

HIGHLIGHT OF THE MONTH



The surge of a highly infectious variant of COVID-19 has once again put Malaysia into a total lockdown situation or full-scale Movement Control Order (MCO) 3.0 that came into effect on June 1st, 2021.

Past lesson from MCO 1.0 clearly indicates the needs for a sustainable approach in balancing the health and economic costs. Emphasising the health aspect, MCO 1.0 embarked on a full lockdown measure, resulting in the complete closure of the social and economic sectors. The economic consequences of this approach are tremendous, whereby it leads to the contraction of the economic growth by -16.0%, and unemployment rates raised to 5.1% (normal rates are 3.3%).

Considering the economic costs of MCO 1.0, the government has taken a different approach in implementing MCO 3.0. As a result, three important improvements are introduced.

First, more economic sectors are allowed to operate with strict Standard Operating Procedure (SOPs). Second, the operation of selected sectors is allowed by considering their importance in the supply chains to reduce market distortions. Third, head-count capacity is introduced to the production of essential sectors by allowing 60% of the total workforce compared to 50% operating capacity in MCO 1.0.

How severe are the economic costs of MCO 3.0? What about the automatic "rescue" programmes for the economy? Do the vulnerable groups include in the protection? Check out the following page for more discussion....

INTERESTING INSIGHTS :

Cushioning Economic Impacts

The performance of economic activities is likely to stabilise almost similar to the level of the first quarter 2021.

MCO 3.0: Restricting Head-Count Capacity or Operating Capacity?

Measuring the impacts of both approaches to the economy and labour market using a scientific approach is highly important for evidence-based policy response.

No recess bell for canteen operator

School's canteen operator is inevitably hit by pandemic due to school closure. Their income is based on food selling, so they struggle to find alternative living income.

