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Page: 14

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Graduate underemployment deserves closer attention

MALAYSIA'S jobless rate has never looked better; at 2.9%, it is the lowest in a decade. But this low figure is masking a problem – graduate underemployment.

As of the first quarter of 2026, about 1.93 million (or 35.2%) Malaysians with tertiary qualifications – more than one in three degree or diploma holders – were working in jobs that do not require their level of qualification.

Graduate unemployment is only around 3%, and universities report enviable employability rates of more than 90%.

Our graduates are not jobless but they are underemployed. A Khazanah Research Institute report in 2024 revealed that about half of graduates are over-qualified for their jobs, with two-thirds earning salaries below RM2,000 a month.

We do not have a shortage of graduates. We have a shortage of jobs worth graduating for.

Let's look at China's sobering situation. China will produce

12.7 million graduates this year. Its youth unemployment hit 17.9% last month after peaking at 18.9% last August when a record cohort graduated at once.

One response has been a growing rejection of the competition, reflected in *tang ping* (literally "lying flat"), and the emergence of the "full-time child" who takes an allowance from parents rather than searching for work.

When credentials expand faster than the jobs that reward them, young people eventually stop looking for work.

Malaysia's problem is not yet as severe as China's, but the same underlying process may be developing. The number of graduates is growing faster than the supply of suitable graduate-level jobs. Our situation is probably just better hidden.

Artificial intelligence could make the entry-level jobs problem even worse. Stanford researchers tracking payroll data found that employment among

workers aged 22 to 25 in AI-exposed jobs is 19% below its expected level. The decline appears to come mainly from employers hiring fewer young workers instead of laying off those already employed.

AI is not taking the jobs. It is taking the first rung, i.e. jobs that junior employees once did to become seniors.

TalentCorp already counts 620,000 Malaysian jobs as highly impacted.

Authorities and policymakers should therefore look beyond the overall employment numbers and pay closer attention to the quality of the jobs being created. The 13th Malaysia Plan promises 1.2 million new jobs, but the more important question is how many of these will be skilled, well-paid positions that make meaningful use of workers' qualifications.

Graduate underemployment deserves the same policy attention as graduate employability. Better data are needed to show

which fields and institutions face the most severe qualification-job mismatches.

Universities need to adapt at an even faster pace with a labour market increasingly being reshaped by AI. This means offering shorter, stackable credentials while placing greater emphasis on skills that remain distinctly human, such as judgment, communication and working with people.

TVET should likewise be expanded where it provides clear pathways into skilled and well-paid work rather than simply directing more young people into lower-cost labour.

The question is no longer whether our young people can find work; it is whether the job is worth the years they spend preparing for it.

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