Impact of the COVID-19 Pandemic on Malaysian Labour Market and Policy Responses

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I. Introduction

The COVID-19 pandemic has affected labour markets around the world, resulting in job losses and reduction in working hours. According to the most recent global estimates and country-level data, the crisis has resulted in a severe employment shortfall that has persisted in most nations (International Labour Organization 2021). A report from the ILO estimates that the global employment-to-population ratio decreased from 57.6% in 2019 to 54.9% in 2020 (Ibid.). In Malaysia, there is a significant decline in employment and a rise in unemployment rate. The gross domestic product (GDP) in 2020 contracted by 5.3% as compared to 4.3 percent point growth in 2019.

As of 11 February 2022, a total of 2,956,332 cases and 32,065 death were reported in Malaysia (Johns Hopkins University and Medicine 2022). The pandemic is not only a public health crisis, but it has socio-economic consequences. This unprecedented crisis and the various disease mitigation measures that have been implemented in many countries, including Malaysia, have further affected the country's economic activities. There are significant reductions in income, reduced productivity, a rise in unemployment, loss of life, business closures, trade disruptions and reductions in transportation, services, and manufacturing activities (Pak et al. 2020) as well as risk of increased poverty and long-term systemic damage to our socio-economic fabric (Ministry of Finance Malaysia 2020). The Malaysian economy is reported to lose an estimated RM2 billion[1] every day while restricted movement was imposed. In the process of recovery, the Government launched the 6R Strategy, comprising six stages of Resolve, Resilient, Restart, Recovery, Revitalise and Reform (Ibid.).

II. Restricted movement order

In Malaysia, the first COVID-19 case was reported on 25 January 2020, and the number of cases remained low until localised cluster began in March 2020 (Li et al. 2021). In order to flatten the infection curve, the Government imposed a nationwide Movement Control Order (MCO) between 18 and 31 March 2020. The MCO was further extended to 3 May 2020.

During the MCO, only essential services including water, electricity, energy, telecommunication, oil, gas fuel, broadcasting, finance, banking, health, pharmacy, security, defence, food supply and retail remained open. Other non-essential activities including manufacturing and education services were restricted, thus affecting working hours and businesses revenue (Department of Statistics Malaysia 2021b). During these periods, employees were encouraged to work from home. However, workers in the services sector and other sectors that require workers to be physically present at work to complete their jobs were severely affected (Li et al. 2021).

Between 4 May 2020 and 9 June 2020, Conditional MCO was introduced as the number of COVID-19 daily cases started to decline. More economic activities were allowed to resume with standard operating procedures in

1. On 6 November 2020, 1.0 USD is equivalent to 4.14 Malaysian Ringgit (MYR).

place. However, inter-state and inter-district travel was restricted (Department of Statistics Malaysia 2021c). The restriction of travelling activities had a big impact on the economy as it was one of the country's main sources of income. Then the country moved into Recovery Movement Control Order (RMCO) between 10 June 2020 and 31 March 2021. The country was placed into total lockdown between 1 and 28 June 2021 due to the rise of the number of COVID-19 cases. Then, on 15 June 2021, the Prime Minister announced the National Recovery Plan, which consists of four-phase exit strategy to transition out of the crisis. The key threshold indicators for the recovery plan are (i) average number of new infections (ii) capacity of the healthcare system based on the occupancy of intensive care units (ICU) beds, and (iii) vaccination rate. The opening of the borders depends on when each achieved the threshold indicators.

According to a report from the International Monetary Fund (2020), the first seven months of the pandemic indicates that while government lockdowns succeeded in lowering infections, the restriction has contributed to recession and affected vulnerable groups such as young people, women, middle- and low-skilled workers and migrant workers. However, the recession was also driven by people voluntarily refraining from social interactions as they feared contracting the virus. As a result, relaxing lockdowns is unlikely to result in a significant and long-term economic recovery if infections remain high, as voluntary social separation is likely to persist.