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INSIGHT

* continue from the front page

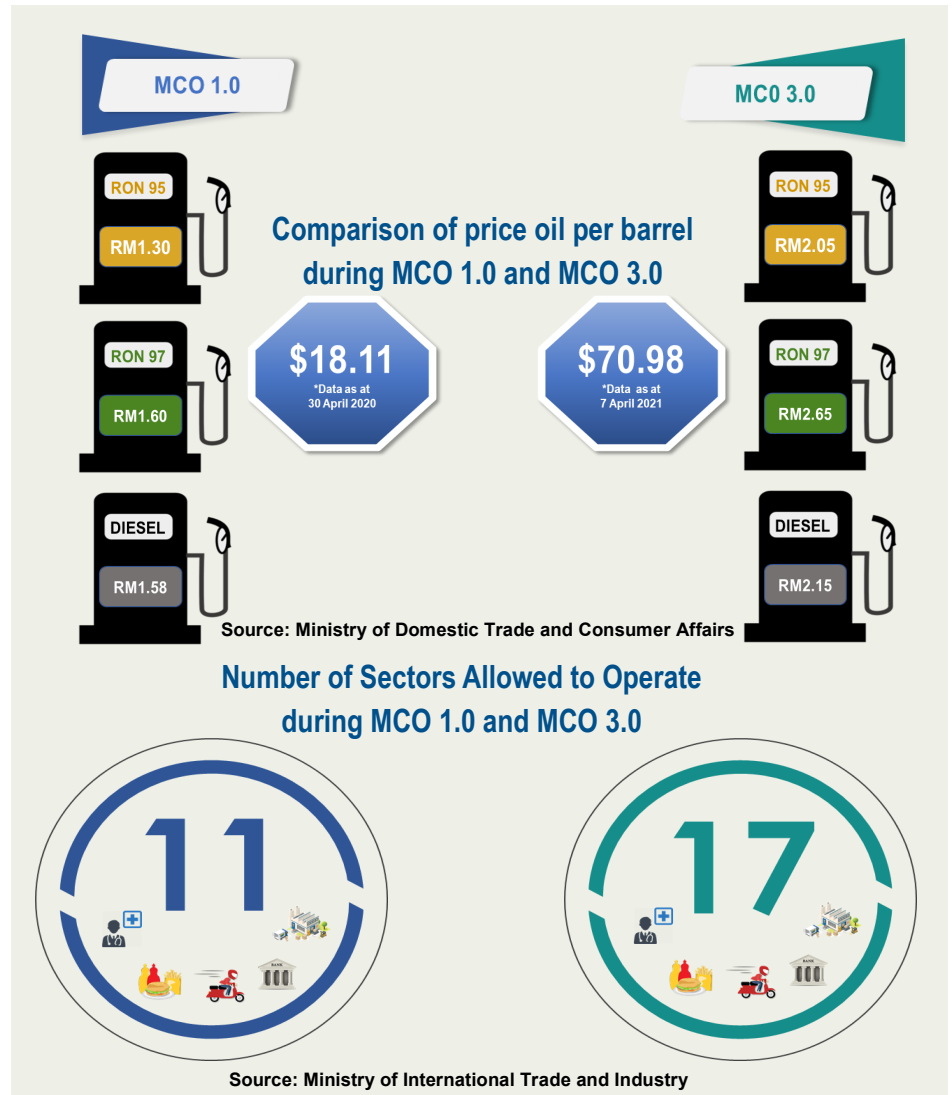
Cushioning economic impacts

The economic impacts of MCO 3.0 are expected to be lower than MCO 1.0. The performance of the economic activities is likely to stabilise at a similar level as the first quarter of 2021. These expectations are made based on the following three considerations.

More sectors are allowed to operate. The previous MCO 1.0 burdened the economy as the government only allowed specific sectors to operate. As the operation of most sectors were "frozen", the situation caused massive economic impacts. The impact on business and employment due to the implementation of MCO 1.0 is enormous. Consequently, it demands a large number of direct and indirect fiscal injections from the government.

Operations along the supply-chains. MCO 1.0 focuses more on the operation of essential goods and services sectors without paying specific attention to the importance of the supply chain. Ignoring this aspect in planning for MCO may bring severe implications to the economy due to the interdependencies between economic sectors in producing goods and services. For example, the operation of essential goods and services sectors is partly determined by the supply of inputs or raw materials produced by the non-essential goods and services sectors. Thus, the permission to operate along the industrial supply chain at MCO 3.0 is expected to reduce the economic costs and minimise the distortion effects in the market.

Capacity restriction based on the head-count measure. MCO 1.0 allowed the essential sectors to operate with 50% capacity. Meanwhile, the government take a different approach through MCO 3.0 by restricting the total employment by 60%.



Potential blindspot of economic stabilisers

The government re-introduced several economic stabilisation instruments to offset the negative economic externalities due to implementing these full movement restrictions. These include financial moratoriums, Wage Subsidy Programme (WSP) and Bantuan Prihatin Rakyat to B40 group.

As far as inclusivity is concerned, in our view, the economic stabilising instruments may require further improvement to reduce the potential 'blind spots'. To put this into context, consider the following two cases:

Case 1. Ali is a B40 head of household who rents an apartment unit from

Abu, an M40 category head of household.

Although being in the vulnerable group, Ali is not eligible for the moratorium because his job and company are not affected by MCO 3.0. Even in the situation that makes Abu eligible for the moratorium, how to ensure the benefits will trickle down to Ali?

Case 2. Few members have to take unpaid leave, salary cuts, and allowance reductions in one family because the companies they worked for face production losses. In this case, the role of WSP to assist the family is limited because it is purposely designed to avoid employment loss, not to cover household expenditure costs.

PERSPECTIVES

provides a summary of research note by our economist

MCO 3.0

Restricting head-count capacity or operating capacity?

Heizlyn Amyneina Hamzah

The government once again announced the nationwide Movement Control Order (MCO) 3.0 due to the surge of the COVID-19 infection cases in May 2021.

The first nationwide lockdown led to severe and damaging impacts on both production sectors and the labour market. MCO 3.0, contrarily, allowed the operation with a total employee restriction of 60%. So, does the new approach bring similar impacts on the production sectors and labour market?

From the economic perspective, both approaches contribute to inter-industry disruptions. Therefore, measuring their impacts on the economy and labour market using a scientific approach is highly important for an evidence-based policy response.

We undertake an empirical assessment to measure the extent to which the head-count capacity restriction could reduce the impacts

