malaysia — Klang Valley (Kuala Lumpur and

Selangor), Kelantan, Terengganu, Pahang and Sabah — to ensure diversity in the pool of respondents. FGDs were conducted with workers with EPF/SOCSCO (n=72) and workers without (n=35). KIs were carried out with association or group leaders (n=7) of each sector as they represent the wider community of informal or non-standard workers. To the extent possible, the

FGDs and KIs were conducted physically. The FGDs and KIs included discussions on participants' work life history, issues pertaining to informal employment, perception of formal employment, and changes in their current employment that they would like to see. The data collection period is February 2022 to April 2022.

Analysis of informally employed workers during the COVID-19 pandemic

The study also utilized data from the World Bank's High Frequency Phone Survey (HiFy), which is a periodic, household monitoring survey to provide timely and granular information on how the COVID-19 pandemic is affecting the well-being of Malaysian households and individuals. Particularly, the interviews asked about employment and income, household concerns and food security, household coping strategies, access to internet, education and health services, as well as satisfaction with government's COVID-19 response. Three rounds of interviews were

conducted, in May to June 2021 (Round 1); October to November 2021 (Round 2); and April to May 2022 (Round 3). The sample has also been appropriately weighted, consistent with the official statistics projection from the Department of Statistics Malaysia (DOSM) to be nationally representative. For this analysis, comparisons between formal and informally employed workers were made, where informally employed workers were defined as those with no contribution towards EPF or SOCSCO from their employer.



Annex 2: Basic characteristics of different categories of informally employed workers (excluding agriculture workers), 2019

	Formally employed workers				Informally employed workers				
	Employers	Employees	Own account workers	Total	Employers	Employees	Own account workers	Unpaid family workers	Total
Average age	45.9	37.4	42.2	37.5	47.0	37.6	44.2	36.0	41.5
Gender (share of workers, %)									
Male	74.5	60.1	79.1	60.2	85.6	68.1	65.9	34.6	66.7
Female	25.5	39.9	20.9	39.8	14.4	31.9	34.1	65.4	33.3
Total	100	100	100	100	100	100	100	100	100
Age group (share of workers, %)									
15-24		11.4	1.5	11.4	0.9	19.1	3.5	26.9	10.4
25-34	21.2	32.5	27.5	32.5	11.8	27.0	19.4	24.2	21.9
35-44	6.3	28.2	31.6	28.2	25.6	22.1	25.6	18.1	23.9
45-54	52.9	20.3	26.1	20.4	35.2	18.5	30.3	18.1	25.6
55-64	19.6	7.6	13.4	7.6	26.5	13.3	21.2	12.6	18.2
Total	100	100	100	100	100	100	100	100	100
Education level (share of workers, %)									
No formal education		0.3	0.6	0.3	0.4	2.1	1.5	1.2	1.6
Primary	19.0	9.2	18.2	9.2	20.1	29.3	24.5	22.7	25.9
Secondary	40.6	41.9	42.7	41.9	42.4	53.5	51.9	58.8	52.1
Post-secondary	2.1	4.7	7.6	4.7	4.4	3.7	4.7	4.9	4.3
Tertiary	38.4	43.9	30.8	43.9	32.8	11.4	17.4	12.3	16.1
Total	100	100	100	100	100	100	100	100	100
<i>% of respective sample</i>	0.05	99.85	0.1		7.05	38.96	48.07	5.92	

Source: World Bank staff calculations based on data from Household Income Survey 2019 (DOSM)

Annex 3: Rate of informal employment (excluding agriculture workers) by state, 2009 – 2019

State	2009	2012	2014	2016	2019
Kelantan	59.8	62.1	57.9	57.2	56.1
Terengganu	48.3	48.3	50.0	47.1	46.5
Perlis	44.9	43.9	49.1	47.5	45.6
Pahang	34.2	34.4	36.1	36.1	36.4
Kedah	42.7	42.3	39.2	37.4	33.1
Perak	38.8	42.6	34.1	35.8	33.0
Johor	34.0	36.9	34.1	34.5	31.2
Sabah	37.5	32.8	31.6	30.7	29.1
Negeri Sembilan	35.0	34.7	30.8	29.4	25.8
Sarawak	36.3	33.9	26.0	24.3	25.3
Melaka	30.9	25.1	29.3	24.4	24.7
P. Pinang	33.0	28.9	27.2	22.6	20.3
Selangor	21.4	22.5	22.9	20.5	17.1
WP. KL	15.8	21.1	19.1	19.1	15.6
WP. Labuan	23.1	16.9	17.9	14.3	11.5
WP. Putrajaya	8.2	4.4	5.0	4.2	7.2

Source: World Bank staff calculations based on data from Household Income Survey (DOSM), ILOSTAT and ILO (2018).



