

## Women Workers in Malaysia's Private Sector

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**T**his note analyzes various issues related to women workers in Malaysia's formal private sector. Using the World Bank's Enterprise Surveys (ES) data, the proportion of women among all workers in Malaysia is on par with other upper middle income group economies but less than the regional average. In Malaysia, the number of women among all workers varies with the firm's size, sector, management characteristics and whether or not training is provided to workers by the firm. Firms in Malaysia seem to lag behind firms in other countries in terms of how friendly some of the labor laws are to women workers. Suitable reforms of these laws can potentially increase women's employment in Malaysia's formal private sector.

### Introduction

Over the past quarter century, women have joined the labor market in increasing numbers. According to the World Bank (2011), between 1980 and 2009 the global rate of female labor force participation rose from 50.2 percent to 51.8 percent, while the male rate fell from 82 percent to 77.7 percent. Consequently, the gender gap in the labor force participation rate narrowed from 32 percentage points in 1980 to 26 percentage points in 2009. This is encouraging for overall economic development and growth as women constitute about half of the world's population. Women's involvement in the labor market contributes to GDP directly and potentially indirectly through better education and health outcomes for children.<sup>1</sup>

Despite the upward trend in the women's labor market participation rate, various concerns remain. For instance, in some regions such as the Middle East and North Africa and South Asia, the participation rate among women is as low as 22 percent and 29 percent, respectively. Further relative to men, women tend to be disproportionately concentrated in low-paying and vulnerable jobs in agriculture and the informal sector while their presence in high-paying jobs in the formal (registered) private sector is limited (see, for example, World Bank 2011, Elson 1999, Beneria 2003).

This note focuses on women workers in Malaysia's formal private sector (henceforth, private sector). Using the ES data,<sup>2</sup> we analyze the overall level of women's presence in Malaysia's private sector as well as their

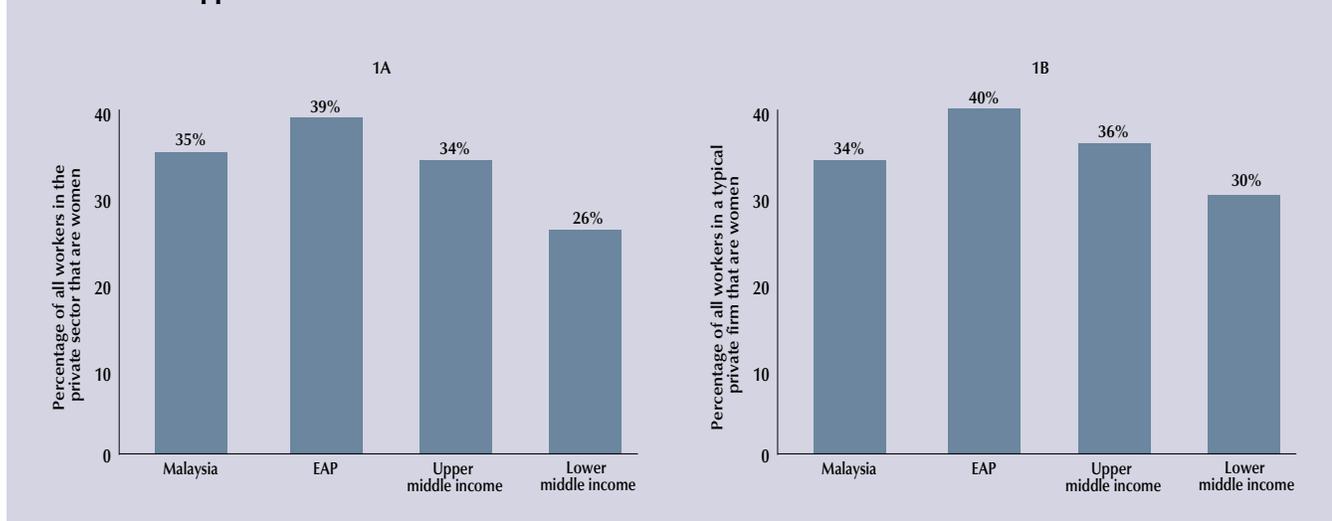
distribution by firm-size (small, medium and large), sector (manufacturing, retail and other services) and export orientation of firms. To put things in perspective, Malaysia's experience is benchmarked against the average for the following comparator groups: other countries in the East Asia & Pacific (EAP) region,<sup>3</sup> upper middle income countries and lower middle income countries.<sup>4</sup> Unless stated otherwise, all figures and discussion below refer to the private sector covered by the ES.