III. Impact of the COVID-19 pandemic on Malaysian labour market

This section discusses the key trend and characteristics of the Malaysian labour market following the pandemic. The number of employed persons in Malaysia is approximately 14.95 million persons in 2020 as compared against approximately 15.07 million persons in 2019. However, the number edged up to 15.61 million persons in November 2021. The number of unemployed persons increased between 2019 and 2020 from 508,200 to 711,000. As the economy gradually recovers, the number of unemployed persons decreased to 694,400 as shown in Table 1.

The labour force participation rate declined from 68.7% in 2019 to 68.4% in 2020, before increasing slightly to 68.9% in 2021. There is also a significant increase in the unemployment rate, from 3.3% in 2019 to 4.5% in 2020. Unemployment raises the risk of poor mental health and other stress-inducing factors such as lack of resources including monetary, limited opportunities and low self-esteem, which are further worsened by fear and worries of family being infected (Nga et al. 2021).

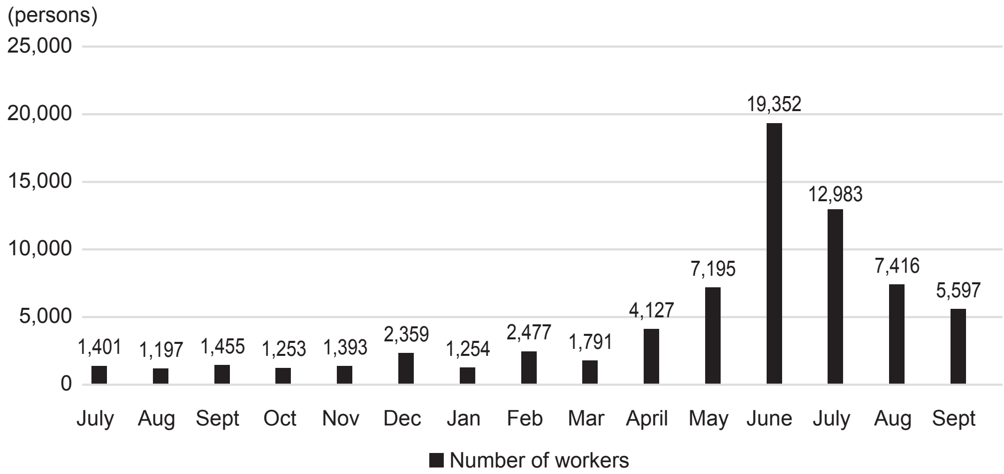
A record number of workers were retrenched due to the pandemic and the resulting lockdowns. Between July 2019 and September 2020, 71,250 workers were terminated as shown in Figure 1. Before the pandemic, average 1,510 workers were terminated each month. However, beginning from April 2020, the number of workers terminated from work increased, and the figure peaked in June 2020 (19,352). Between January and September 2020, the total workers terminated is 62,192 persons. Among those terminated from work during these nine

Table 1. Labour force statistics in Malaysia

(Unit: persons in thousand, %)

	2019	2020	November 2021
Working age population	22,685.2	22,893.3	23,640.0
Labour force	15,581.6	15,667.7	16,300.0
Outside labour force	7,103.5	7,225.5	7,340.0
Employed persons	15,073.4	14,956.7	15,610.0
Unemployed persons	508.2	711.0	694.4
Labour force participation rate (%)	68.7	68.4	68.9
Unemployment rate (%)	3.3	4.5	4.3

Source: Department of Statistics Malaysia 2021a and 2022.



Source: Yasmin and Munira Balkis 2021.

Figure 1. Number of workers terminated, July 2019–September 2020

months, 47,109 persons were given termination notice, while the remaining 15,083 persons were given the voluntary separation scheme option. Close to 60% of the termination involved employers in the capital city Kuala Lumpur and Selangor state, where most businesses and industries are concentrated. The number of individuals who lost their jobs during the global financial crisis in 2007/2008 was half of this figure (Yasmin and Munira Balkis 2021), indicating the strong impact of the COVID-19 pandemic on the labour market.