Annex 4: Probit regression on the likelihood of being informally employed (2009 - 2019), marginal effects

Dependent variable: <i>Informal employment dummy</i> (1 if person is informally employed, 0 if person is formally employed)	Whole sample	Exc. agriculture	Employees only	Exc. unpaid family workers
Male	-0.005*** (0.001)	-0.007*** (0.001)	0.004** (0.002)	0.009*** (0.001)
Age	-0.012*** (0.000)	-0.012*** (0.000)	-0.015*** (0.000)	-0.009*** (0.000)
Age squared	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)
Married	-0.025*** (0.002)	-0.018*** (0.002)	-0.043*** (0.002)	-0.026*** (0.002)
Chinese (ref: Bumiputera)	0.091*** (0.002)	0.101*** (0.002)	0.039*** (0.002)	0.083*** (0.002)
Indian (ref: Bumiputera)	-0.029*** (0.003)	-0.007* (0.003)	-0.007* (0.003)	-0.030*** (0.003)
Others (ref: Bumiputera)	0.068*** (0.007)	0.109*** (0.008)	0.080*** (0.009)	0.068*** (0.007)
Agriculture (ref: Services)	0.282*** (0.003)		0.041*** (0.003)	0.264*** (0.003)
Mining (ref: Services)	-0.177*** (0.006)	-0.170*** (0.006)	-0.094*** (0.006)	-0.166*** (0.006)
Manufacturing (ref: Services)	-0.111*** (0.002)	-0.107*** (0.002)	-0.111*** (0.002)	-0.105*** (0.002)
Construction (ref: Services)	0.174*** (0.003)	0.174*** (0.003)	0.158*** (0.003)	0.180*** (0.003)
High skilled (ref: Low skilled)	-0.050*** (0.003)	-0.067*** (0.003)	-0.133*** (0.003)	-0.050*** (0.003)
Mid skilled (ref: Low skilled)	0.060*** (0.002)	0.040*** (0.002)	-0.064*** (0.003)	0.052*** (0.002)
No education (ref: primary educ)	0.103*** (0.006)	0.111*** (0.007)	0.078*** (0.007)	0.103*** (0.006)
Completed secondary (ref: primary educ)	-0.101*** (0.002)	-0.105*** (0.002)	-0.086*** (0.002)	-0.102*** (0.002)
Completed post-secondary (ref: primary educ)	-0.161*** (0.003)	-0.164*** (0.004)	-0.128*** (0.004)	-0.162*** (0.003)
Completed tertiary (ref: primary educ)	-0.213*** (0.003)	-0.220*** (0.003)	-0.155*** (0.003)	-0.212*** (0.003)
Urban	-0.033*** (0.002)	-0.036*** (0.002)	-0.026*** (0.002)	-0.031*** (0.002)

1st income quintile (ref: 3rd IQ)	0.197*** (0.003)	0.186*** (0.003)	0.152*** (0.003)	0.196*** (0.003)
2nd income quintile (ref: 3rd IQ)	0.060*** (0.002)	0.058*** (0.002)	0.048*** (0.002)	0.059*** (0.002)
4th income quintile (ref: 3rd IQ)	-0.035*** (0.002)	-0.034*** (0.002)	-0.023*** (0.002)	-0.035*** (0.002)
5th income quintile (ref: 3rd IQ)	-0.031*** (0.002)	-0.026*** (0.002)	-0.019*** (0.003)	-0.030*** (0.002)
GDP growth	-0.005*** (0.000)	-0.005*** (0.000)	-0.016*** (0.000)	-0.006*** (0.000)
Kedah (ref: Johor)	0.024*** (0.003)	0.014*** (0.004)	-0.030*** (0.004)	0.022*** (0.003)
Kelantan (ref: Johor)	0.121*** (0.004)	0.138*** (0.004)	0.139*** (0.005)	0.110*** (0.004)
Melaka (ref: Johor)	-0.055*** (0.004)	-0.060*** (0.005)	-0.113*** (0.005)	-0.062*** (0.004)
Negeri Sembilan (ref: Johor)	-0.037*** (0.004)	-0.041*** (0.005)	-0.115*** (0.005)	-0.041*** (0.004)
Pahang (ref: Johor)	-0.002 (0.004)	-0.005 (0.004)	-0.035*** (0.005)	-0.008* (0.004)
Pulau Pinang (ref: Johor)	-0.068*** (0.003)	-0.078*** (0.004)	-0.093*** (0.004)	-0.069*** (0.003)
Perak (ref: Johor)	-0.026*** (0.003)	-0.026*** (0.004)	-0.054*** (0.004)	-0.029*** (0.003)
Perlis (ref: Johor)	0.079*** (0.005)	0.075*** (0.006)	0.103*** (0.008)	0.079*** (0.005)
Selangor (ref: Johor)	-0.055*** (0.003)	-0.063*** (0.003)	-0.139*** (0.004)	-0.056*** (0.003)
Terengganu (ref: Johor)	0.084*** (0.004)	0.097*** (0.004)	0.058*** (0.005)	0.082*** (0.004)
Sabah (ref: Johor)	-0.072*** (0.003)	-0.073*** (0.003)	-0.132*** (0.004)	-0.084*** (0.003)
Sarawak (ref: Johor)	-0.115*** (0.003)	-0.124*** (0.003)	-0.143*** (0.003)	-0.131*** (0.003)
Kuala Lumpur (ref: Johor)	-0.085*** (0.004)	-0.095*** (0.004)	-0.211*** (0.004)	-0.087*** (0.004)
WP Labuan (ref: Johor)	-0.160*** (0.006)	-0.168*** (0.006)	-0.230*** (0.006)	-0.169*** (0.006)
WP Putrajaya (ref: Johor)	-0.170*** (0.009)	-0.177*** (0.008)	-0.091*** (0.020)	-0.169*** (0.009)
Observations	510,132	448,419	304,097	495,200
Year dummies	Yes	Yes	Yes	Yes
State dummies	Yes	Yes	Yes	Yes
Pseudo R-squared	0.2595	0.1866	0.2353	0.2524