### The proportion of women workers in Malaysia is on par with upper middle income countries

About 35 percent of all workers in Malaysia are women. This is on par with upper middle income countries and higher than lower middle income countries, but lower than the regional average (figure 1A). In Cambodia, Thailand, and Lao PDR, women comprise close to half of all workers. Malaysia (at 35%) outperforms only two countries in the region—Vietnam and Philippines where women equal 28 percent and 32 percent of all workers, respectively. A roughly similar picture emerges for the proportion of women workers on a per-firm basis (figure 1B). Overall, women comprise a substantial portion of Malaysia's private sector employment that is on par with the rates experienced by other upper middle income economies. However, the regional experience suggests that a higher presence in Malaysia is within reach.

**Figure 1**

**The proportion of women workers in Malaysia's private sector is comparable to other upper middle income economies**



Source: Enterprise Surveys.

### Consistent with total (men plus women) employment, most female workers in Malaysia are employed in large firms

For all workers (men plus women) about 64 percent are employed in large firms, 16 percent in medium firms and 20 percent in small firms in Malaysia.<sup>5</sup> For women workers alone, the distribution is the same. Thus, while close to two-thirds of all female workers are employed in large firms, there does not seem to be any gender specific bias in employment by firm-size. The comparator groups reveal a similar picture (figure 2A).

Lack of gender specific bias is also evident when looking at the firm-level average. That is, the proportion of workers that are women is roughly same for a typical small (34%), medium (35%) and large firm (35%) in Malaysia. A similar pattern is observed for women workers among all workers employed collectively in small, medium and large firms in Malaysia. These results are not unique to Malaysia but are also found in the comparator countries as well. For instance, in the upper middle income countries, about 36 percent of all workers in small firms are women. The corresponding figures for medium and large firms are roughly similar (35% and 36%, respectively).

### Relative to men's employment, women's employment shows a slight bias towards manufacturing

In Malaysia, the manufacturing sector provides the bulk of jobs to all women (61%), followed by a much smaller share for other services and the retail sectors (figure 2B). Malaysia stands out for its high share of women's jobs in

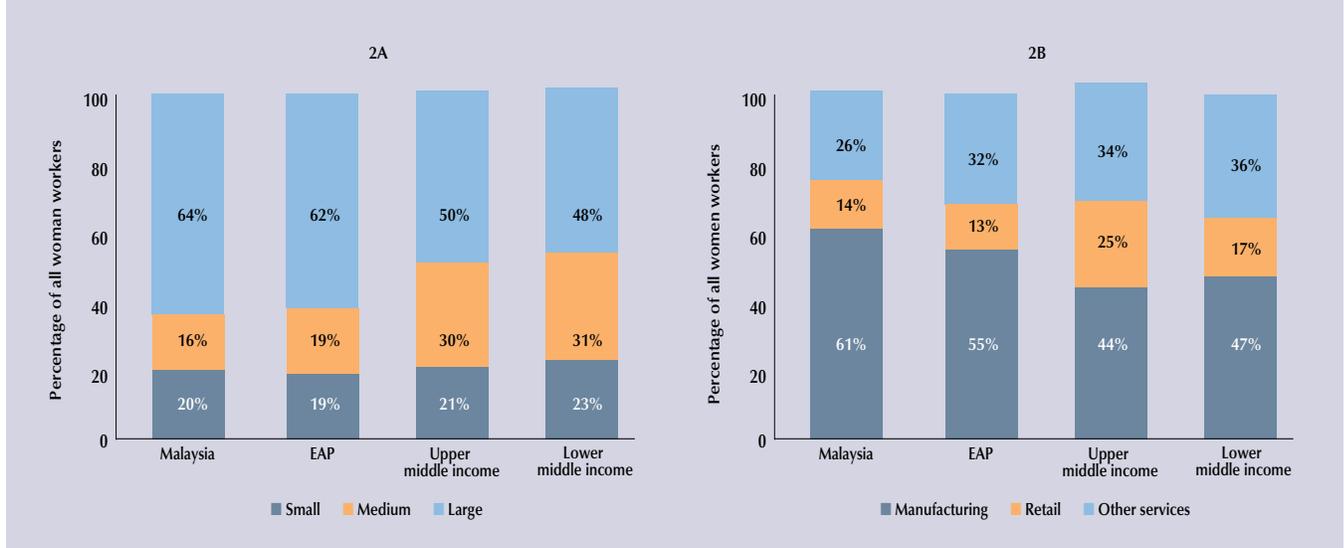
manufacturing relative to the comparators, especially the upper middle income countries. Consequently, the share of women workers in the other services sector is much smaller in Malaysia than in any of the comparator groups. For the retail sector, the share of women workers in Malaysia is roughly same as in the EAP region, somewhat lower than in the lower middle income group and much lower than in upper middle income group countries.

