

Work, Family and Childcare: Retaining Women in the Labour Market in Malaysia

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Introduction

Gender equality in labour force participation (LFP) is associated with higher economic growth and women's improved status in the family and community. However, women's participation in the labour force remains low in developing countries. Globally, the participation rate of women in the labour force was 26.5% lower than that of men (ILO, 2018).

In Malaysia, almost one out of every two women of working age are not in the labour force. Despite sustained economic growth, declining poverty and fertility rates and a high level of female education, women's LFP rate still falls short of the target set by the government (Asadullah, 2020). In the 11th Malaysia Plan, the female labour force participation was aimed to reach 59% for the year 2020 (EPU, 2016), yet as of the third quarter of 2020 it was only at 55.3% (DOSM, 2020).

Women's labour market participation is also lower than men. Throughout 1985 to 2018, men's labour force participation rate fluctuated between 85.6% to 80.4%, whereas for women, it ranged between 45.9% to 55.2% (DOSM, 2019). The rate is also considerably lower compared to other ASEAN countries. In 2018, Malaysia also was ranked at 84th place in terms of economics participation and opportunity in the global gender gap index with the index score of 0.656 (WEF, 2018).

Apart from the issue of non-participation in the labour market, there is also the problem of women leaving the labour market. In 2018, 68.3 percent out of a population of 7 million people outside the labour force consisted of women, with 48.4% of them having prior working experience (DOSM, 2019). Two-third women cited housework, family responsibilities or community commitments as reasons to remain outside the labour force. At the same time, only 3.6% of men reported the same set of constraints (DOSM, 2019).

Given Malaysia's complex social structure, an inquiry into the barriers to female labour market participation needs to consider the role of social factors alongside conventional economic correlates (e.g., childcare provisions) of labour market decisions. This has motivated our analysis.



We hypothesize that one's location at birth may capture the long-term influence of customs, gender roles and family values which vary spatially in the country (e.g., Malay heartland states of Kelantan and Terengganu vs rest of Malaysia). In doing so, it can serve as a social determinant of LFP decision. This topic – the effect of one's birthplace on their labour market outcomes – remains debated in the academic literature (e.g., Oreopoulos 2003; Alesina, Giuliano & Nunn, 2013; Chetty, Hendren and Katz, 2016) and is also of significant public policy interest. Therefore, we study the determinants of women's labour market entry and exit decisions with a primary focus on the influence of place of birth.

Methodology

The analysis is quantitative in nature and utilized individual level data from the Malaysian Population Family Survey 2014 (MPFS). Women's LFP decisions (relative to men) were estimated using probit regression which accounts for a host of demographic and household characteristics, current location, indirect proxies of care-related factors and place of childhood residence (until the age of 13). Geographic variation in birthplace was modelled as a binary indicator where childhood experience of

growing up in Kelantan and Terengganu (compared to other locations in Malaysia) remained the primary focus. Lastly, the Heckman two-step procedure was followed to correct for sample selection bias when examining labour market exit decisions among women. In exit analysis, the role of birthplace was modelled as one of the specific channels determining the sample selection mechanism. A number of additional sensitivity tests and datasets (e.g., HIS 2014; Census 2010; location-specific childcare provisions) were also considered to check the robustness of the results.

Key Findings

- 1) Women are 43.5 percent less likely to participate in the labour market compared to men possessing similar human capital attributes; those from the rural areas have a lower probability of LFP.
- 2) Place of childhood residence in Kelantan and Terengganu is a significant driver of nonparticipation decision among women. However, this has no influence on men's labour market decision.
- 3) Gender earnings gap in the local labour market negatively impacts women's LFP.
- 4) The probit estimation on pooled sample showed that being married affects labour market participation among women negatively whereas it positively affects men's participation.
- 5) Number of children is a significant factor and is negatively related to married women's participation in the labour market – it is not significant for men.
- 6) Women are 44.0 percent more likely to exit the labour market compared to men possessing similar human capital attributes.
- 7) Being married currently has the most substantial positive effect on the exit decisions among women (30.2 percent).
- 8) The number of children positively affects exit decisions, whereas the presence of parents lowers the probability of exit among women.

Policy Implications

- 1) Our findings suggest a differential birthplace effect specific to Kelantan and Terengganu. This is suggestive of the persistent influence of location-specific social customs and gender norms governing the lives of females. If true, reform initiatives which can change entrenched social norms towards women would significantly improve women's

employment, thereby reduce the gender gap in LFP.

- 2) The findings also point out the labour market constraints faced by women in relation to care responsibilities towards children. Therefore, policies that could improve work-life balance as well as create institutional provisions for childcare are likely to encourage women's labour market participation as well as retain them at work.

Recommendations

- 1) Consider state-specific labour market interventions to assist women who are held behind because of location specific social barriers.
- 2) Identify policies to incentivize re-entry into work among married women.
- 3) Gather qualitative evidence unpacking the competing pathways (social customs vs gender norms) that drive geographic variations in labour market outcomes.
- 4) Make available public data on access to and availability of childcare centres (both private and public) through institutional and user surveys.

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