

# Impact Of COVID-19 On Malaysia's Employment Market

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**Abstract.** The COVID-19 pandemic crisis that broke out in 2019 posed a threat to the life safety of the global population due to its extremely strong infectivity. It also had a profound impact on the global labor market. This paper explores the impact of the COVID-19 pandemic on the employment market of Malaysia and Malaysia's response measures by combining the Malaysia government's data on employment from 2020 to 2021 and some related studies on the employment impact in certain areas of Malaysia. The study found that the COVID-19 epidemic had led to an increase of 1.1% in the unemployment rate of the Malaysian labor market, reaching 4.5%, the highest since the 21st century; The main reasons for unemployment are lockdown policies, reduced consumer consumption, and trade obstacles; The service industry, manufacturing industry, and small and medium enterprises (SMEs) have been most affected; The Malaysian government aims to alleviate unemployment by stimulating the economy, online working, and distributing vaccines through the National COVID-19 Immunization Programme.

**Keywords:** COVID-19, Malaysia, unemployment.

## 1. Introduction

The COVID-19 pandemic is a global health crisis that has received strong attention from countries and people around the world. Since the outbreak of the COVID-19 pandemic crisis at the end of 2019 on a global scale, it has had an unprecedented impact on the economic and social development of various countries, and all countries have experienced a sharp deterioration of the labor market situation. Between 2019 and 2020, the global employment-to-population ratio (EPR) decreased by 2.7 percent [1]. The COVID-19 pandemic crisis is a very unique health crisis, one of the main characteristics of this pandemic is the rapid and widespread economic chaos caused by the implementation of movement control order (MCO) to reduce the daily infection spike caused by the spread of the COVID-19 virus [2]. This pandemic may have less in common with other pandemics such as H1N1 swine flu 2009-2010, or the Spanish Flu 1918 in this regard [3]. As one of the important economies in Asia, Malaysia also faces enormous challenges. The employment market in the country, as one of the core indicators of economic development, is directly related to the stability of the country and the living standards of the people. With the continuous spread of the epidemic, the job market in Malaysia has been severely affected, a lot of firms have chosen to adopt unpaid leave and layoffs to reduce their operational costs so that the company could have sufficient liquidity to tide over this difficulty [2]. There's also many industries and enterprises that are forced to reduce their workload or even cease operations, leading to widespread unemployment and income decline. The massive unemployment has led to survival difficulties for Malaysian families and small and medium enterprises (SMEs). Unemployment has devastating effects at the individual and community levels, in terms of psychological, economic and social well-being [4]. The subsidy and assistance policies targeting these groups have hugely increased the financial pressure on the Malaysian government. This paper examines the impact of the COVID-19 pandemic on the Malaysian job market and Malaysia's response to it by combing through the Malaysian government's employment data for the years 2020 to 2021 as well as several related studies on the impact on employment in certain areas of Malaysia.

Through in-depth analysis of the impact and reasons of COVID-19 on the Malaysian job market, it not only helps to understand how the epidemic has changed the country's labor market structure but also provides a scientific basis for formulating more effective policy measures. It can provide valuable

experience and inspiration for other countries, to more effectively respond to similar global health crises.

## 2. Impact of COVID-19 on Malaysia's Employment Market

### 2.1. Overview of Malaysia's Employment Market

As an important economy in Southeast Asia, Malaysia's employment market has always been characterized by stability and growth. Before the COVID-19 pandemic, Malaysia's employment rate remained at a relatively high level and unemployment rate was relatively low. The vitality of the labor market stems from a diversified industrial structure, including manufacturing, service, and agriculture.