The large share of women workers employed in the manufacturing sector in Malaysia is mostly due to the large size of the manufacturing sector. However, there is a slight gender specific bias towards female workers employed in the manufacturing sector. That is, the manufacturing sector provides jobs to about 58 percent of all workers (men plus women) and 61 percent of women workers alone. Similarly, the other services sector provides 30 percent of all jobs in the private sector compared with a somewhat lower 26 percent of all women's jobs. For the retail sector, the opposite result holds with 14 percent of women workers and 12 percent of all workers in Malaysia. To summarize, women who work in Malaysia tend to work in manufacturing jobs more so than their male counterparts. The opposite holds for the other services sector.

This pattern of gender specific bias is also observed in the comparator groups at the sector level. In fact, the bias is more pronounced in the case of the EAP region compared to Malaysia.

A somewhat different picture emerges when looking at the firm-level as opposed to the aggregate sector level. For a typical firm, the percentage of women workers is highest in the retail sector (44%) followed by manufacturing (34%)

**Figure 2** Most women workers in Malaysia are employed in large firms and in the manufacturing sector



Source: Enterprise Surveys.

and then the other services sector (27%). Comparator countries also have a higher share of women workers for a typical retail firm. However, in the case of the EAP region, the difference between retail and other services and manufacturing sectors is minimal. Malaysia also stands out for the low share of women workers in a typical other services firm (27%) in comparison to the EAP region (39%) and the upper middle income countries (32%).

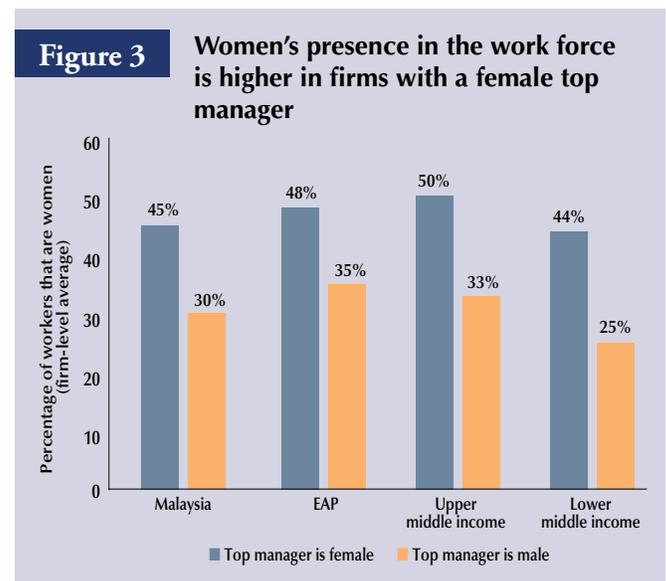
### Women in top management positions in Malaysia tend to open doors for women employees at lower positions

Studies have shown that women often face discrimination in the labor markets from prospective employers. One possibility here is that having a woman in a top management position may increase the women's job market prospects. The ES data show that having a female top manager is indeed associated with a higher proportion of women workers in the firm (figure 3). A roughly similar picture emerges in the comparator countries.

One possibility is that of spurious correlation between women top managers and women employees. For instance, both women top managers and women employees may gravitate towards the same type of firm in terms of sector, size (small, medium, large), age of the firm, exporting activity, location within the country. While we are able to rule out these factors from spuriously driving the results,<sup>6</sup> a more rigorous analysis is required to ascertain (or reject) the positive causal impact of women top managers on women employees.

### Non-exporting firms in Malaysia are as likely to hire women workers as exporting firms

Several studies highlight the impact of globalization or exporting activity on women's employment. Potentially, this impact occurs through various channels.<sup>7</sup> First, exporting markets are highly competitive making discrimination against female workers costlier for the employer. Second, modern technology often used by exporting firms tends to favor brains over brawn. This may improve women's job prospects since they tend to enjoy a comparative advantage relative to men where "brawn" is less valued. Third,



Source: Enterprise Surveys

exporting industries in developing countries often tend to be labor intensive where women are disproportionately represented. However, these arguments are not without their caveats. In the richer countries, exporting industries may be the high-tech industries or skill intensive industries that are disproportionately represented by men. In this case, exporting activity may not benefit but rather harm women's job prospects. Further, even if employer discrimination against women decreases, social attitudes towards women's work may remain unchanged, hindering their participation in the labor market.