Notes: Standard errors are clustered at the household level. *** p<0.001, ** p<0.01, * p<0.05

Annex 5: Probit regression on the likelihood of an informally employed worker having a high-skilled occupation (2009 - 2019), marginal effects

Dependent variable: High-skilled occupation dummy (1 if person is employed in high-skilled occupation, 0 if in mid/low-skilled)

Male	0.025*** (0.001)
Age	0.004*** (0.000)
Age squared	-0.000*** (0.000)
Married	0.021*** (0.002)
Chinese (ref: Bumiputera)	0.027*** (0.002)
Indian (ref: Bumiputera)	0.025*** (0.003)
Others (ref: Bumiputera)	-0.009 (0.006)
Agriculture (ref: Services)	-0.115*** (0.002)
Mining (ref: Services)	0.070*** (0.015)
Manufacturing (ref: Services)	-0.032*** (0.002)
Construction (ref: Services)	-0.010*** (0.002)
No education (ref: primary educ)	-0.015*** (0.004)
Completed secondary (ref: primary educ)	0.047*** (0.001)
Completed post-secondary (ref: primary educ)	0.104*** (0.004)
Completed tertiary (ref: primary educ)	0.222*** (0.004)
Urban	0.011*** (0.002)
1 st income quintile (ref: 3 rd IQ)	-0.042*** (0.002)
2 nd income quintile (ref: 3 rd IQ)	-0.023*** (0.002)
4 th income quintile (ref: 3 rd IQ)	0.024*** (0.002)

5 th income quintile (ref: 3 rd IQ)	0.094*** (0.003)
Employers (ref: Unpaid family workers)	0.315*** (0.005)
Employees (ref: Unpaid family workers)	0.035*** (0.003)
Own-account workers (ref: Unpaid family workers)	0.054*** (0.003)
Kedah (ref: Johor)	-0.021*** (0.003)
Kelantan (ref: Johor)	-0.037*** (0.003)
Melaka (ref: Johor)	-0.005 (0.004)
Negeri Sembilan (ref: Johor)	0.002 (0.004)
Pahang (ref: Johor)	-0.048*** (0.003)
Pulau Pinang (ref: Johor)	0.015*** (0.003)
Perak (ref: Johor)	0.002 (0.003)
Perlis (ref: Johor)	0.020*** (0.005)
Selangor (ref: Johor)	0.036*** (0.003)
Terengganu (ref: Johor)	-0.022*** (0.003)
Sabah (ref: Johor)	0.038*** (0.003)
Sarawak (ref: Johor)	-0.009*** (0.003)
Kuala Lumpur (ref: Johor)	-0.026*** (0.003)
WP Labuan (ref: Johor)	0.038*** (0.009)
WP Putrajaya (ref: Johor)	0.010 (0.014)
Observations	193,685
Year dummies	Yes
State dummies	Yes
Pseudo R-squared	0.3510

Notes: Standard errors are clustered at the household level. *** p<0.001, ** p<0.01, * p<0.05

