

EMPLOYMENT INSURANCE SYSTEM (EIS)

EMPLOYMENT OUTLOOK 1ST QUARTER 2020



VOLUME 4/2020

THE IMPACT OF COVID-19 ON LOE

1ST QUARTER 2020

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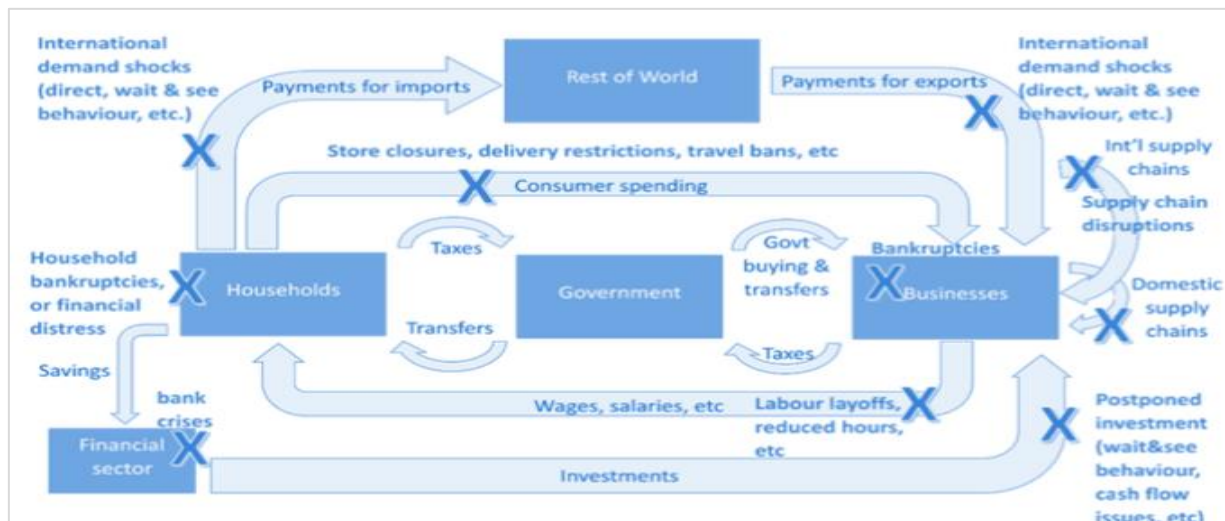
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Introduction

The primary purpose of this report is to evaluate Covid-19's impact on the economy by analyzing Employment Insurance System (EIS) claims in Q1 2020 and the implementation of Employment Retention Program (ERP), and Wage Subsidy Program (PSU). EIS processes unemployment benefits while the ERP subsidize workers who faced unpaid leave and PSU programs subsidize employers who experienced the impact of the Covid-19 crisis with the purpose to retain employment. The number of claims submitted is a useful indicator to reflect the conditions of the business and economy.

Covid-19 may strike the economy in various places, as shown below:



Source: voxeu.org/article/how-should-we-think-about-containing-covid-19-economic-crisis

In a healthy economy, households own capital and labor, which they sell to businesses (labor in the form of workers and capital in the form of money paid for goods and services). The businesses then produce goods that are bought by households using their wages, thereby completing the economic circle. The economy only runs if money keeps flowing – any disruption will affect the rest of the chain and the economy as a whole.