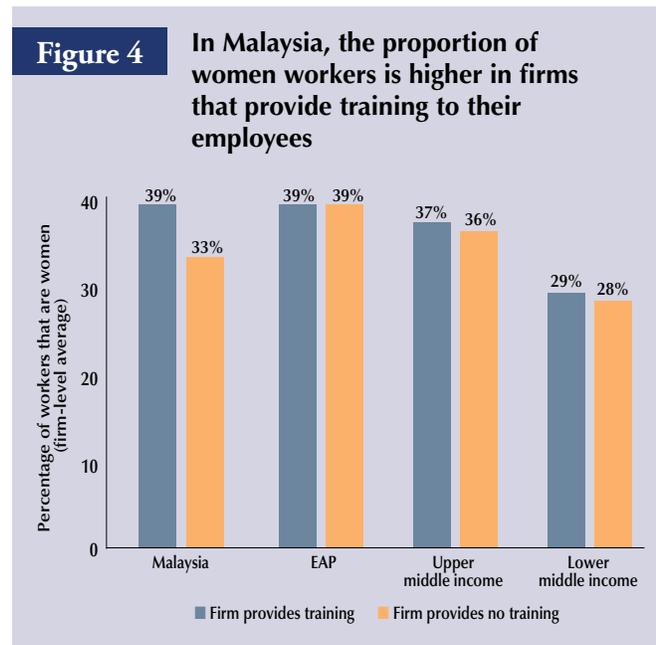
The ES data suggest that globalization or exporting activity has little impact on women's employment in Malaysia. That is, a typical exporting firm in Malaysia, defined as one that exports (directly or indirectly) at least 10 percent of its annual output, has about 35 percent of its workers who are women compared with almost the same (34%) for the remaining firms. The result is similar in the upper middle income economies. However, for the EAP region and lower middle income group, exporting firms tend to hire proportionately more women than the non-exporting firms. As indicated above, one possibility here is that the positive effects of exporting on women's employment may be restricted to countries that have relatively low levels of income. A more rigorous analysis is needed to verify the claim.

### Are women workers concentrated in low productivity and less dynamic firms?

As mentioned above, despite increases in women's employment around the globe, there is a lingering concern that women are disproportionately concentrated in vulnerable and low-paying jobs. Part of this concern is due to the large presence of women in the informal sector including home based work that typically pays less than formal sector work. However, there is substantial variation in firm productivity even within the formal private sector covered by the ES. Are women in Malaysia's formal private sector more likely to be employed in firms with low productivity relative to men? The ES data suggest that the answer is no. This holds even after accounting for differences across firms in their size, age, exporting status, gender of the top manager, sector of activity and location within Malaysia. Further, the ES data show no tendency in Malaysia that women relative to men are concentrated in firms that are less (or more) dynamic as measured by the firm's annual sales and employment growth rate. Of course, it's still possible that within the same firm, women may be involved in low-paying and stagnant occupations more than men. Future research can help shed light on the issue.

### A significantly higher proportion of women workers is found in firms that offer training

Training provided by firms to workers can be particularly attractive to women for various reasons.<sup>8</sup> For instance, women often lag men in technical education. Absence from the labor market due to child bearing and child rearing tends to hinder acquisition of skills and experience by women. At least to some extent, these problems can be overcome by training provided by firms. In Malaysia, the percentage of firms that provide training to their workers is only 18 percent compared with 23 percent in the EAP region, 37 percent in upper middle income countries and 34 percent in lower middle income countries. Interestingly, in Malaysia, training by firms is strongly associated with a higher presence of women workers. That is, the percentage of women workers in a firm equals 39 percent for firms that provide training compared with a much lower 33 percent in firms that do not provide training. This difference in the proportion of women workers is unique to Malaysia as no such difference is found in any of the comparator groups (figure 4). The data confirm that the result for Malaysia is not spuriously driven by differences across firms in size, sector, location (within Malaysia), age of the firm, and extent of exporting activity.