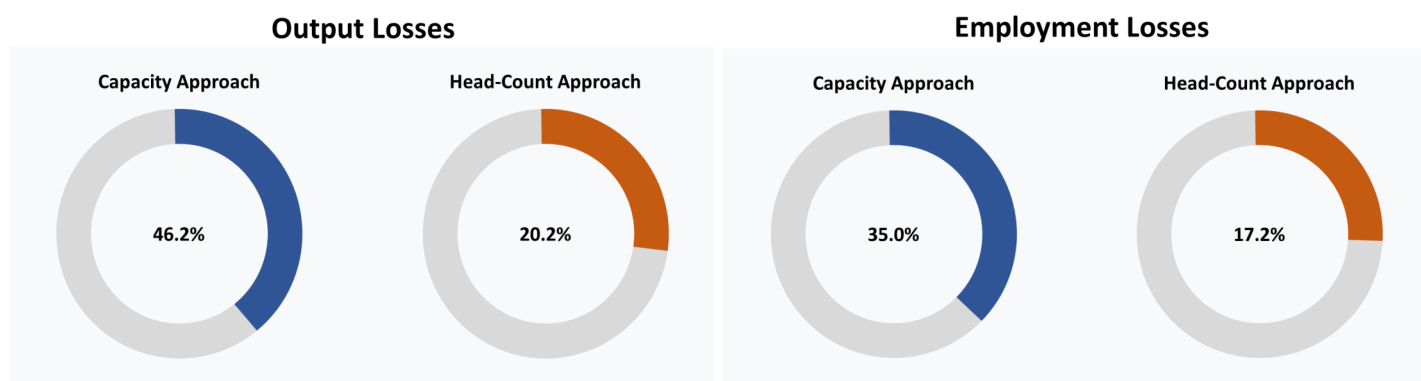
on the economy and labour market compared to the operating capacity restriction. For this purpose, we developed an extended input-output (IO) model that quantifies the economic impacts of the implementation of operation and head-count restrictions on output, employment, income and poverty. However, this Perspectives column only presents the output and employment impacts, while the outcome for other indicators will be reported in our forthcoming EU-ERA Discussion Paper Series.

Our assessment shows that head-count capacity restriction is a better approach in cushioning the impacts of lockdown on the economy and labour market. In our view, the approach is more effective in controlling the movement of people and safeguarding the 'health' of the economy. In safeguarding the 'health' of the economy, our findings show that the head-count approach's output loss is lower than

the impacts of operation capacity restrictions. The head-count approach potentially reduces output by 20.2% compared to the operation capacity restriction by 46.2%. For the labour market, the head-count approach is expected to reduce employment by 17.2% compared to 35.0% when operation capacity restriction is imposed.

The operation capacity approach limits the firm's ability to transform the intermediate inputs into output that impedes the production of goods and services, resulting in massive output loss. On the other hand, for the head-count restriction, the businesses are allowed to maintain the capability of production given that the number of workforces does not exceed the maximum permissible head-count. It is undeniable that reducing the number of workforces could slow down production and lead to loss of output, but the losses are less severe.

Capacity and Head-Count Approaches: Percentage of Output and Employment Losses



Sources:

Analysis is performed by EU-ERA

UNTOLD STORY

shares the reality of labours that inspired and motivated others to change

No recess bell for the canteen operator

Azib Jazman Azmawi and Nurul Shakina Ishak



Shirajuddin (center in baju melayu) with his co-workers in 2018

Amid the surging COVID-19 cases and clusters linked to the educational sector, all schools in Malaysia were ordered to close their gates to contain the spread of the virus. While this situation inflicts chaotic states on parents, students and teachers, school's canteen operators are not exempted from this dire situation.

In this challenging period, a school canteen operator and General Manager for a catering company, Shirajuddin Sirat, 53, is battling for survival.

Despite holding a degree in Civil Engineering from the University of East London, Shirajuddin has taken a risk jumping into the canteen operator business in 2017 by establishing Takmir Food & Catering after finishing his former job's contract with a humanitarian aid agency. Previously, he had also worked as a junior engineer and academician.

Before the pandemic hits Malaysia, Shirajuddin had been preparing meals for more than 1,300 students, teachers,

“...determination and optimism that the situation will come back to normal have encouraged Shirajuddin to set aside some of his salaries as capital to reopen his canteen business.”

and staff at a private school located in Kajang, Selangor. For more than three years of running the school's canteen, he could generate large daily sales. This outcome brings to his vision to expanding his business to cater to other events such as family gatherings and weddings. However, his dreams crushed as the Movement Control Order (MCO) 1.0 was implemented, forcing all schools to close down.

The announcements of school closures had a direct impact on his business operations, leaving him despondent. He also had to lay off some of his employees due to the loss of income. Even with the

government's financial assistance, he was unable to retain his employees.

After the MCO 1.0 period, Shirajuddin is determined to find a new job that can compensate him sufficiently. He was introduced by his close friend to be a part-timer at a small e-learning company that requires him to adopt a new skill. With limited knowledge in marketing skills, he was eager to learn and often sought guidance from other juniors employees. Although the new job compensated him sufficiently, the remuneration is relatively lesser compared to his canteen business. On top of his current job, he also starts selling frozen foods.