According to the ILO (2020), the pandemic affected the labour market differently, with specific sectors bearing more negative impacts. The most affected sectors are wholesale and retail trade; repair of motor vehicles and motorcycles; manufacturing; real estate; business and administrative activities; and accommodation and food services (as shown in Table 2). Meanwhile in Malaysia, the top five affected sectors include manufacturing, accommodation and food and beverage services, wholesale and retail trade, repair of motor vehicles and

Table 2. Workers at risk: Sectoral perspective

Economic sector	Current impact of crisis on economic output
Wholesale and retail trade; repair of motor vehicles and motorcycles	High
Manufacturing	High
Real estate; business and administrative activities	High
Accommodation and food services	High
Transport; storage and communication	Medium-high*
Arts, entertainment and recreation, and other services	Medium-high*
Mining and quarrying	Medium
Financial and insurance activities	Medium
Construction	Medium
Agriculture; forestry and fishing	Low-Medium*
Utilities	Low
Public administration and defence; compulsory social security	Low
Human health and social work activities	Low
Education	Low

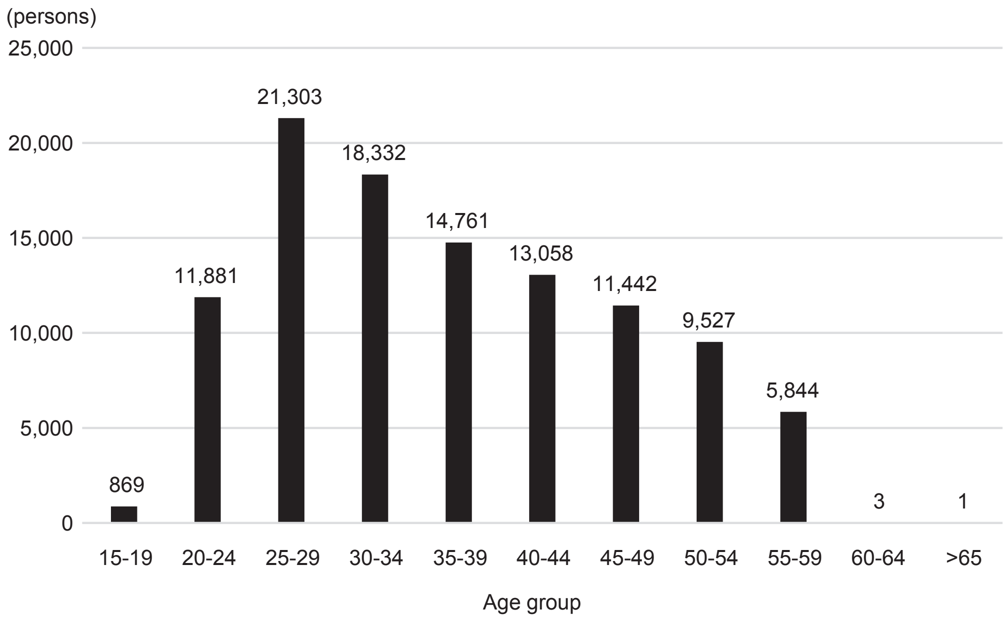
Source: International Labour Organization, 2020, pp.4–5.
Note: *denotes sectors that include subsectors that have been affected in different ways.

motorcycles, administrative activities and support services, and financial and insurance activities (Yasmin and Munira Balkis 2021).

Non-standard workers such as self-employed, casual workers (gig workers), owners of small businesses and family workers are more affected than standard workers. In the second quarter of 2020, the employment of non-standard workers declined significantly, approximately 252,000 persons (Bank Negara Malaysia 2020). The loss of employment resulted from the concentration of these workers in economic sectors serving consumers (high-touch sectors), with disease prevention measures and standard operating procedures which require distancing in business premises. Non-standard workers who have the tendency to be included in small and micro business categories are more susceptible to economic shocks. The slowdown in domestic demand also affected their incomes (Ibid.).

In 2020, a total of 107,024 loss of employment was reported to the Social Security Organization (SOCSO) office (Employment Insurance System Office 2020). Loss of employment (LOE) refers to any reasons by insured person who had lost his employment but does not include compulsory retirement, voluntary resignation, expiry of a fixed-term contract, and retrenchment due to misconduct. Individuals who have paid a minimum amount of contributions to the Employment Insurance System (EIS) and are actively seeking work are entitled to five types of benefits namely (i) job search allowance, (ii) early re-employment allowance, (iii) the reduced income allowance, (iv) training allowance, and (v) training fee (Ibid.).

