ASSESSMENT OF MALAYSIA'S EMPLOYMENT RECOVERY AMID COVID-19 CRISIS

Muhammad Shafiq Harun[1] and Siti Aminah Abdullah[2]

ABSTRAK

Pada tahun 2020, ekonomi global terjejas oleh krisis kesihatan awam yang belum pernah berlaku sebelum ini. Pada peringkat awal, banyak negara di seluruh dunia menguatkuasakan sekatan pergerakan segera yang merangkumi aktiviti sosial dan ekonomi yang terhad serta penutupan sempadan antarabangsa. Memasuki tahun ketiga krisis kesihatan awam ini, pakar masih mencari rawatan yang paling selamat dan berkesan. Oleh itu, kajian ini bertujuan untuk menilai pemulihan ekonomi dan pemulihan pasaran buruh sektoral tempoh sebelum krisis kesihatan COVID-19. Data siri masa yang diterbitkan oleh Jabatan Perangkaan Malaysia bermula sebelum krisis kesihatan COVID-19 sehingga statistik terkini digunakan untuk menganalisis trend pemulihan ekonomi dan pasaran buruh. Walaupun permintaan dan pengeluaran yang lebih rendah sehingga mengakibatkan penguncupan ekonomi yang mendadak, penilaian ekonomi dan pasaran buruh menunjukkan bahawa guna tenaga mencatatkan penurunan yang lebih perlahan atau kekal menaik, walaupun pada kadar yang lebih perlahan. Ini berkemungkinan disebabkan usaha untuk mengekalkan pekerja di mana mereka yang telah kehilangan pekerjaan dalam satu industri tertentu telah beralih kepada pekerjaan dalam industri lain atau berpindah ke pekerjaan bekerja sendiri dalam memastikan kehidupan mereka.

Kata kunci: Pekerjaan; Sektoral, Krisis, Pemulihan

ABSTRACT

In 2020, the global economy was affected by an unprecedented public health crisis. In the early stages, many countries worldwide enforced immediate movement restrictions encompassing limited social and economic activities as well as international border closures. Entering the third year of this public health crisis, experts are still searching for the safest and most effective treatment. Therefore, this study aims to assess the economic recovery and the subsequent sectoral labour market compared to the period prior to COVID-19 health crisis. Time-series data published by the Department of Statistics Malaysia started prior to the COVID-19 health crisis until the latest available statistics used to analyse the labour market recovery trend. Despite lower demand and production that resulted in sharp economic contraction, assessment of the economy and the labour market signalled that employment recorded a slower decline or remained high, albeit at a slower pace. This could be

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due to efforts to retain employees besides those who had lost employment in one particular industry had actually shifted to secure employment in another industry or move to self-employment job in ensuring their livelihood

Keywords: Employment; Sectoral, Crisis, Recovery

1. INTRODUCTION

At the end of 2019, the first case of COVID-19 was confirmed in Wuhan, China. After spreading to 114 countries with more than 118,000 cases and 4,291 deaths, the World Health Organisation declared the virus a global pandemic in March 2020. At the preliminary stage, when a lot was still relatively unknown about the virus, countries worldwide commenced immediate movement restrictions encompassing limited social and economic activities and international borders' closure. Entering the third year of this crisis, experts are still tirelessly searching for the safest and most effective treatments amid continuous preventive measures and vaccinations.

A fact that is equally important is that the devastating impact of the pandemic on the world's economy is still evident to this day. The world's major economies such as the European Union and the United States of America (USA) were severely hit in 2020 as the Gross Domestic Product (GDP) shrank by 6.0 per cent and 3.4 per cent respectively **[Chart 1]**. Meanwhile, China's economy recorded a slower growth at 2.3 per cent (2019: 6.0%). In the East Asian region, GDP for the Republic of Korea slipped 0.9 per cent as compared to positive growth of 2.2 per cent in 2019. Singapore's economy was also downed by 4.1 per cent, while the Philippines recorded a dive or to 9.5 per cent. Following multiple socioeconomic restrictions to control the fast-spreading virus in the country, Malaysia's economy also contracted by 5.5 per cent in 2020 compared to a 4.4 per cent growth in the previous year, making it the lowest economic performance the country had ever experienced since registering a 7.4 per cent decline in 1998.