Annex 6: Tobit regression for the correlates of hourly wages

TABLE 9

Correlates of Hourly Wages: Tobit regression, log hourly wages₁, $\ln \ln_{\text{minwage_h1}}$ ($\ln_{\text{minwage_h1}} = \ln(\text{minwage_h} + 1)$) for hourly wages)

VARIABLES	(1) All informal	(2) Private employers	(3) Private employees	(4) Own-account workers	(5) All informal w/o UFW
Male	0.559*** (0.004)	0.207*** (0.021)	0.293*** (0.004)	0.486*** (0.005)	0.433*** (0.004)
Age	0.076*** (0.001)	0.034*** (0.006)	0.047*** (0.001)	0.053*** (0.001)	0.064*** (0.001)
Age squared	-0.001*** (0.000)	-0.000*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)
Married	0.191*** (0.004)	0.116*** (0.022)	0.174*** (0.004)	0.122*** (0.006)	0.202*** (0.004)
Primary education (ref: no education)	0.124*** (0.009)	0.241*** (0.066)	0.063*** (0.012)	0.100*** (0.011)	0.101*** (0.009)
Secondary education (ref: no education)	0.309*** (0.009)	0.396*** (0.066)	0.209*** (0.012)	0.265*** (0.011)	0.305*** (0.009)
Post-secondary education (ref: no education)	0.416*** (0.013)	0.446*** (0.074)	0.288*** (0.016)	0.365*** (0.017)	0.419*** (0.012)
Tertiary education (ref: no education)	0.803*** (0.011)	0.740*** (0.067)	0.643*** (0.013)	0.659*** (0.013)	0.798*** (0.010)
Urban	0.101*** (0.004)	0.129*** (0.019)	0.108*** (0.004)	0.062*** (0.005)	0.095*** (0.004)
Mining (ref: Agriculture)	0.606*** (0.032)	0.559*** (0.161)	0.672*** (0.024)	0.483*** (0.094)	0.491*** (0.029)
Manufacturing (ref: Agriculture)	0.235*** (0.007)	0.233*** (0.035)	0.219*** (0.008)	0.117*** (0.009)	0.129*** (0.006)
Construction (ref: Agriculture)	0.232*** (0.006)	0.300*** (0.031)	0.202*** (0.007)	0.324*** (0.010)	0.136*** (0.005)

Services (ref: Agriculture)	0.270*** (0.005)	0.249*** (0.027)	0.132*** (0.007)	0.309*** (0.006)	0.195*** (0.004)
Chinese (Ref: Bumiputera)	0.299*** (0.005)	0.222*** (0.016)	0.291*** (0.005)	0.329*** (0.006)	0.358*** (0.004)
Indian (Ref: Bumiputera)	0.031*** (0.008)	0.135*** (0.031)	0.099*** (0.008)	-0.015 (0.012)	0.052*** (0.008)
Others (Ref: Bumiputera)	0.038** (0.014) (0.045)	0.049 (0.066) (0.182)	-0.009 (0.015) (0.056)	0.077*** (0.019) (0.054)	0.032* (0.013) (0.042)
Observations	192,170	9,636	71,694	97,433	178,763
Year dummies	Yes	Yes	Yes	Yes	Yes
State dummies	Yes	Yes	Yes	Yes	Yes

Standard errors in parentheses

*** p<0.001, ** p<0.01, * p<0.05



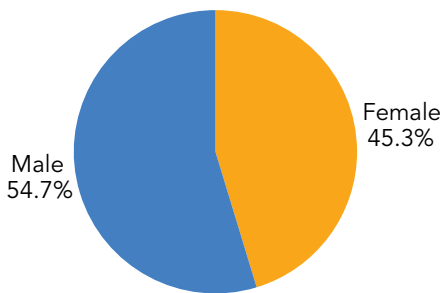
Annex 7: Profiles of informally employed workers in the survey of freelancers and qualitative study

Freelancers

The sample of freelancers consists of mainly GLOW members from MDEC, with 57 percent of total freelancers, and 43 percent gig workers (Figure 60). The sample is almost gender-balanced, with slightly more men than women (Figure 59). Freelancers are also mostly young individuals, with 40.6 percent in

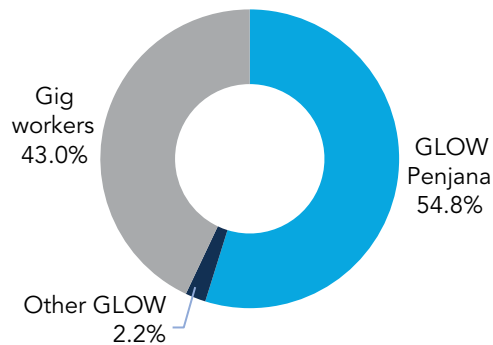
the 25 to 34 age group, followed by 29.8 percent in the 35 to 44 age group (Figure 61). In terms of age-group breakdown by gender, it can be seen in Figure 62 that there are more female respondents than male respondents at younger ages.