**Table 1:** Malaysia 2020 GDP structure

Real GDP Proportion of each department								
Industry	Year 2020	Year 2019	Yearly 2019	Year 2020				
	Proportion in GDP	Q4		Q1	Q2	Q3	Q4	Yearly 2020
Service	57.7	6.2	6.1	3.1	-16.2	-4.0	-4.9	-5.5
Manufacturing	23.0	3.0	3.8	1.5	-18.3	3.3	3.0	-2.6
Agriculture	7.4	-5.7	2.0	-8.7	-1.0	-0.5	-0.7	-2.2
Mining	6.8	-3.4	-2.0	-2.0	-20.0	-6.8	-10.6	-10.0
Construction	4.0	1.0	0.1	-7.9	-44.5	-12.4	-13.9	-19.4
Real GDP	100.0	3.6	4.3	0.7	-17.1	-2.6	-3.4	-5.6

Source: Department of statistic Malaysia

As shown in the table 1, main industries of Malaysia are services and manufacturing, occupying approximately 70% of Malaysia's GDP proportion, which can also indirectly reflect the main sources of job opportunities in the Malaysian job market. Among them, the service industry is the largest employment sector, accounting for the majority of the total employment. Although the manufacturing industry is not as large as the service industry, it is also an important source of employment, especially in the electronics and automotive manufacturing industries.

### 2.2. Job Losses and Unemployment Rates Increase

To limit the spread of the pandemic domestically, Malaysia implemented multiple restrictive policies to restrict personnel movement in 2020. In addition, the pandemic had a significant impact on the national economy, severely affecting the labor market and causing a large number of laborers to lose their jobs.

**Table 2.** Malaysian labor market between 2019 and 2021

Year	Employment (per thousand people)	Unemployment rate(%)
2019	7,3850	3.4
2020	6,8350	4.5
2021	7,1500	4.1

Source: Department of Statistics Malaysia

From table 2, it can be seen that the total employment in Malaysia in 2020 decreased by 5.5 million compared to 2019. The unemployment rate has risen by 1.1%, reaching 4.5%, the highest since the 21st century. Although employment has recovered to some extent by 2021, it is still below pre-pandemic levels.

Looking at the breakdown, the changes in employment after the outbreak of the pandemic are closely related to the composition of the Malaysian labor market. From a work scenario perspective, approximately 64.5% of work in Malaysia cannot be completed from home. Meanwhile, approximately 50.9% of jobs require a high level of physical proximity [5]. Most jobs require personnel to go to the workplace to complete their work, which cannot be replaced by online work. Therefore, strict personnel mobility control has led to temporary unemployment for most of Malaysia's workforce. From a departmental perspective, the main industries severely affected by employment are tourism and aviation, which are closely related to personnel travel. Among them, nearly 7% of airline employees have been laid off, with a ceiling exceeding 13% [6]. The revenue related to both decreased to 12.7 billion ringgits, which is 14.8% of the related revenue in 2019.

### **3. Factors Contributing to the Impact of COVID-19 on Malaysia's Employment Market**

#### **3.1. Travel Restrictions and Lockdown Measures**

Travel restrictions and lockdown measures have been implemented as a response to the COVID-19 pandemic to control the spread of the virus. These restrictions have had a significant impact on Malaysia's employment market, affecting various sectors and causing disruptions in the economy.

Firstly, the implementation of travel restrictions has led to a decline in international tourism and business travel. The tourism industry is a pillar industry in Malaysia, providing 23.5% of job opportunities in 2018, accounting for 15.2% of the gross domestic product (GDP) [7]. With international travel restrictions and a decrease in domestic tourism, hotels, airlines, and tour operators have experienced a significant decline in bookings and revenue. Many businesses in this sector have had to lay off a large number of employees or implement pay cuts to survive, leading to job losses. Tourist destinations such as Langkawi, Penang, and Kuala Lumpur have experienced a significant decrease in visitors, resulting in a decline in employment opportunities in these areas. Especially in Sabah: After the government announced a travel ban in March 2020, which banned foreign tourists in large numbers, the total number of tourists, especially international tourists, significantly decreased. In the first three months of 2020, international tourists visiting Sabah accounted for 97.5% of the year, which means that the total number of international tourists visiting Sabah in the last nine months only accounted for 2.5% of the year [8].

The lockdown measures imposed by the Malaysian government to contain the virus have also impacted the employment market. The loss of employment increases by 0.35% to 1.1% for every 1% increase in the lockdown measures [9]. These measures, including the temporary closure of non-essential businesses and strict movement restrictions, have caused disruptions in various sectors. A decrease in foot traffic and physical interactions due to social distancing measures profoundly impacts the retail and service industry. Many businesses had to temporarily close their doors or limit their operations, resulting in a decline in revenue. The closure of shopping malls, restaurants, hotels, and

entertainment venues has led to a significant reduction in customer demand, further exacerbating unemployment. The Malaysian construction industry has also suffered a significant blow. Due to lockdown measures and social distancing requirements, many construction projects have been forced to pause or completely stop, resulting in project delays and forced labor unemployment. For example, in Sarawak, due to the COVID-19 pandemic, a construction project was suddenly interrupted, and workers were unable to work [10].