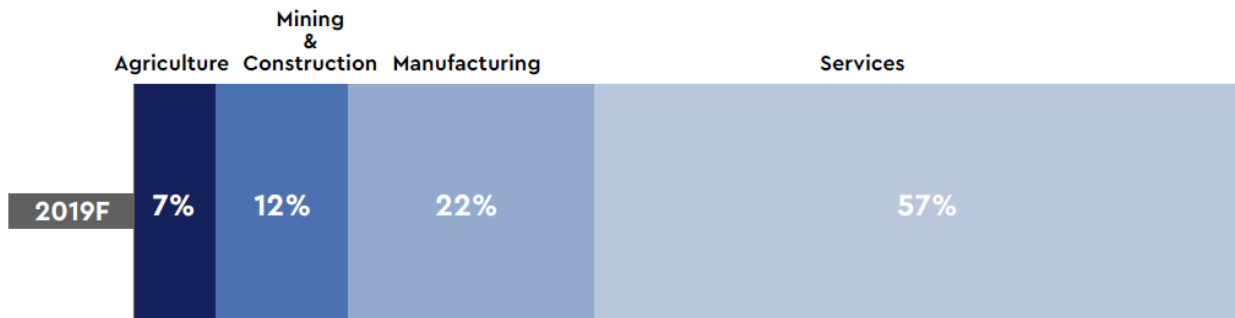
Introduction

As represented by the blue crosses (x-crosses), there are 3 main types of shocks that can affect the flow of money. Moving clockwise from the far left:

- ✚ A drop in domestic demand reduces the import volume. Subsequently, the outward flow of funds dries up, leading to disruptions in international and domestic supply chains. Their confidence shaken, businesses (especially manufacturers) will reduce their output, opting to adopt a wait-and-see approach.
- ✚ Businesses go bankrupt as they are unable to pay their debts without demand for their products. Creditors will not get their money back and workers will be laid off.
- ✚ Households without income will be unable to pay their bills or purchase necessities, causing further disruptions in the circle.

Impact of Covid-19 on Malaysian Economy

Due to Covid-19, GDP growth in 2020 is projected to range between -2% to 0.5% - a sharp drop from 4.3% in 2019. Although growth is expected to slowly pick up towards the end of the year in line with the projected recovery of the global economy, a full rebound will likely take years despite decisive action from the government.



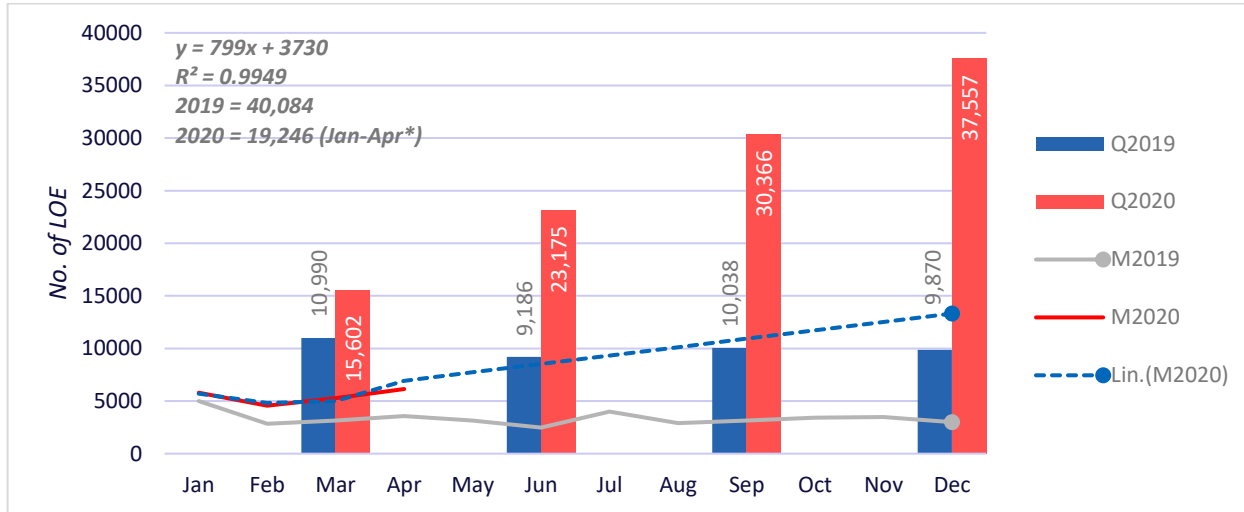
Over the last decade, Malaysia has become increasingly reliant on services, which accounted for 57% of GDP in 2019 compared to % in 2009.

Source: DOSM, ISIS

With an economy that was already slowing before Covid-19 hit, Malaysia's problems are being compounded by the reality that thousands of businesses will close down due to the Movement Control Order (MCO), which caused demand for many goods and services to drop dramatically. As a net exporter of goods that is closely linked to China¹, its largest trading partner, it is also especially vulnerable to any negative developments in the global and Chinese economies.