As he is determined and optimistic that the situation will return to normal, he never loses hope in reopening his canteen. Thus, it encouraged him to set aside some of his salaries as capital for canteen operation. Until now, Shirajuddin is more than prepared to reopen his business in the new norm. Following the Standard Operating Procedures (SOPs) in schools, he has no trouble bearing the costs of food packaging and rehiring most of his former workers. However, as the learn-from-home measure is extended till the end of July 2021, Shirajuddin has to put his plan to reopen the canteen operation on hold.

Shirajuddin believes that everyone should be ready for any circumstances, seeking a reliable professional advice, and with God's will, we can overcome our problems and achieve success.



Shirajuddin in his part-time job attire

EDITOR SELECTION

finding from research paper that is relevant for labour market

Who and how many can work from home?

Mohd Alzaيري Abdul

Welcome back to the total lockdown! Recall that the first total lockdown was implemented in March 2021. Work From Home (WFH) is synonymous with the total lockdown as it is one of the important virus containment measures and a non-medical intervention undertaken to reduce the COVID-19 contagion in society.

We have addressed WFH in our first volume and the first issue of *The Labour*. We hypothesised that there are five main determinants that influence the intensity and efficiency of WFH, which include internet connectivity, the composition of the workforce, level of knowledge economy, demographic characteristics and sectoral specific.

In this edition, we share an interesting study conducted by Holgersen et al. (2021) on assessing the feasibility and size of workforce WFH in Norway by looking at occupation types. They have evaluated WFH feasibility for the 426 occupations listed in the ISCO-08. In particular, respondents from an online labour market place, Amazon Mechanical Turk (MTurk), were asked to evaluate whether they think occupations can likely be performed from home using the detailed

descriptions of tasks to be performed. Findings from the study are consistent with our expectations in three ways.

First, not all job types can be performed remotely. The results find that approximately 38% of Norwegian jobs can be performed at home.

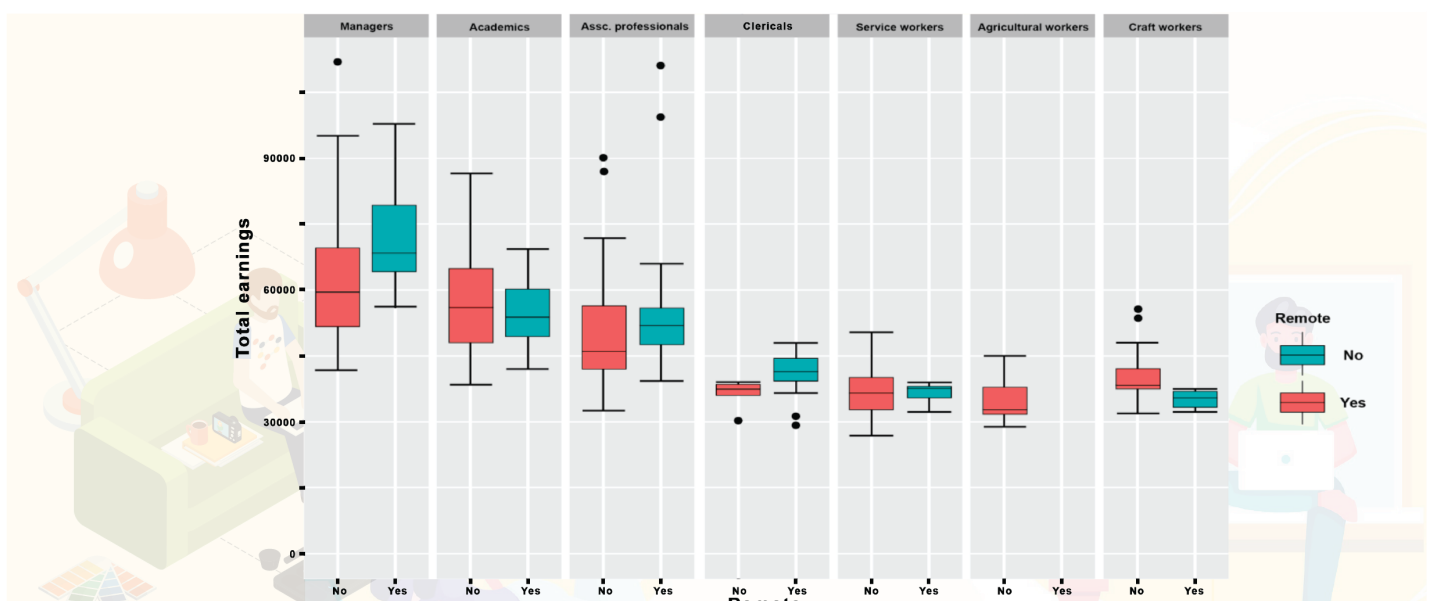
“...not all jobs can be performed away from offices. Workers with non-WFH friendly jobs will be hit harder by such policies, since they are forced into a situation where they have to choose between two unfortunate options: increased risk of infection or substantial economic loss due to lost work opportunities....”