Ending a decade of economic expansion in 2020, the efforts to contain the public health crisis led businesses to suspend or close their operations, resulting in unprecedented job losses and temporary layoffs. According to the International Labour Organization (ILO, 2021), almost 8.8 per cent of global working hours were lost in 2020, which was equivalent to 255 million full-time jobs. Of this number, 114 million people had experienced job losses whereby 28.9 per cent shifted to unemployment as they continued to search for work and the remaining 71.1 per cent turned to inactivity. Comparisons of unemployment rates for selected countries are as in **Chart 2**.

Chart 1: GDP growth for selected countries, 2019 & 2020

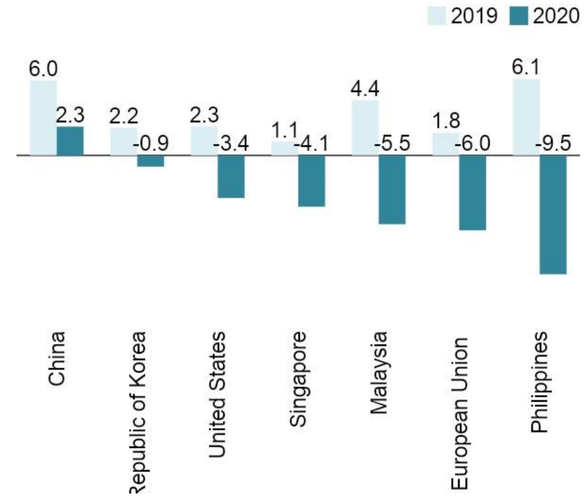
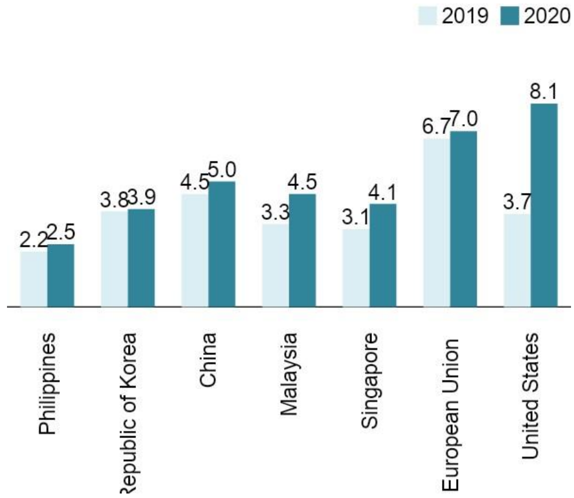


Chart 2: Unemployment rate for selected countries, 2019 & 2020



Source: National Account Statistics & Labour Force Survey, DOSM; https://www.statista.com/

Learning (ML) model in identifying rubber areas in Hulu Perak district, Perak using Sentinel-2A satellite images on March 15, 2019.

In some countries, employers managed to retain employees by reducing operation hours and subsequently applying pay cuts. In others, there had been unprecedented leaps in unemployment, but many workers would later return to their jobs as economies re-opened. Additionally, this pandemic also prevented many from looking for employment. The consequences for these more vulnerable groups are potentially dire, as they face income losses and challenges to find job opportunities after experiencing unemployment due to slower demand for labour by the industry. Even after the pandemic subsides or turns to the endemic phase, some of the effects on the labour market structure may be persistent, with employment in some sectors permanently shrinking and others expanding. Therefore, this study will assess the economic recovery and the subsequent sectoral labour market recovery compared to the period prior to COVID-19 health crisis.