¹ ISIS - covid-19-in-malaysia-economic-impacts-fiscal-responses

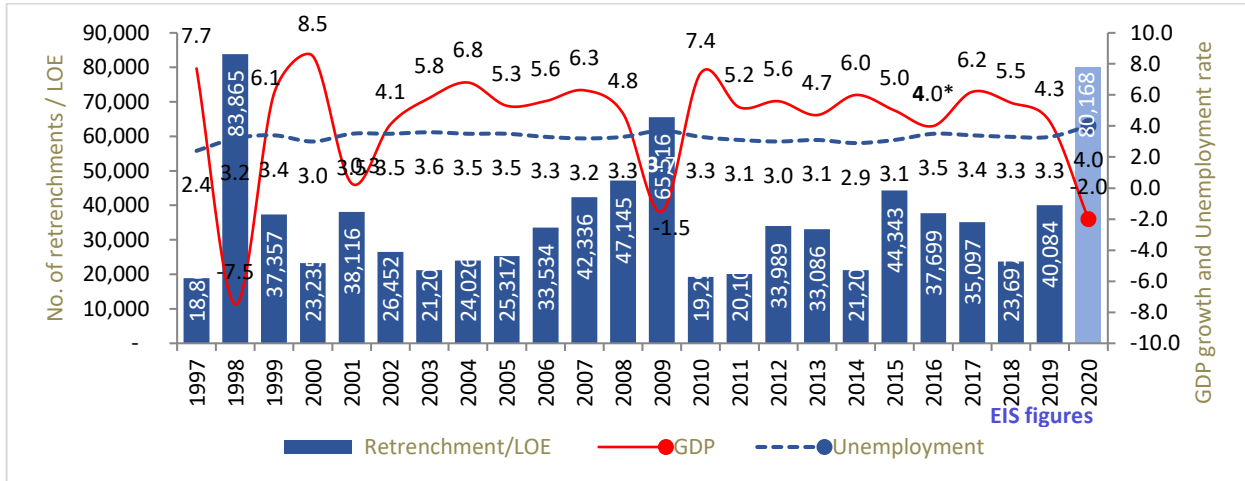
LOE Trends



LOE numbers are projected to increase by 799 each day based on extrapolated figures from the EIS database.

Job losses increased by 42% year-on-year in Q1 2020. Because of Covid-19, which has led to many business experiencing a drop in demand (37%) or being unable to operate as usual (42%), this trend is only expected to accelerate from April 2020 onwards, with job losses increasing by 50% to 200% year-on-year for each subsequent quarter in 2020.

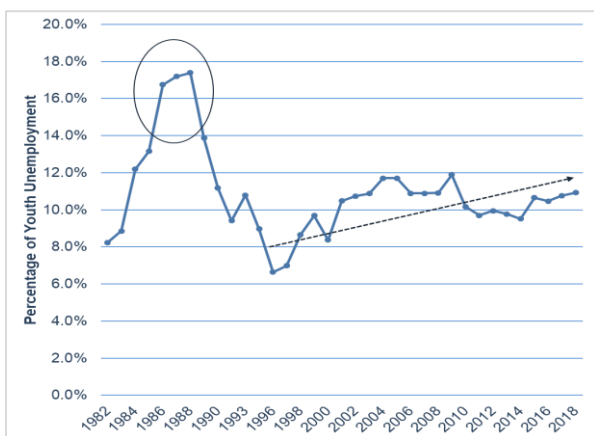
LOE Trends



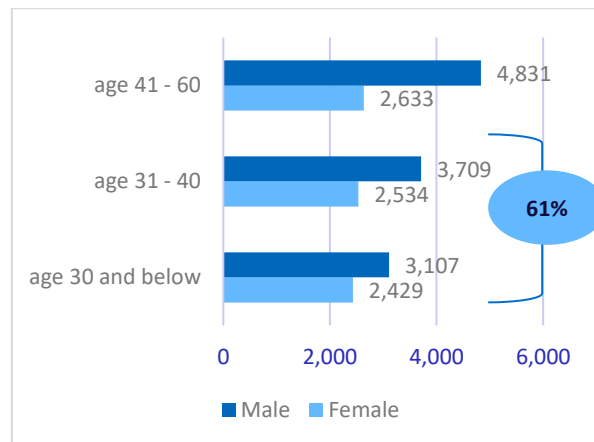
Comparing GDP growth to retrenchment figures and the unemployment rate.

