

The State of the Nation: Malaysia's job market blues to continue in 2H

DESPITE the accelerated Covid-19 vaccine rollout, the country is not out of the woods yet when it comes to keeping unemployment low, economists say, as the consecutive lockdowns to stop the spread of the virus continue to stifle economic activities.

Measures rolled out by the government — such as wage subsidies and, more recently, the RM150 billion National People's Well-Being and Economic Recovery Package (Pemulihan) and RM10 billion fiscal injection announced by Prime Minister Tan Sri Muhyiddin Yassin on June 28 — are not enough to overturn the grim employment outlook for the second half of the year (2H).

Data provided by the Department of Statistics Malaysia (DOSM) shows that the unemployment rate fell to 4.5%, or 728,100 unemployed persons, in May — the lowest since March 2020. Employed persons increased marginally by 0.1% or 18,800 to 15.37 million compared with 15.35 million in April.

“Until Dec 18, 2020, Malaysia's monetary value of policy measures, at 22% of GDP, has been ahead of its Asean neighbours and almost comparable with Singapore's 25%. [Ideally,] ramping up vaccination would allow the country to progress to Phase 2 of the National Recovery Plan (NRP) and spur economic recovery, which could lower the unemployment rate to about 4.3%,” Malaysian Institute of Economic Research (MIER) senior research fellow Dr Shankaran Nambiar tells The Edge.

But not everyone is optimistic. Nambiar points to a survey by the Ministry of Entrepreneur Development and Cooperatives (Medac) that shows 49% of the micro, small and medium enterprise (MSME) sector as under risk of failing by October and potentially furloughing seven million jobs. The survey also reveals that up to 30% of respondents did not receive assistance from the government, pointing to poor implementation, he adds.

Khazanah Research Institute deputy director of research Hawati Abdul Hamid points out that the number of unemployed persons in May was still above the 700,000 mark after improving slightly since February. Despite the improvement in May's unemployment rate from 4.6% in April, the number is still 200,000 higher than the average of 500,000 unemployed persons in 2019, she says.

DOSM data shows that the stringent measures taken to contain the spread of the virus have reduced working hours, causing the mean monthly salary and wages received by Malaysian citizens to fall 9% in 2020. After recording more than RM3,000 per month for two consecutive years, the mean monthly salary and wages declined to RM2,933 last year from RM3,224 in 2019.

“The median salary of RM2,062 in 2020 has been reset to a level seen four years ago, that is, RM2,000 in 2016. We can reasonably expect the third nationwide lockdown (MCO 3.0), implemented since June 1, to reverse the fragile recovery in the job market. It will also take some time for employment and salaries to recover to the earlier levels, especially with the closure of many SMEs, which used to provide employment opportunities for many Malaysians,” says Hawati.

Nambiar expects a restructuring of the employment market as a consequence of the current unemployment level, which will be exacerbated as companies transition to the Fourth Industrial Revolution post-pandemic. “The net result will be that those lacking in skills and engaged in repetitive jobs will have to fend for themselves,” he says.

In a July 8 report, MIDF Research forecast Malaysia’s unemployment rate at 4.3% for 2021, while UOB Global Economics and Markets Research is keeping its unemployment rate forecast at 4.5%, down from last year’s 4.8%. Bank Negara Malaysia’s unemployment rate forecast for 2021 stands at 4% to 5%.

Exacerbation of existing labour market issues

The pandemic is also compounding Malaysia’s long-time struggle to match education outcomes with labour market skill requirements, exacerbating the difficulties of the school-to-work transition for young people and graduates.

“We can expect some realignment in the labour market and a reassessment of skills this year and the next. The government has to pay careful attention to reskilling and upskilling in the coming months,” says Nambiar.

Hawati concurs, noting that amid massive business closures and scaling down, financial constraints in terms of training of new recruits can lead to businesses prioritising the employment of workers who may accept lower-paying jobs out of desperation. She commends the introduction of the job seeker allowance under the Pemulih package as it eases costs associated with job hunting.