2. LITERATURE REVIEW

Works of literature perceived that no industry is left unaffected by the COVID-19 pandemic with relocation and shutdown of businesses and supply chains. As the pandemic is often claimed as an economic shock, many described the expected recovery in pictorial form. Since employment situation is one of the indicators used to assess recovery, the reviews will discuss the labour market and economic recovery interchangeably. At the beginning of the crisis in 2020, J.P. Morgan (2020) claimed that there was a debate about whether economic recovery would be either V-shaped or U-shaped. Later, when the pandemic continued with multiple waves, economists suggested W-shape or even a pessimistic L-shape (Sharma et al., 2020). Additionally, a few kinds of literature forecasted a K-shaped recovery, whereby recovery speed differs by sector (ILO, 2021; Bheemaiah et al., 2020).

As depicted from the K-shaped recovery analysis, inequality of the recovery process showed that larger firms with access to government stimulus will recover faster than the smaller firms (Bheemaiah et al., 2020). Moreover, those in accommodation and food services experienced a huge decline in employment following slower demand, as opposed to information & communication and finance & insurance, which posted increases in employment (ILO, 2021). Parallel to this, Szczygielski et al. (2022) found that healthcare technology, internet & direct marketing retailing, software, and biotechnology were only moderately affected. The extent to which these industries are affected is proportional to the recovery pace.

Unequal recovery was also shown between countries where developed economies also observed significant differences depending upon the public health situation, the containment measures and the fiscal stimulus administered in the respective countries. According to Francisco (2022), economic indicators for Britain, Germany, Italy and Spain had fared worse compared to pre-pandemic, whereas Denmark, Slovenia, Norway and Sweden performed comparably well. Francisco (2022) also noted that Japan which was less impacted by the COVID-19 containment measures, experienced little change in the labour market. As for countries that recorded loss in labour income such as USA and Canada, the governments' compensation through unemployment benefits and stimulus cheques had partly stabilised the economic and labour market situations.

In terms of the economic outlook for 2022, World Bank (2022) predicted that emerging market and developing economies (EMDEs) will be experiencing weaker recovery than advanced economies, owing to slower vaccination progress, faster pace of policy support withdrawal and more pronounced scarring effects from the pandemic. While many regions in EMDEs are expected to post higher growths in 2022 than in 2019, only half of the countries in EMDEs had reached above their 2019 output level in 2021. In addition, more than 75 per cent of tourism-reliant countries had also not reached the pre-pandemic output level. However, countries in EMDEs are still expected to achieve higher economic growth rates in 2022 as compared to 2019. This includes Malaysia with a forecasted growth of 5.8 per cent (2019: 4.4%).

Bowman (2022) from Forbes highlighted four key business trends namely cryptocurrency, sustainability, authenticity and artificial intelligence. Meanwhile, Standage (2022) while discussing some of the trends to look out for 2022, mentioned contrasts of political systems, moving from pandemic to endemic, inflation worries, the future of work, technological rivalries between countries, climate change and change in travel patterns. Similarly, Financial Times (2021) also mentioned that 2022 trends include more expensive travelling, regulatory risk in aviation due to focus on carbon emissions and recovery in demand for oil, natural gas and electricity. These trends would help analyse the sectoral situation of the economic recovery process.

3. DATA SOURCES AND METHODOLOGY

The study was carried out using time-series statistics that started prior to the COVID-19 health crisis up until the most recent statistics for 2022. Publicly accessible data are used to analyse the ongoing economic and labour market recovery trend based on official statistics published by the Department of Statistics Malaysia (DOSM).

The statistics on total employment by economic sector were acquired from the Quarterly Labour Productivity Report. In the meantime, the statistics on economic performance are sourced from compilations of National Account Statistics where economic performance is measured based on the year-on-year percentage change in GDP at constant prices.