FIGURE 59
Share of respondents by gender



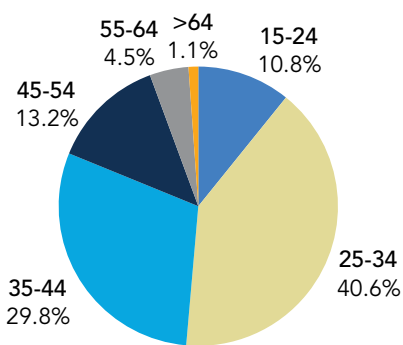
Source: World Bank survey of freelancers

FIGURE 60
Share of respondents by respondent type



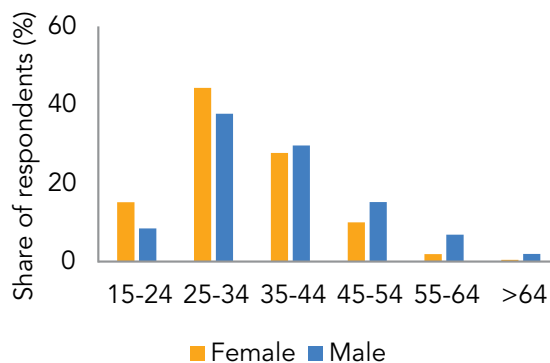
Source: World Bank survey of freelancers

FIGURE 61
Share of respondents by age group



Source: World Bank survey of freelancers

FIGURE 62
Share of respondents by age group and gender

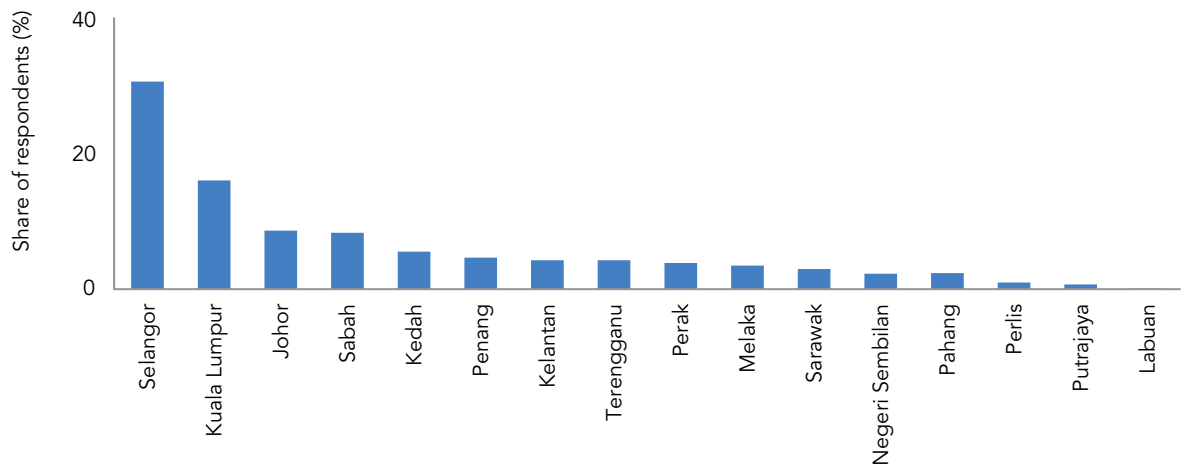


Source: World Bank survey of freelancers

Most respondents reside in Klang Valley and have tertiary education. 47.1 percent of freelancers comprise of respondents from Selangor and Kuala Lumpur (see Figure 63). In terms of education levels, Figure 64 illustrates that a high percentage of respondents have a Bachelor's degree or equivalent at 42.2 percent, where it is higher for

