



Parallel Session 2(b)

Transition of Employment and Economic Structure from Pandemic to Recovery

Assessment of Malaysia's Employment Recovery Amid COVID-19 Crisis

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Dealing with Uncertainties: Unearthing Measures for Recovery

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Presentation Outlines:



- 1** Introduction
- 2** Literature Review
- 3** Methodology
- 4** Findings & Discussion
- 5** Conclusion



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Introduction



After spreading to 114 countries with more than 118,000 cases and 4,291 deaths, the WHO has declared the **COVID-19 as a global pandemic in March 2020.**

In 2020

The world economy has undergone a drastic change and Malaysia has no exception...

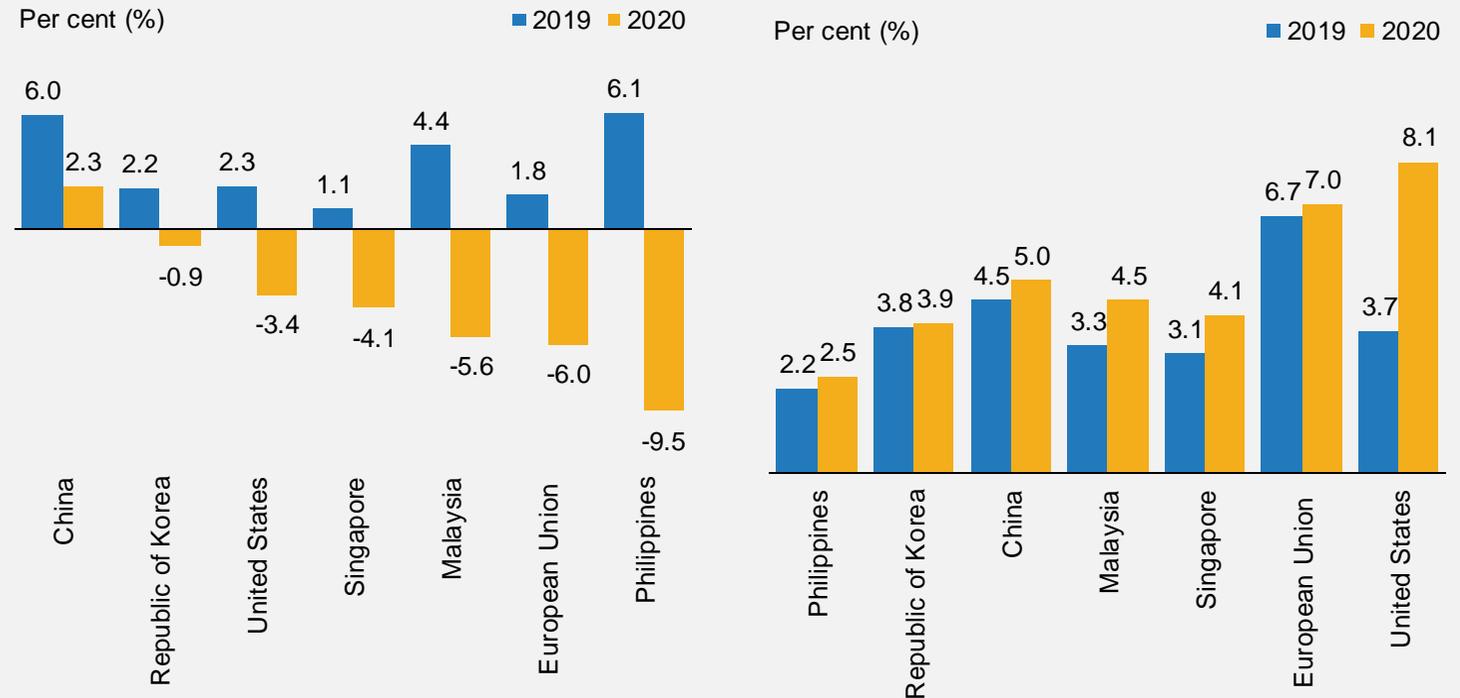
At the preliminary stage:

- 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.

The fact of the devastating impact of the pandemic on the world's economy

GDP growth & unemployment rate of selected countries, 2019 & 2020



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



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Problem Statement

- 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.

Objective

- To assess the economic recovery and the subsequent sectoral labour market recovery compared to the period before the COVID-19 health crisis.



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.