The allowance applies to non-Social Security Organisation contributors, namely fresh graduates, school leavers and informal sector workers, who will receive RM300 upon registration on the MYFuturejobs platform.

“However, this passive labour market policy should be integrated with other active labour market policies that could enhance job matching and access to labour market information as well as upskilling and reskilling activities,” says Hawati, adding that the government could also look at entrepreneurship as a viable alternative pathway for graduates by creating an ecosystem that promotes entrepreneurial opportunities, appraises the accompanying challenges, facilitates networking and provides mentoring.

She points out that there must be a concerted effort to foster entrepreneurial interest from an early age rather than later.

Uptrend in self-employment, gig industry, home-based businesses

With the ongoing limitations in the employment market, the notable growth in self-employment and the informal sectors is not surprising. Data provided by DOSM shows that “own-account” or self-employed workers increased by 2,400 persons to 2.49 million in May within a span of four months.

While the uptrend is inevitable, the actual transition of individuals from an employee’s mindset to one of entrepreneurship will be a challenge as such nurturing has generally not been a priority, says Nambiar.

“This will place new graduates in an awkward position. The approaching digitalisation era may not find enough local talent, which will create a mismatch of sorts. Not having the required talent in number and quality will contribute to a fissure in the labour market environment in [the next few years]. Having said that, this new trend cannot be ignored,” he adds.

Similarly, the gig industry in Malaysia has seen an uptick in workers. In the absence of official data on the size of the country’s gig market, a 2019 study by the Employees Provident Fund estimated that nearly four in 10 of the Malaysian workforce would be gig workers in the next five years.

Malaysia-based staffing and recruitment platform QWork provides a glimpse into the growing industry based on its own records of short-term or on-demand work. “Prior to the pandemic, many in our talent pool viewed gigs as a mere source of supplementary income. But as employees got retrenched when the pandemic hit, some 80% to 90% of Qwork’s registrants went full time,” says its co-founder and CEO Muna Munirah Wan Nordin.

QWork, which provides companies such as DHL, Lazada and McDonald’s with skilled and low-skilled gig workers, received 20,000 gigs that were fulfilled by its 15,000 registered gig workers in 2020. Skilled and low-skilled workers earn a minimum wage of RM200 per day and RM80 per day respectively.

“This year, we have seen a 20% increase in overall gigs from the same period last year. The number of [talents] is smaller than the number of gigs the platform receives as one worker can do multiple jobs,” says Muna Munirah, adding that the platform’s talent pool is projected to double to 40,000 gig workers by year end.

As the pandemic has resulted in the proliferation of home-based businesses, Khazanah Research Institute’s Hawati notes that government support in the form of a friendly regulatory

framework for its development would help to prevent individuals' vulnerability to exploitation from working under informal arrangements and in isolation. Practical considerations such as compatibility with product safety regulations, municipality regulations and qualifying conditions to claim social security benefits are good examples.

Hawati underscores the importance of recognising the heterogeneity of home-based businesses from digital platform workers providing online services or engaging in drop shipping to individuals who are involved in the production of goods such as food processing.

"This is because in the context of occupational health and safety, some home-based activities carry more risk than others. For example, digital micro tasks such as data entry or drop shipping may be less risky since they are services-based compared with home-based food production," she explains.

"As some of the activities are performed at home with unclear boundaries between work and personal activities, policies must be designed accordingly. For example, there needs to be clarity on how a worker can claim for social protection benefits pertaining to employment-related injuries while working at home where working hours are typically not fixed."

Hawati also notes the importance of facilitating the transition of these home-based businesses to the formal economy by extending legal protection, improving compliance, generalising written contracts, raising awareness of home workers' rights and providing access to social security.

For now, business recapitalisation programmes are crucial in helping micro enterprises bounce back and sustain domestic demand. "[It is worth noting that this industry] accounted for over 95% of GDP in 2020," she says.

She adds that failure to take adequate recovery measures could result in extensive economic scarring, delayed recovery and diminished government revenue, leading to lower GDP growth and making the debt-to-GDP ratio more oppressive, thereby encouraging existing caution on development spending.

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