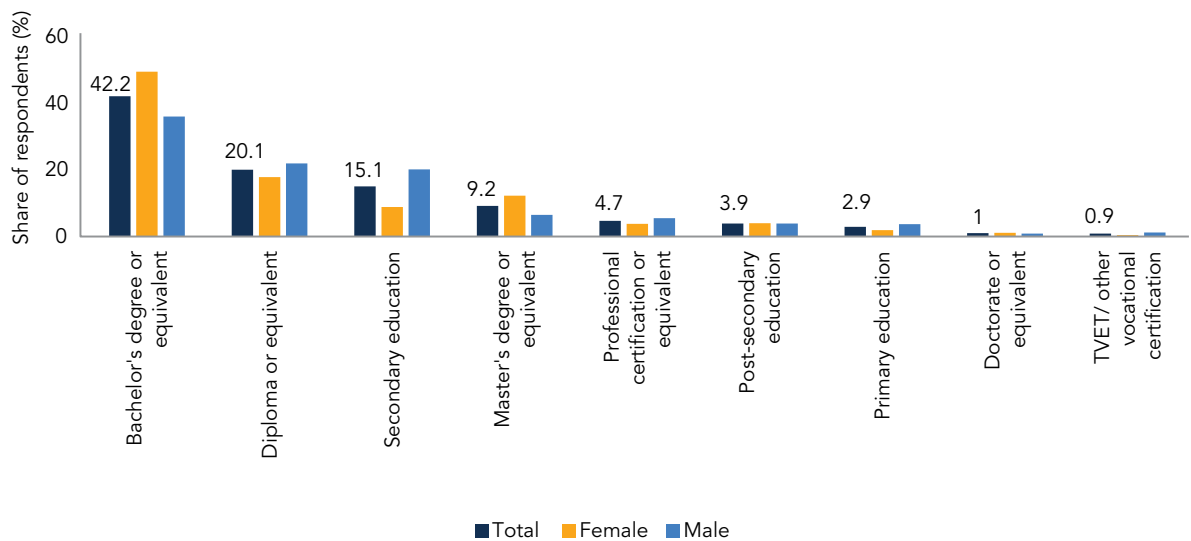
females (49.6 percent) and lower for males (36.1 percent). Compared with the national labor force, the sample of freelancers is relatively more educated as only 10.6 percent of the total labor force holds a degree or equivalent in 2020, whereby most individuals in the national labor force have secondary education, at 44.8 percent.

FIGURE 63
Share of respondents by state



Source: World Bank survey of freelancers

FIGURE 64
Share of respondents by education level and gender

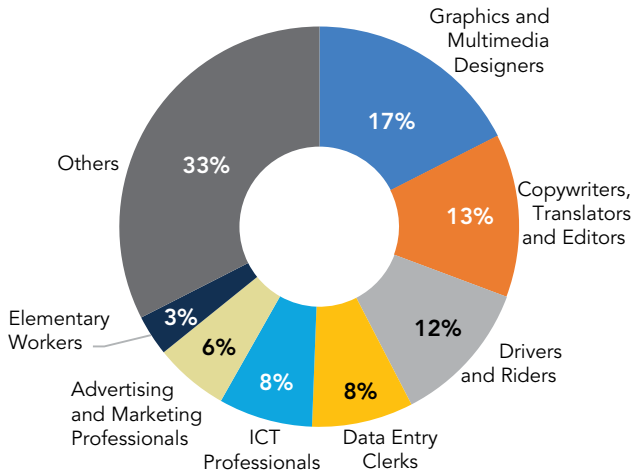


Source: World Bank survey of freelancers

Freelancers are a diverse group that have occupations ranging from high-skilled digital work to lower-skilled digitally enabled tasks. Specifically, 17 percent of the freelancers in the sample are Graphics and Multimedia Designers, followed by Copywriters, Translators and Editors at 13 percent, and Drivers and Riders at 12 percent (Figure 65). However, the shares are not evenly

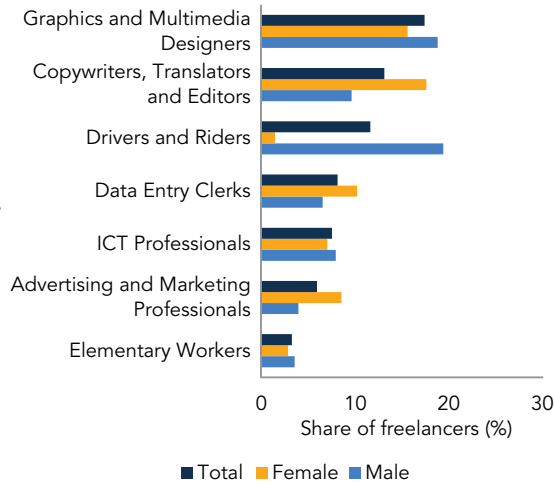
distributed across gender for certain occupations, particularly Drivers and Riders, where this is a male-dominated occupation, and females tend to have higher shares in Copywriting occupations, as well as Data Entry and Advertising and Marketing Professionals (Figure 66).