In line with the study’s goal to evaluate the effects of COVID-19 on the employment by economic sector, the authors performed the literature review including reviews of journals, articles and official websites. These sources are considered secondary data utilised for analysis published in journals and statistical databases.

4. FINDINGS AND DISCUSSION

In 2020, economic and social restrictions took place in Malaysia to contain the fast spreading of COVID-19 in the form of multiple phases of Movement Control Order (MCO) depending on the health crisis situation at a particular time. This had resulted in Malaysia's economy experiencing a decline of 5.5 per cent after registering positive growth for the past ten years. Specifically, Construction sector recorded double-digit declines, which contracted 19.3 per cent.

A more strategic and targeted mechanism through implementing a comprehensive and dynamic National Recovery Plan to address the country's COVID-19 situation in 2021 has resulted in Malaysia's economic performance rebounding by 3.1 per cent. Although Manufacturing was the major contributor to the growth registering 9.5 per cent, GDP for two other sectors turned around compared to negative growth in 2020, namely Mining & quarrying (0.3%) and Services (1.9%). However, the level of GDP in 2021 was still lower than what Malaysia had achieved before the COVID-19 health crisis in 2019, as four out of five economic sectors recorded a lower GDP level in 2021 as against 2019. On the positive side, the Manufacturing sector's performance alone with the GDP value had gone beyond 2019 **[Table 1]**. Certain sectors were more affected due to their greater dependency on physical operations, consumer demand, and global supply chains, which were significantly disrupted during the pandemic, leading to slower recovery compared to Manufacturing sectors, which adapted more readily through automation and global demand for goods.

Table 1: GDP by economic sector at constant 2015 prices, Malaysia, 2018 – 2021

Sector	GDP (RM Billion)				Growth (%)			
	2018	2019	2020	2021	2019/ 2018	2020/ 2019	2021/ 2020	2021/ 2019
Total	**1,364**	**1,424**	**1,345**	**1,387**	**4.4**	**-5.5**	**3.1**	**-2.6**
Agriculture	100	102	99	99	**1.9**	**-2.4**	**-0.2**	**-2.7**
Mining & quarrying	104	103	93	93	**-0.6**	**-9.7**	**0.3**	**-9.4**
Manufacturing	305	316	308	337	**3.8**	**-2.7**	**9.5**	**6.6**
Construction	66	67	54	51	**0.4**	**-19.3**	**-5.2**	**-23.6**
Services	773	821	776	791	**6.2**	**-5.4**	**1.9**	**-3.6**

Source: National Account Statistics, DOSM

Regarding the labour market situation, the number of employed persons had been trending upward, averaging a growth of 2.0 per cent between 2017 to 2019. The number stood at 15.13 million persons in 2019 after an annual increase of 2.1 per cent. The unfavourable business performance during 2020 caused the cancellation or freezing of new hires and subsequently, reduced total employment. In this matter, employment posted a marginal decrease of 0.2 per cent to 15.10 million persons in 2020. By economic sector, only employment in the Services sector which contributed 61.0 per cent of employment in 2020 posted positive growth, albeit at a slower rate of 0.5 per cent **[Table 2]**.