Source: DOSM, BNM, JTK, EIS

Unemployment hit 3.2% during the 1997 Asian financial crisis and 3.7% during the Great Recession in 2018. Based on these past events, the unemployment rate is forecast to hit 4% in 2020. Retrenchment figures are expected to be similar to those during the 1997 Asian financial crisis due to pre-emptive measures (ERP and PSU) taken by the government to prevent mass layoffs.



Source: DOSM, 2019



Youth retrenchment figures

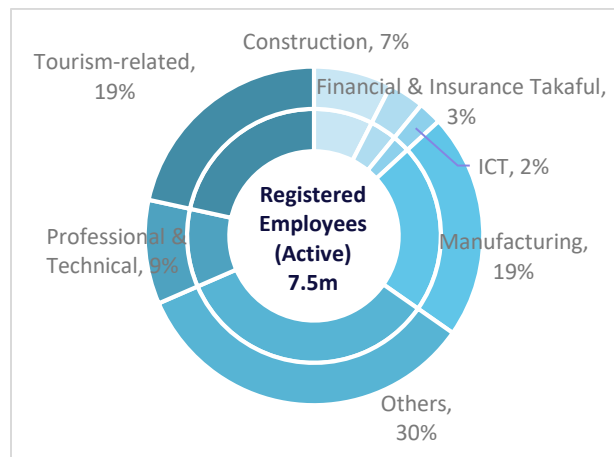
Source: EIS

LOE Trends

The youth unemployment rate has remained mostly steady at 8% to 11%. However, they are the age demographic most vulnerable to retrenchment. LOE data shows that 61% of job losses are among workers aged 40 and below, with 31 to 40-year-olds accounting for 32% and workers under 30 making up the rest (29%).

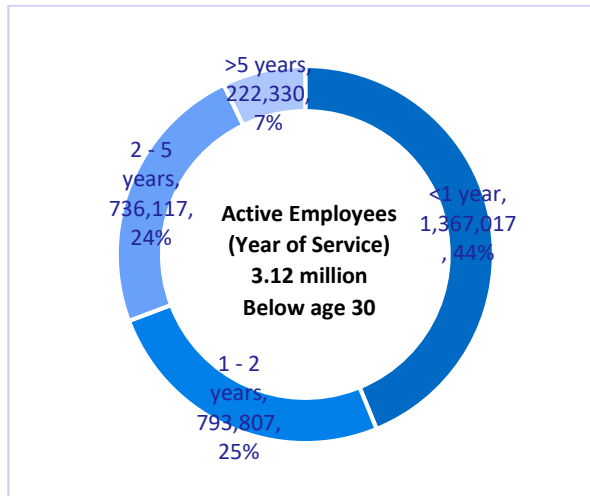
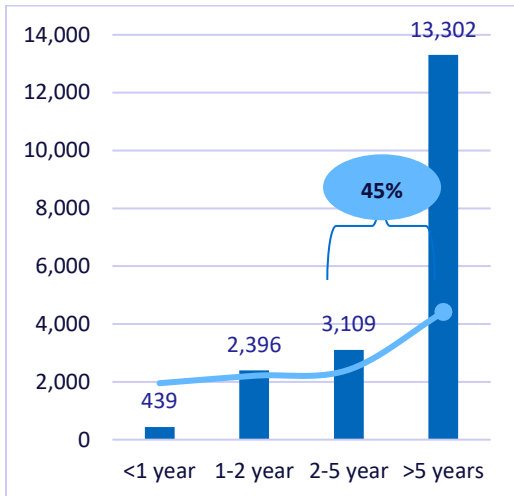
While male workers are more likely to be retrenched than their female counterparts (60% male to 40% female), this may simply reflect the fact that there are more men than women in the workforce.