FIGURE 65
Share of freelancers by occupation titles



Source: World Bank survey of freelancers

FIGURE 66
Share of freelancers by selected occupation titles, by gender

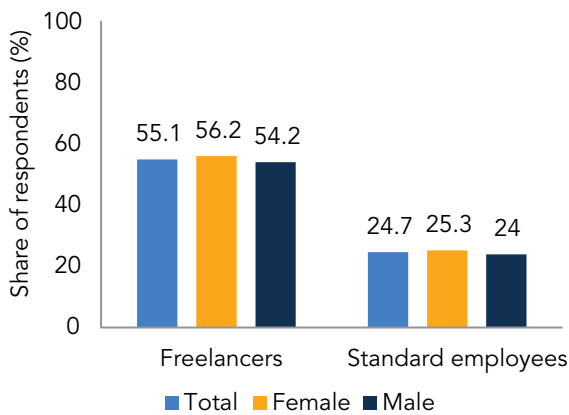


Source: World Bank survey of freelancers

Freelancers are more likely to work other jobs simultaneously to their current job compared to standard employees, with more than half of the freelancers have secondary jobs (outside of freelancing) compared to 24.7 percent of standard employees (Figure 67). Furthermore, around 15.9 percent of freelancers work at least three jobs at once, compared to 6.3 percent of standard employees. In terms of gender breakdown, slightly more females have other jobs compared to males (56.2 percent and 54.2 percent respectively). Additionally, working more than one job

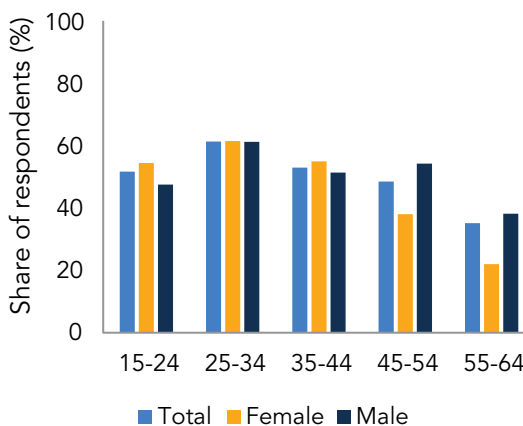
is common across younger freelancers — a higher share of younger individuals has other jobs with at least 50 percent within the 15 to 24, 25 to 34, 35 to 44 age groups (Figure 68). A large share of standard employees who work other jobs are in self-employment in the other job (Figure 69). Of the 24.7 percent of standard employees working a second job, 55.4 percent of them reported to be in self-employment. However, it is not possible to distinguish whether their secondary jobs are formal or informal.

FIGURE 67
Share of respondents with other jobs by employment type



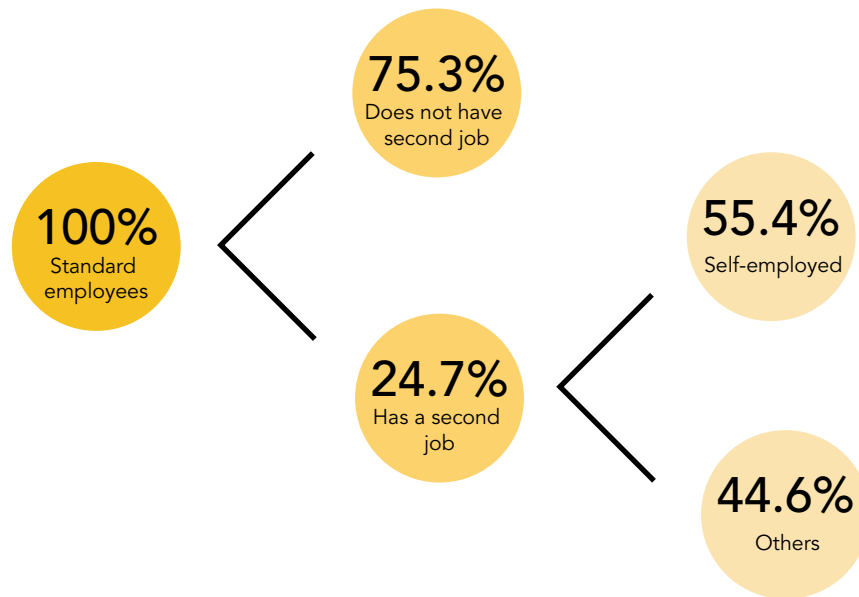
Source: World Bank survey of freelancers