Table 2: Employment, Malaysia, 2018 – 2021

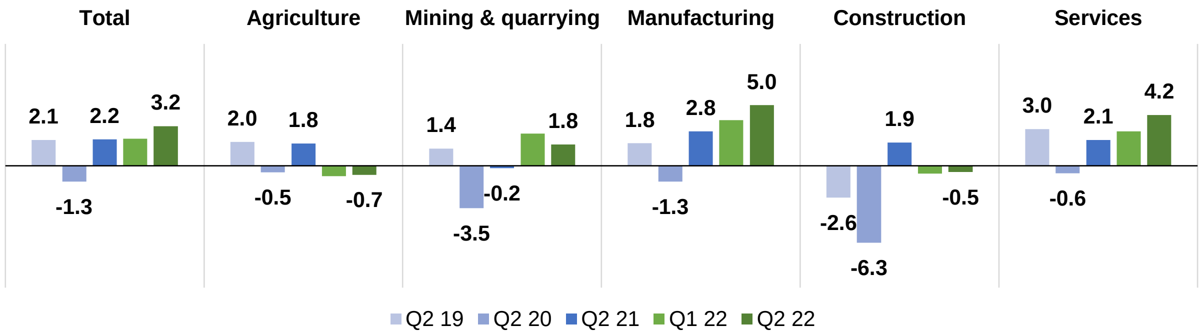
Sector	Employment ('000)				Growth (%)			
	2018	2019	2020	2021	2019/ 2018	2020/ 2019	2021/ 2020	2021/ 2019
Total	**14,810**	**15,126**	**15,096**	**15,290**	**2.1**	**-0.2**	**1.3**	**1.1**
Agriculture	1,844	1,873	1,866	1,874	**1.6**	**-0.4**	**0.4**	**0.0**
Mining & quarrying	76	75	74	75	**-0.4**	**-2.3**	**1.7**	**-0.6**
Manufacturing	2,502	2,553	2,552	2,618	**2.1**	**-0.1**	**2.6**	**2.5**
Construction	1,509	1,463	1,399	1,385	**-3.1**	**-4.4**	**-1.0**	**-5.3**
Services	8,880	9,161	9,206	9,338	**3.2**	**0.5**	**1.4**	**1.9**

Source: Labour Productivity, DOSM

Looking at the current situation during the second quarter (Q2) of 2022, the nationwide shift into the transition to endemic phase had resulted in removal of most of the social and economic restrictions. This phase is meant for the community to adjust and adopt to living with public health measures that are least disruptive to daily life without major government interventions before the actual move to endemic. Hence, Malaysia's economy expanded by 8.9 per cent year-on-year in Q2 2022 which records a higher rise as compared to 5.0 per cent registered in Q1 2022. In line with better performance of economy, employment increased by 3.2 per cent to 15.70 million persons, gaining 493.9 thousand persons **[Chart 3]**.

Employment growth in Q2 2022 was driven by the gains of employment in three key sectors namely Services, Manufacturing and Mining & quarrying. Employment in the Services sector grew by 4.2 per cent to 9.67 million persons with all sub-sectors recorded an increase in employment except for Finance and insurance. As for Manufacturing sector, the employment climbed by 4.9 per cent to 2.71 million persons in Q2 2022. Compared to the same quarter last year, employment grew across all Manufacturing sub-sectors with the Electrical, electronic and optical product gaining the most. Employment in the Mining and quarrying sector went up by 1.8 per cent to 75.7 thousand persons in this quarter. Meanwhile, employment in Agriculture (-0.7%) and Construction (-0.5%) sectors decline of during Q2 2022.

Chart 3: Annual percentage change of employment by economic activity



Source: Labour Productivity, DOSM

5. CONCLUSION

Despite lower demand and production that resulted in sharp economic contraction, assessment of the labour market signalled that employment registered a slower decline or increase albeit at a slower pace. From the labour demand side, this could be due to efforts to retain employees but perhaps at the risk of lower salaries and wages throughout the challenging time. As for labour supply, this could also mean that those who had lost employment in one particular industry had actually shifted to secure employment in another industry or move to self-employment job in ensuring their livelihood.

It must be highlighted that the insights from this article can only provide an understanding of the trend of sectoral labour market recovery concerning the economic performance as well as supply and demand for labour, serving as valuable information for policy makers, academicians, economists and businesses as well as workers. In this context, further in-depth analyses are needed to understand which factors contribute to the sectoral labour market changes while identifying which sectors will recover or vice versa.

6. DISCLAIMER

The earlier version of this article was published in the Labour Market Review, Fourth Quarter 2021 in February 2022. The view expressed in this article are those of the authors and do not necessarily represent the view of DOSM.

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