Out of 7.5 million active employees registered with SOCSO in 2019, 1.458 million worked in a tourism-related sector, while 1.457 million worked in manufacturing. It should be no surprise then that over half of business closures occurred among large employers (over 200 workers) in the tourism sector, while the manufacturing sector retrenched the most workers (23% of the total) to reduce overhead costs after being forced to shut their factories.



Employers who have yet to retrench staff are embarking on cost-cutting measures nonetheless. One of the most popular methods is to reduce salary, especially for employees who have been employed for more than 5 years as their salaries are typically 45% higher than those of shorter-tenured employees.

LOE Trends



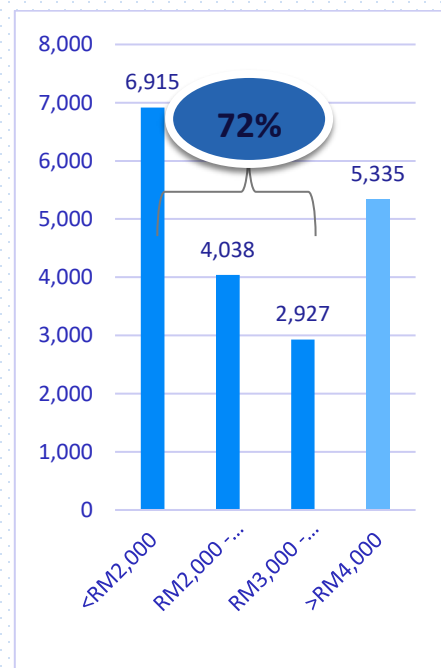
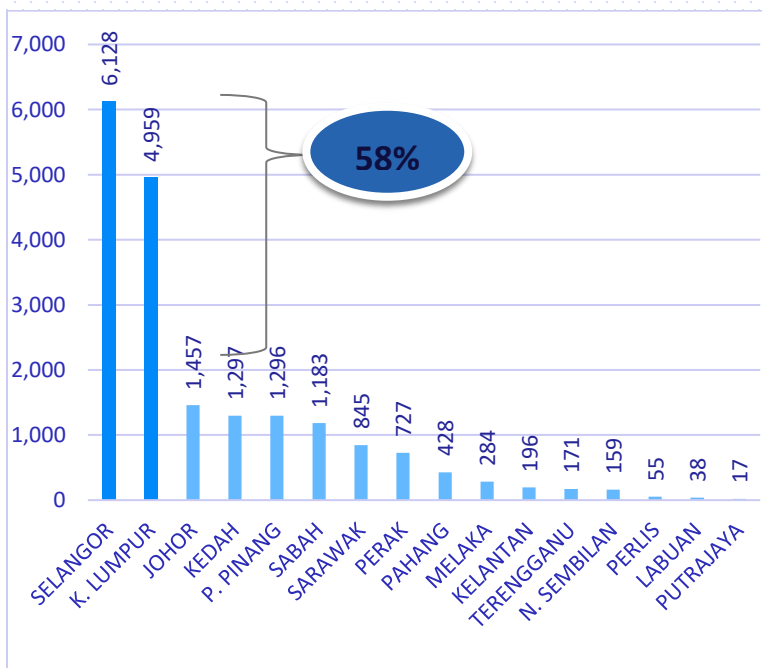
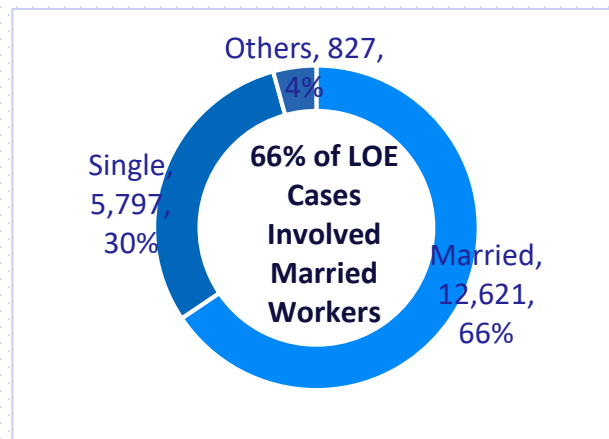
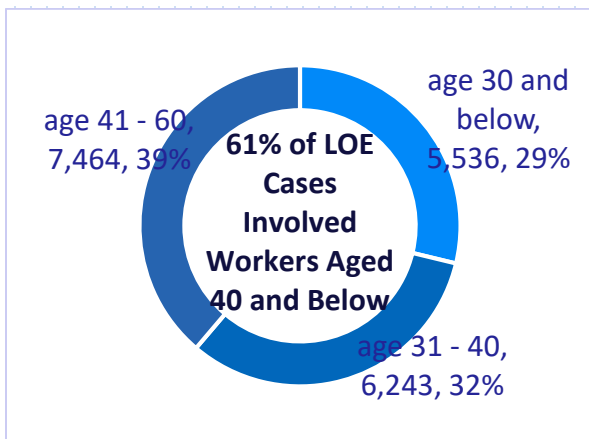