### 3.2. Reduced Consumer Spending and Changed Pattern

The COVID-19 pandemic has significantly affected consumer spending habits in Malaysia, leading to a sharp decrease in demand for various services.

A primary reason for reduced consumer spending is the economic uncertainty caused by the pandemic. The fear of an uncertain future has prompted consumers to preventive savings motivation and adopt a more cautious approach towards their finances. Thus, reducing their spending and leading to diminishing firm revenues as well as increasing unemployment.

In addition, the economic downturn pressure is also an important reason for reduced consumer spending. With widespread job losses and pay cuts, many Malaysians are facing financial constraints, and the expected income of residents has decreased, thereby reducing their willingness to consume. The "retaliatory consumption" behavior only exists in a very small group of people [11].

Also, consumer behaviors have changed due to the emphasis on personal safety, which leads to less offline consumption. Consumers have become more hesitant to visit physical stores due to concerns about crowded spaces and the risk of infection. Instead, there has been a notable shift towards online shopping, with e-commerce platforms experiencing increased demand for their services. This shift in consumer behavior has accelerated the digital transformation of businesses, forcing many traditional retailers to adapt to the online market to survive. However, it's a harsh move for many traditional firms. Without the switch to online shopping, firms will receive a decrease in demand for services, which has led to job losses.

### 3.3. Trade Obstructions

The COVID-19 pandemic has had an unprecedented impact on the global economy, with the most significant being the obstruction of international trade.

**Table 3.** Malaysia's total import and export volume of goods and trade surplus (2019-2020)

Year	2019	2020
Total imports (billion dollar)	204.50	189.86
Total exports (billion dollar)	238.20	234.13
Trade deficit (billion dollar)	33.70	44.27

Source: World Trade Organization

From table 3, it can be seen that the international trade obstruction caused by the COVID-19 pandemic has directly affected Malaysia's total import and export volume. From mid-2019 to 2020, both imports and exports showed a downward trend. This change reflects the slowdown in trade activities during the pandemic and the disruption of global supply chains. The lockdown policies during the pandemic, including MCO and CMCO, have led to economic shutdowns, resulting in companies facing problems such as a sharp decrease in production demand and supply chain disruptions. These issues seriously affect the operation and profitability of enterprises. Many SMEs report that their revenue has decreased by over 50% [12]. The significant drop in revenues has had a direct impact on the cash flow of the businesses, but these businesses also have a large amount of debt waiting to be repaid. The double whammy of declining revenues and debt has left them in severe financial distress. The SMEs lack business sustainability and are less resilient to risk, thus the vulnerability of the SMEs in the face of the sudden challenges and uncertainties brought about by these outbreaks and embargoes has hit them hard, leading to the insolvency and closure of a large

number of SMEs. The SMEs are responsible for the majority of the jobs in Malaysia. The bankruptcy of these firms has led to the loss of a large number of jobs, thus leaving the labor force without jobs and a surge in unemployment.

## **4. Government Responses to Mitigate the Impact of COVID-19 on Malaysia's Employment Market**

### **4.1. Stimulus Packages and Financial Assistance for Businesses**

After the outbreak of COVID-19, the Malaysian government quickly adopted a series of economic stimulus and financial assistance measures, aiming to reduce the negative impact of the pandemic on enterprises, especially the support for small and medium-sized enterprises. The core goal of these measures is to maintain the normal operation of enterprises and protect employment.

The government has allocated a large amount of funds to help businesses maintain operations and retain key employees. An important measure is to provide wage subsidies, which provide economic assistance to employers affected by the pandemic. Specifically, eligible employers can receive salary subsidies ranging from RM600 to RM1200, depending on the number of employees [13]. This measure ensures that qualified employers in industries affected by the pandemic can receive a portion of their employee salaries, without resorting to layoffs to alleviate financial pressure.