Second, WFH mainly works for more educated and highly related to white-collar professions. Results show that WFH-friendly jobs typically pay better than non-WFH friendly jobs. The prevalence of such jobs varies across geographical areas, with more prosperous and developed areas have larger shares of jobs that can be performed from home. There is a larger share of WFH friendly jobs in urban than in rural areas.

Third, it is likely that millennials and younger generations who have grown up in the modern era enjoy the convenience of WFH and value the flexibility than the older generations. WFH friendly jobs are less likely to benefit the workers who are already disadvantaged in the labour market, such as young workers, workers with a migrant background, low educated and single parents.

Altogether, if the WFH becomes one of the new ways of running business in the future, a proper study has to be performed to provide answers to many technical questions involving costs and benefits of WFH for households and businesses, productivity and efficiency, legislation, sectoral specific and economic structure. Our view is that policy towards WFH should be carefully designed to ensure it does not associate with inefficiency, lower productivity and unsustainable practices in the economy. For example, WFH may reduce production costs as firms "outsourcing" their workplace to home. But this outsourcing may incur additional costs to workers and likely to affect productivity.

Earnings for WFH and non-WFH friendly jobs across different ISCO groups



Reference

Holgersen, H., Jia, Z. and Svenkerud, S. (2021). Who and how many can work from home? Evidence from task descriptions. *Journal of Labour Market Research*, 55, 1-13

ACTIVITIES

EU-ERA IN MEDIA

Printed Media

1. Mendepani landskap pekerjaan pada masa hadapan
— Berita Harian (4 May 2021)
2. PKP 3.0 berskala kecil kurangkan kesan ekonomi
— Harian Metro (7 May 2021)
3. Kaedah laksana PKP penentu angka pengangguran
— Utusan Malaysia (12 May 2021)

Electronic Media

1. Labour Day themes aspire to reflect, address market needs — New Straits Times (1 May 2021)
2. Graduates suffer low return on education investment
— New Straits Times (4 May 2021)
3. MTKB tentukan dasar & strategi WKB 2030
— Astro Awani (5 May 2021)
4. Ekonomi Malaysia menyusut namun semakin baik
— Astro Awani (11 May 2021)
5. Pastikan ekonomi dibuka secara optimum
— Astro Awani (11 May 2021)
6. Visi negara berpendapatan tinggi: Kekurangan dana R&D bakal jejas reputasi
— Astro Awani (28 May 2021)
7. Adakah situasi menang-menang?
— Pastikan Sahih: Berita RTM (28 May 2021)

RECENT PUBLICATIONS

1. Malaysia Budget 2021: Labour Market Perspectives
2. Quarterly Labour Market Perspectives: Growth and Labour Market Recovery
3. The Day After Tomorrow: Estimating the Impacts of Ending Temporary Wage Subsidy Programme.
4. Quarterly Labour Market Perspectives: Modest Labour Market Recovery

*For further reading, please visit <https://eiscentre.perkeso.gov.my/reports-articles/>

Opportunities

Author's Contribution

Our centre publishes a bulletin on monthly basis. We would like to invite interested individuals, experts and researchers to contribute to our bulletin. Please email us at euera@perkeso.gov.my for further details.

UPCOMING EVENTS

Quantitative Workshop 2021

Specific information on the dates, venue, contents, fees and related details will be updated soon.