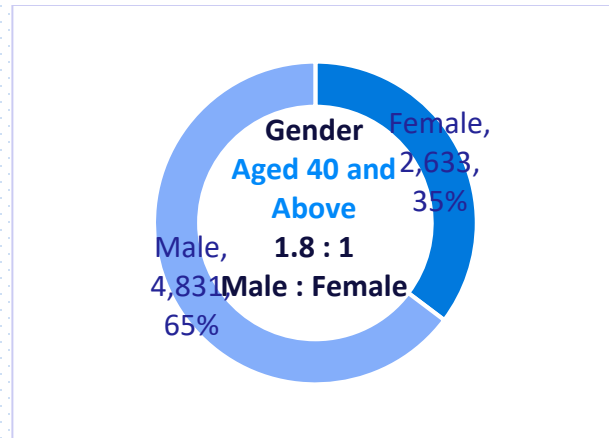
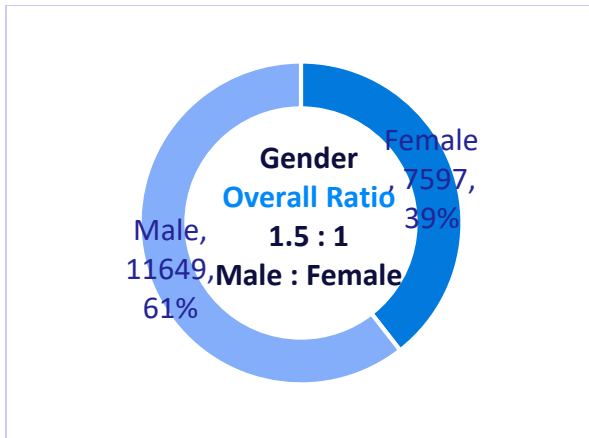
At 41%, young employees aged 30 and below make up the majority of active employees registered with SOCSO – an increase of 6% from 2018. Among them, 70% have less than 2 years of working experience. On the other hand, the proportion of workers aged 40 and above who are registered with SOCSO actually decreased by 4% in 2019. Among this group, 84% have served for more than 2 years at the same company.

79% of all job losses occurred in 5 states, namely (in order) Selangor, Kuala Lumpur, Johor, Kedah, and Penang. Selangor, the first-ranked state, accounted for 32% of job losses. However, it should be noted that 30% of all jobs are located in Selangor, representing an increase of 6% from 2018. More concerning is Kedah, which accounted for 1 in 6 job losses despite being home to a relatively small number of employers.