FIGURE 68
Share of freelancers with other jobs by age group



Source: World Bank survey of freelancers

FIGURE 69
Share of standard employees who have other jobs by employment status



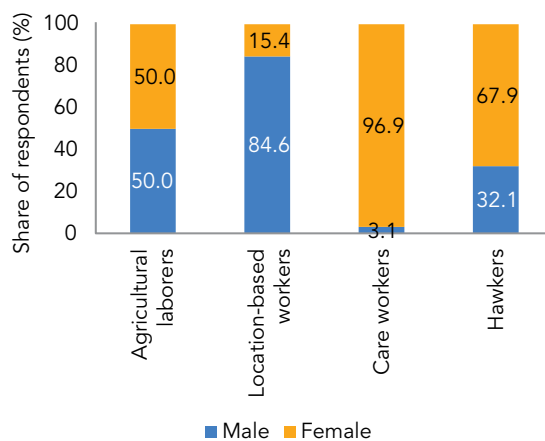
Source: World Bank survey of freelancers

Focus group discussion participants

Informally employed workers participating in the focus group discussions from different sectors have different socioeconomic backgrounds. Firstly, while in agriculture there are equal shares of men and women respondents, most location-based workers interviewed are men, and most care-workers and hawkers are women, with significantly more women from the care sector being interviewed (Figure 70). Secondly, most location-based workers interviewed are quite young (20 to 30 years old), while for other sectors the age

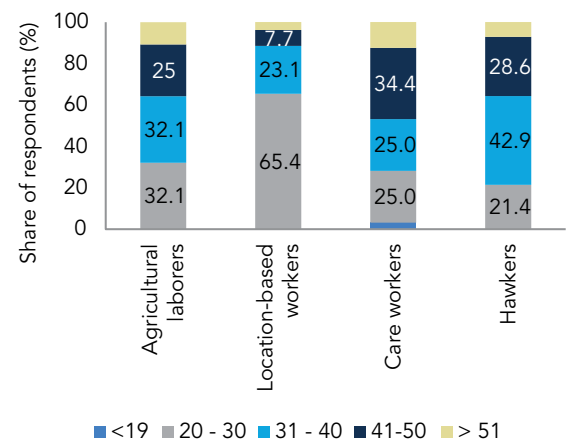
distribution of respondents do not follow a particular pattern (see Figure 71). Thirdly, while most of the respondents in agriculture, location-based work, and care sector have secondary education, most hawkers in the sample have post-secondary education (see Figure 72). Lastly, there is a huge variation in terms of average monthly earnings stated by respondents. While agricultural laborers can earn as low as RM100 monthly to RM4,000 monthly, hawkers on the other hand can earn RM400 monthly to RM18,200 monthly (Figure 73).

FIGURE 70
Share of respondents by gender and sector



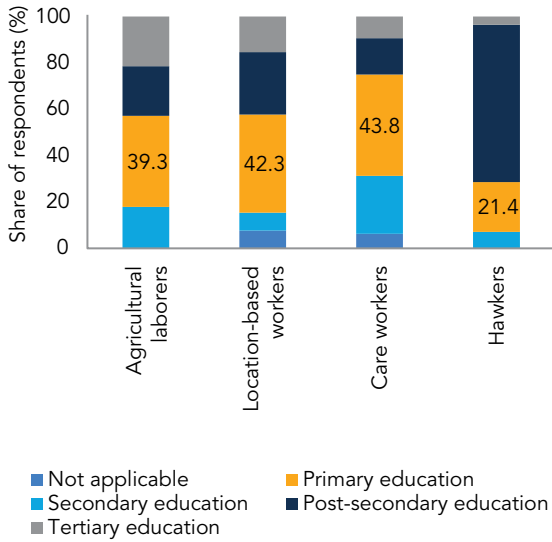
Source: World Bank survey of freelancers

FIGURE 71
Share of respondents by age group and sector



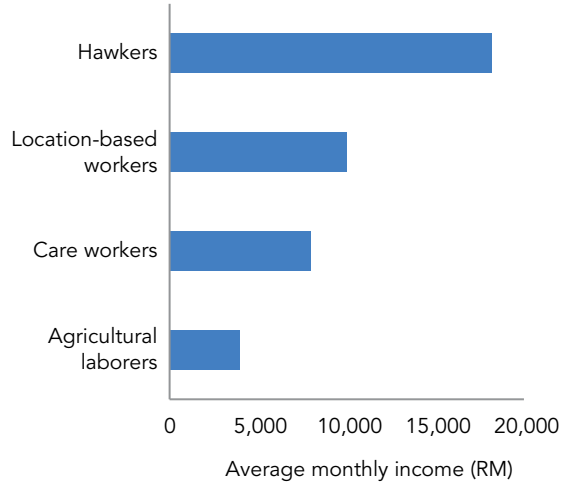
Source: World Bank survey of freelancers

FIGURE 72
Share of respondents by education and sector



Source: World Bank survey of freelancers

FIGURE 73
Average monthly income range of respondents by sector



Source: World Bank survey of freelancers



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