In terms of gender, more males than females reported a loss of employment. From 107,024 loss of employment reported in 2020, 57.1% or 61,157 are males and 42.9% or 45,867 are females. A report from United Nations Conference on Trade and Development (UNCTAD) stressed the negative impact of the pandemic on both men‘s and women's employment (Zarrilli and Luomaranta 2021). However, the magnitude of the impact differs at different stages of the crisis due to the gender segregation of economic activities in many countries. The early measures to curb the transmission of the virus affects jobs held predominantly by women in the services sectors. In Malaysia, female workers in the tourism industry declined 2.0% from 50.3% in 2019 to 48.3% in 2020 (Bernama 2021). In 2019, employment in the tourism industry recorded 3.6 million persons which contributed



Source: Employment Information and Analysis Services (EIAS), Employment Insurance System Office, 2020.

Figure 2. Loss of employment by age group

23.6% to the total employment (Ministry of International Trade and Industry 2020). In addition, women bear the role of caring for family and young children due to the closure of schools and childcare centres during the pandemic.

However, when the crisis worsened and cross-border value chains were disrupted, men's employment was affected since they tend to work in industries and jobs that are more dependent on international trade (Zarrilli and Luomaranta 2021). A greater concern is that women may leave the market permanently which threatens to reverse decades of progress on women's empowerment (Ibid.).

Figure 2 shows the loss of employment in 2020 according to age group. Individuals between 25 and 29 years old are the most affected followed by individuals between 30 and 34 years old. In general, the number of individuals affected declined with age.

The data estimated by Bank Negara Malaysia [the Central Bank of Malaysia] reported a quarter-by-quarter increment in unemployment rate for youth aged 15 to 24 years old. Youth employment in Q4 2020 is 12.7% compared to 9.9% in Q4 2019. Previous study has shown that youth entering the labour market during recession is more likely to experience reduction in income up to 10 years after graduation. Youths who become unemployed, usually with less experience, may face more competition in finding jobs in other less affected industries (Ibid.). Therefore, youths may benefit more if they enrol in training programme supported by the Government.

In October 2020, when the total daily COVID-19 cases were at its peak in several states, a total of 776,135 of 3.1 million workers in the manufacturing, services and construction sectors were directed to work from home. A maximum of 10% was allowed to work from office, however, workers were only allowed to be physically present at work for 4 hours per day between 10 in the morning and 2 in the afternoon, three times a week (Maisarah 2020). In Asia and Pacific, it is estimated that working hours declined by 7.2% (ILO 2020). This implies loss of income and may pushed individuals into poverty especially in developing countries with no solid social security system.

IV. Policy responses

The COVID-19 pandemic has affected the people, businesses and economy in general. The ILO recommends key policy responses that focus on two immediate goals: health protection measures and economic support on both the demand and supply sides (ILO 2020). Policy responses need to consider four pillars:

Pillar 1: Stimulating the economy and employment
Pillar 2: Supporting enterprises, jobs and incomes
Pillar 3: Protecting workers in the workplace
Pillar 4: Relying on social dialogue for solutions

Malaysia launched several stimulus packages including electricity discounts, monetary assistance scheme for employees, direct cash payments for 4 million low-income households, wage subsidies, grants and loans for small and medium-sized enterprises (SMEs) and tax deductions (Li et al. 2021) totalling to RM295 billion, which is equivalent to 17% of the national gross domestic product (GDP) (Prime Minister's Office of Malaysia 2020). The recovery plan consists of National Economic Recovery Plan [Pelan Jana Semula Ekonomi Negara] (PENJANA), the Prihatin Rakyat Economic Stimulus Package or PRIHATIN, an enhancement to the Economic Stimulus Package (ESP), and the PRIHATIN PKS+ Economic Stimulus Package for SMEs. One of the main initiatives, National Economic Recovery Plan (PENJANA) was given a fund of RM35 billion. The programme focuses on three key thrusts, which is to empower people, propel businesses, and stimulate the economy.