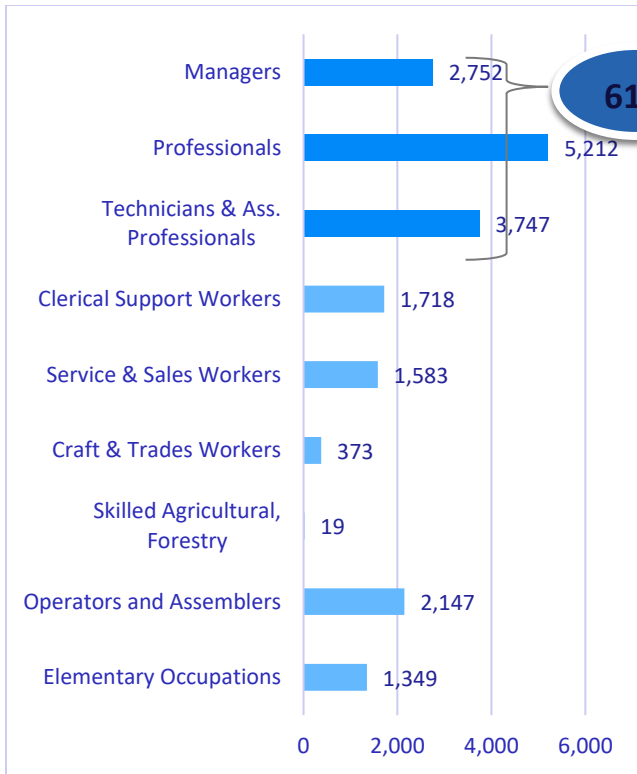
Job losses in Johor were mostly in the manufacturing sector (37%) and tourism-related industries (36%). In most other states like Kelantan, Melaka, Negeri Sembilan, Perak, Sabah, Selangor, Kuala Lumpur, and Labuan, job losses were concentrated in tourism-related industries. A few states deviated from that trend, including Putrajaya (ICT), Sarawak (construction), Pahang (other unclassified sectors), and finally Kedah, Perlis, Penang, and Terengganu (all manufacturing).

On average, each employer had 15 foreign workers for each retrenched employee. The ratio was even higher in large companies with more than 200 workers, which had 69 foreign workers for each retrenched employee.