In addition, the Malaysian government has launched a series of financial assistance measures to prevent unemployment caused by bankruptcy. This includes an additional allocation of 10 billion Malaysian ringgit for economic revitalization support [13], specifically designed to assist small and medium-sized enterprises.

The Malaysian government is also committed to encouraging banks and financial institutions to provide more financing options and convenience for enterprises affected by the pandemic. These measures include providing flexible repayment plans, restructuring existing loans, and increasing opportunities for businesses in need to obtain credit [13]. These measures not only help companies overcome current economic difficulties but also lay the foundation for their future recovery and development.

### **4.2. Implementation of Remote Work Policies and Telecommuting Arrangements**

The COVID-19 pandemic has brought about significant changes in the ways businesses operate, with remote work and telecommuting becoming increasingly prevalent. Before the pandemic, remote work was a relatively uncommon practice in Malaysia, with most employees working in traditional office settings. However, the need to enforce social distancing measures and reduce the risk of virus transmission has accelerated the adoption of remote work arrangements.

One of the key initiatives introduced by the government is the promotion of work from home (WFH) approach to support remote work. Among the whole country, 71.3% of households have computers and 90.1% have Internet connections [14]. To achieve more WFH arrangements during Covid-19, the Malaysian government has provided additional tax breaks for purchasing technical equipment to facilitate work-from-home arrangements [15].

To facilitate the transition to remote work, the government has also launched training programs, the Technical Vocational Education and Training (TVET), to equip both employers and employees with the necessary skills and knowledge. These programs aim to enhance digital literacy and provide guidance on effective remote work practices.

### 4.3. Implementation of National COVID-19 Immunization Programme

**Table 4.** Phases of NCIP in Malaysia

Phase	Timeline	People that are involved in the phase
Phase one	February 2021 to April 2021	Workers in medical services, essential services, and law enforcement which involved up to 500, 000 people
Phase two	April 2021 to August 2021	Aged citizens and people with comorbidities, involving about 9.4 million people
Phase three	May 2021 to February 2022	The general adult population aged 18 and over with total of 13.7 million people
Phase four	Began in June 2021	People working in key sectors of the economy, such as manufacturing, exports, logistics, transportation, energy, and utility services
Phase five	Began in September 2021	Adolescents aged 12 to 17, totaling 3.2 million people

The National COVID-19 Immunization Programme (NCIP) was launched in February 2021, with the core goal of providing immunization services to most people in Malaysia, thereby reducing the death toll from COVID.

Table 4 shows the five phases of NCIP, which cover the vast majority of the Malaysian population. By Q3 2021, most Malaysian population had completed vaccination, leading to the government's relaxation of economic activities. More commercial activities were allowed: restaurants and tourism opened again to vaccine recipients, thereby stimulating labor demand as firms were operating at full capacity. As for, started recruiting new employees and recalling old ones, the unemployment rate reduces with the increment of job opportunities.

## 5. Conclusion

This study found that COVID-19 has had a direct impact on the Malaysian job market, mainly manifested in a decrease in employment and an increase in the unemployment rate; There are three main reasons for the increase in the unemployment rate in Malaysia: travel restrictions and lockdown measures, reduced consumer spending and changed consumer spending pattern, and trade obstruction; The main response measures of the Malaysian government are: stimulus packages and financial assistance for businesses, implementation of remote work policies and telecommuting arrangements and implementation of National COVID-19 Immunization Programme. Therefore, in the face of the next health crisis, the government can provide timely support to businesses, stimulate the economy, and promote vaccination to address the impact of the crisis. This study reveals the main factors affecting employment during health crises, which helps study the social impact of the epidemic. Finally, this study mainly focuses on macro-level policies and economic impacts, with less consideration given to noneconomic factors such as individual-level mental health and social welfare, which may overlook the multidimensional impact of the COVID-19 pandemic on the Malaysian job market. Also, another possible limitation is that COVID-19 pandemic is a very unique health crisis with totally different characteristics when comparing with the former health crisis. Therefore, the results, findings, and discussions may be limited in terms of perspective. These might not be useful when confronting the next global health crisis.

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