The Wage Subsidy Programme (PSU) was launched on 1 April 2020 until 30 September 2020, with an allocation of RM13.8 billion, benefiting 331,950 employers with over 2.72 million employees. Then the Wage

Subsidy Programme 2.0 was extended from 1 October 2020 to 31 December 2020. Financial assistance amounting to RM600 were given to employees who are earning RM4,000 or less. A total of 96,566 employers and 975,413 employees benefitted from the programme. At the same time, the Employment Retention Programme was implemented to financially support workers who were forced to take unpaid leave during the MCO. This programme benefitted 37,901 employers and 350,252 employees. The EIS Plus Programme is launched temporarily for retrenched insured persons. The eligible applicants receive RM600 per month for three months.

In addition, there were also the implementation of Hiring Incentive Programme and Training Assistance as well as Reskilling and Upskilling Programme. These programmes were designed to reduce unemployment. A total of 15,721 employers and 128,779 employees benefitted from the programmes. Mobility assistance in terms of financial support was also given to workers who have to relocate more than 100km for a new job. A total of 1,517 employers and 7,104 employees benefitted from this programme.

In order to assist businesses, the Government executed various grant and financing programmes among others were PRIHATIN Special Grant, PENJANA SME Financing Scheme, PENJANA Tourism Financing, Bumiputera [Malays and other indigenous peoples of Malaysia] Relief Financing, Agrobank Micro Credit Financing, Technical and Digital Utilisation Support Initiative, and TEKUN Business Recovery Scheme. These initiatives had assisted many affected individuals and businesses especially SMEs in the pandemic.

The pandemic unveils the social protection gap in Southeast Asian countries including Malaysia (Asian Development Bank 2021). Before the pandemic, a large proportion of workers especially workers in the informal sector, the poor, single mothers, children and others not in the labour force were not covered by social insurance nor social assistance. These vulnerable groups suffered the most during the pandemic as a result of loss of jobs and income. The social protection for gig workers were also relaxed. The pandemic is expected to widen inequalities in labour market outcome and living standards in a country. Therefore, there is a need to build a more comprehensive, inclusive and sustainable social protection (Ibid.).

V. Conclusion

The COVID-19 pandemic has affected work and labour market. In addition to the threat of public health, the devastating economy threatens the livelihoods and well-being of individuals. The rolling out of vaccination plans in countries around the world allow the reopening of local economy and to slowly return to our activities prior to the pandemic.

COVID-19 is reshaping ASEAN's digital landscape in the labour market by changing the way of how work is done. The crisis has forced companies and organisations to adopt remote work or work from home (WFH) (Li et al. 2021). During the restricted movement order, individuals were asked to work from home. While this form of work arrangement is not new in Malaysia, the practice is limited to few government agencies and multinational companies. More than two years after the pandemic, there is still risk of infection and more recently the number of COVID-19 cases increased again. Teleworking will become a new norm in ASEAN countries as it allows social distancing. Corporations may resort to flexible work arrangements for its employees and at the same time promoting a positive family and work life balance (Ibid.). A flexible work arrangement may increase labour participation in Malaysia.

While it is important to adjust to the new normal, the pandemic has given individuals new ideas and opportunities to carry out their work and businesses. Digital platform has become an important medium for doing businesses. The pandemic may have caused us to realise that there is and will be disruption in our daily activities. Therefore workers must be agile and adapt to the changes. The gig economy promises a lot of potential especially for non-standard workers.

The pandemic has also driven the growth of IR4.0. In a period where mobility is restricted, the availability of technology enables society to survive and thrive. Education and many other forms of services can be delivered online, and this creates opportunities for more online services and programmes that can be offered across the globe. The advancement of the digital economy has led to the rise in the usage of telemedicine, digital learning in the education system and e-commerce during the pandemic (Ibid.). The potential of e-commerce platforms is unlimited. However, this is not without limitation. Issues on digital poverty may arise when there is a lack of infrastructure or connectivity especially in rural areas. This may create and widen inequality between households with internet and without internet connection. The Malaysian economy is still in the recovery process. Policymakers should continue to support the lives and livelihoods of the vulnerable groups and the population as whole.

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