Many described the expected recovery in pictorial form. At the beginning of the crisis in 2020, 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. Additionally, a few kinds of literature forecasted a K-shaped recovery, whereby recovery speed differs by sector

J.P. Morgan (2020); Sharma et al., (2020); ILO, (2021); Bheemaiah et al., (2020)

Unequal recovery between countries, where developed economies observed significant differences depending upon the public health situation, the containment measures and the fiscal stimulus administered in the respective countries. Economic indicators for Britain, Germany, Italy and Spain had fared worse compared to pre-pandemic, whereas Denmark, Slovenia, Norway and Sweden performed comparably well. Japan which was less impacted by the COVID-19 containment measures, experienced little change in the labour market.

Francisco (2022)

In terms of the economic outlook for 2022, 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. However, countries in EMDEs are still expected to achieve higher economic growth rates in 2022 compared to 2019 includes Malaysia

World Bank (2022)



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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.

Employment

- Source Quarterly Labour Productivity
- Disaggregation by economic sector
- 2018 – 2021; Q2 2019 – Q2 2022

Gross Domestic Product

- Source National Account Statistics
- Disaggregation by economic sector
- 2018 – 2021

Analyses the ongoing economic and employment recovery trend by measuring year-on-year percentage change

In line with the study's goal,

- Perform the literature review including reviews of journals, articles and official websites that documented the data for information dissemination.



Findings & Discussion



The State of Economy and Labour Market

- Malaysia's economy experiencing a decline of 5.5% after registering positive growth for the past ten years. Specifically, Construction sector recorded double-digit declines.
- A more strategic and targeted mechanism through the implementation of NRP in 2021 has resulted in Malaysia's economic performance rebounded by 3.1%. However, the level of GDP in 2021 was still lower than before the COVID-19 health crisis in 2019.
- 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%. By economic sector, only employment in the Services sector posted positive growth, albeit at a slower rate of 0.5%.

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 |

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 |



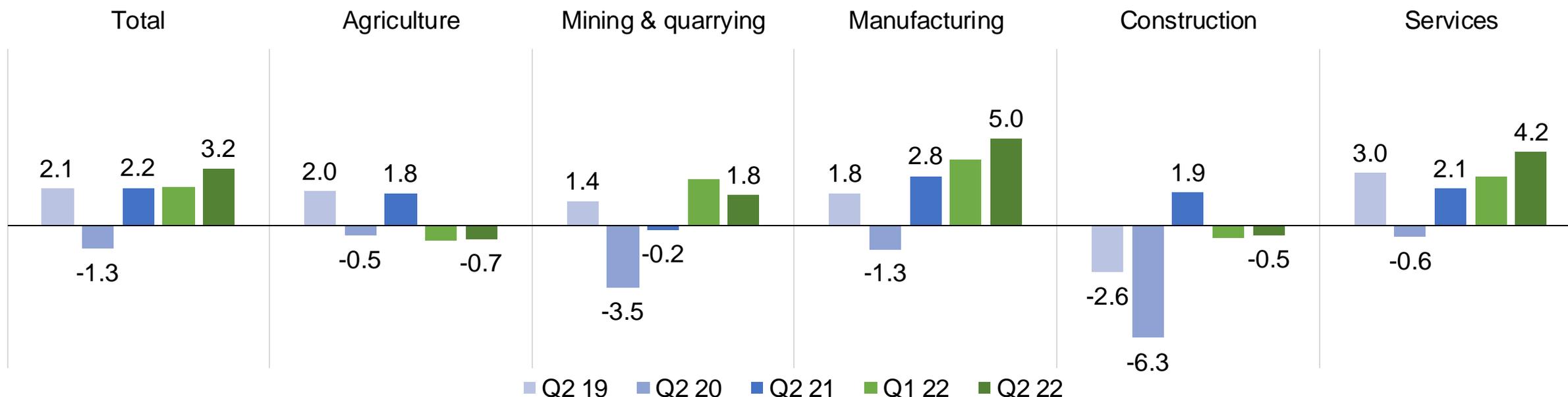
Findings & Discussion



Current situation during Q2 2022 as the nationwide shift into the transition to endemic phase had resulted in removal of most of the social and economic restrictions.

Employment increased by 3.2% in line with better performance of economy

Chart 1: Annual percentage change of employment by economic activity



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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 remained upward 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.
- 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.



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