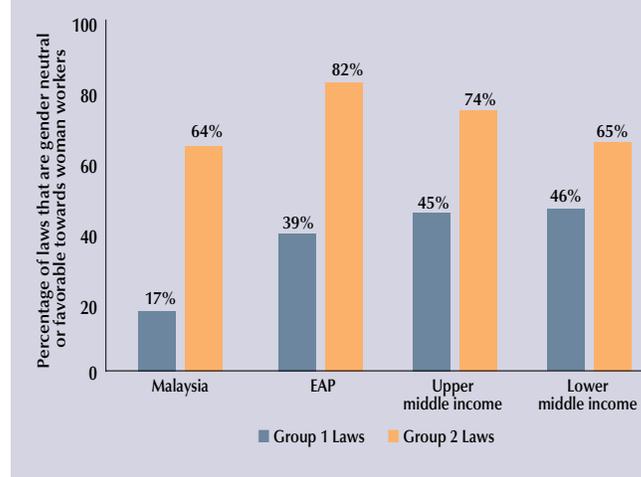
Source: Enterprise Surveys

## Malaysia lags other countries in laws that are gender-neutral or favorable to women's employment

Women's participation in the labor market depends on various social, institutional and economic factors. One such factor is the set of laws that govern the employment of women.<sup>9</sup> Focusing on laws related to women's access to employment opportunity as compiled by the World Bank's *Women, Business and the Law* (World Bank 2015) confirms that Malaysia's performance is below that of the comparator economies. The ranking is based on responses to questions about legal restrictions to getting a job. A "yes" answer to the question indicates that the law is gender-neutral or favorable towards women (coded as 1) while "no" indicates otherwise (coded as 0). These laws are divided into two groups. Group 1 (workplace protections) consists of the following 6 laws or questions: Does the law mandate nondiscrimination based on gender in hiring? Is it prohibited for prospective employers to ask about family status? Is dismissal of pregnant workers prohibited? Are mothers guaranteed an equivalent position after maternity leave? Are employers required to provide break-time for nursing mothers? Are parents entitled to flexible/part-time schedules? Group 2 (working hours and industry restrictions) includes 11 laws or questions on whether nonpregnant and nonnursing women can do the following: work the same night hours as men; do the same jobs as men; work in jobs deemed hazardous in the same way as men; work in jobs deemed morally or socially inappropriate in the same way as men; work in jobs deemed arduous in the same way as men; work in mining in the same way as men; work in factories in the same way as men; work in construction in the same way as men; work in the same occupations other than mining, construction and factory work as men; work in metalworking in the same way as men; engage in jobs requiring lifting weights above a threshold in the same way as men. We use values for 2016 for these laws.

Malaysia's performance measured by the proportion of laws in Group 1 and Group 2 above that are gender-neutral or favorable towards women is below the average for the EAP countries as well as the upper middle income group; it is below the average for lower middle income group for Group 1 and at par for Group 2 (figure 5). As figure 5 shows, the gap between Malaysia and the comparators is particularly glaring for Group 1. Thus, there is potential for Malaysia to further improve women's participation as employees in the formal private sector by reforming laws that may hinder such participation.

**Figure 5** Malaysia lags other countries in laws that support women's employment



Source: *Women, Business and the Law* (WBL 2015).

Note: Group 1 includes 6 laws while Group 2 includes 11 laws as discussed in detail in the text above.

## Conclusion

This note analyzes various issues related to women's employment in Malaysia's formal private sector. Malaysia's performance in terms of the proportion of women among all workers is on par with the upper middle income countries but behind that of other countries in the region. Most women workers in Malaysia are employed by large firms and in the manufacturing sector. The proportion of women workers at the firm is higher if the firm provides training and has a female top manager than is otherwise the case. Lastly, Malaysia may be able to further increase women's employment through appropriate reforms of some labor laws that may be adversely affecting women's job opportunities.

## Notes

1. See for example, Klasen and Lamanna (2009), Morrison et al. (2007), Dufflo (2003), Tzannatos (1999).
2. Enterprise Surveys are designed to be representative of the non-agricultural and non-financial formal (registered) private sector of the economy. Note that the survey does not cover firms with less than 5 employees or those in the informal sector. The surveys are stratified by firm-size (small, medium and large), sector, and location within the region. The surveys follow a common sampling methodology and a common questionnaire, allowing for cross-country comparability. More information on the surveys and the raw data can be obtained from [www.enterprisesurveys.org](http://www.enterprisesurveys.org).

3. The EAP region comprises the 6 large economies in the region for which data are available. These are Cambodia, Indonesia, Lao PDR, Philippines, Thailand and Vietnam.
4. The upper middle income and lower middle income classification follows the World Bank, excluding Malaysia and countries already included in the EAP comparator group. There are 45 countries in the lower middle income group and 41 in the upper middle income group. Due care is taken to ensure that the results discussed for the various comparator groups are not unduly affected by outlier countries.
5. Firm-size is defined by the number of permanent full-time equivalent workers as follows: small (5-19 employees), medium (20-99 employees) and large (100 or more employees).
6. This is done via regression analysis.
7. See Amin, Islam and Kushnir (2017) and the literature cited therein.
8. See for example, Rowley (2013), Ragins and Sundstrom (1989).
9. See for example, Amin and Islam (2015), Neumark and Stock (2001).

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