1. Understanding the Labour Market Ecosystem
2. Econometrics Workshop Series: Basic Econometric for Labour Market Analysis
3. Labour Market Impact Assessment Tool
4. EXCEL for Data Analytics
5. Data Envelopment Analysis
6. Economic Workshop Series: Dealing with Non-Stationary Data
7. Labour Market Leading Indicators
8. Econometric Workshop Series: Forecasting Labour Market Indicators Using ARIMA and Box-Jenkins Approaches
9. Modeling and Estimating Using ARDL Approach

Seminar/Conference 2021

1. 1st National Conference on Labour Market Planning and Analysis

Seminar / Conference 2022

1. 28th International Input-Output Conference and 10th Edition of the International School of IO Analysis

*For any inquiries, please email us at euera@perkeso.gov.my



SPOTLIGHT

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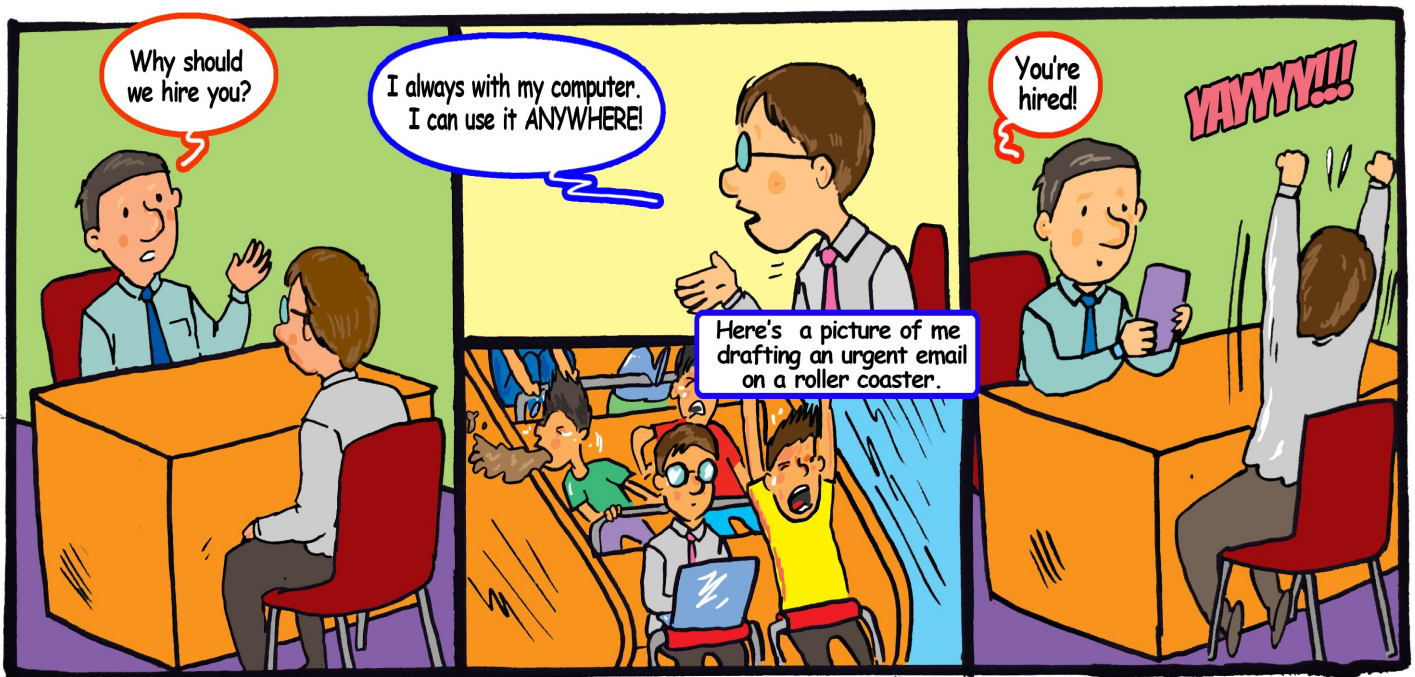
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At a Glance...

Yeopmie



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About Us

EIS-UPMCS Centre for Future Labour Market Studies (EU-ERA) is a collaborative research laboratory between the Employment Insurance System (EIS) at Social Security Organisation (SOCSO) and Universiti Putra Malaysia Consultancy & Services (UPMCS).


The mission of the EU-ERA is to blend the scientific and empirical approaches into the current policy development which cover end-to-end labour market policies ranging from the labour supply to the labour demand issues. In meeting the scopes, the centre focuses on forecasting and modelling; applied policy analysis; and capacity building and structured training programmes for labour market assessment tools.

Our core researchers have strong expertise in quantitative economic tools which include econometrics, input-output (IO), social accounting matrix (SAM), computable general equilibrium (CGE), system dynamics (SD) and data envelopment analysis (DEA). These quantitative tools are not only vital for labour policy assessments but also are able to address the inter-linkages between the labour market and other developmental issues such as investment, trade, income distribution, poverty, social policy, demography and aging, and migration.

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