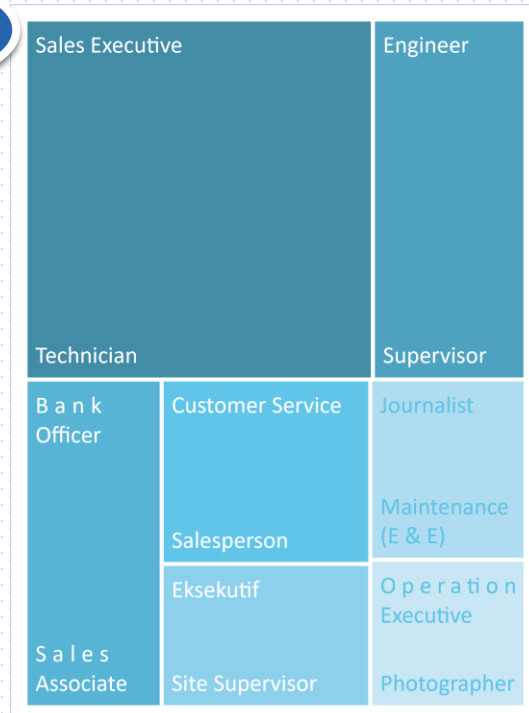
LOE Profiling



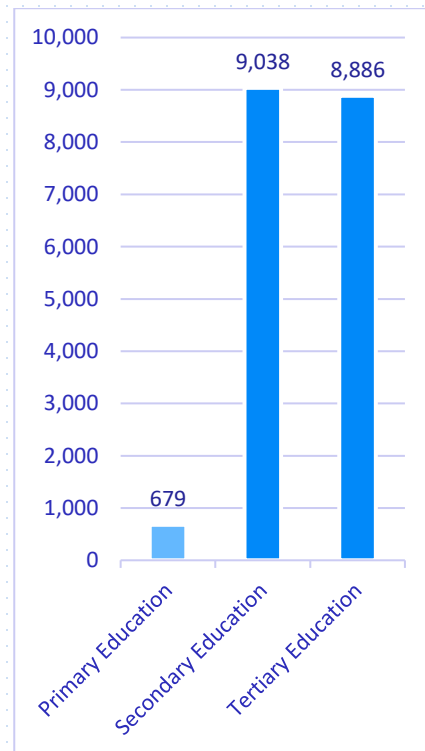
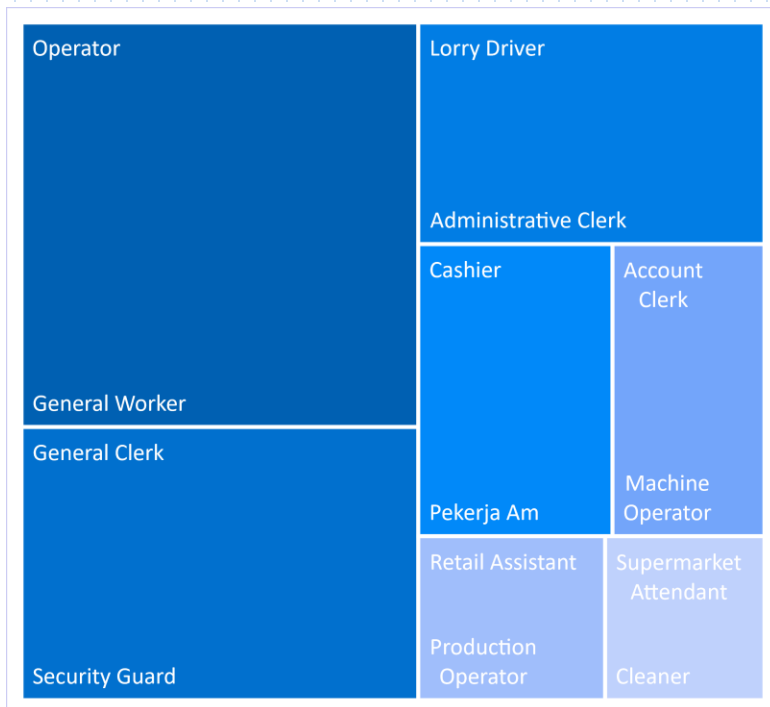
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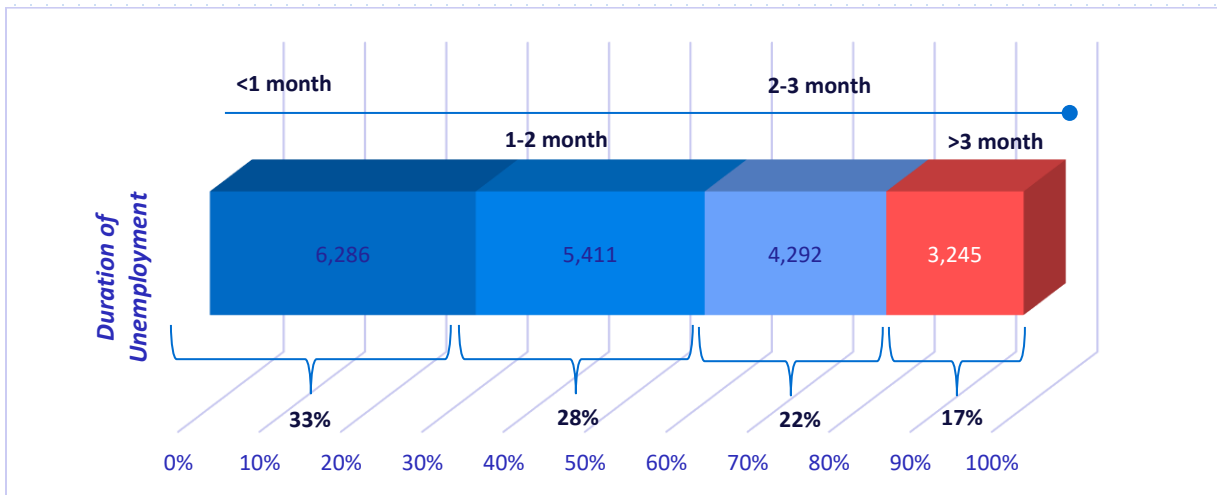
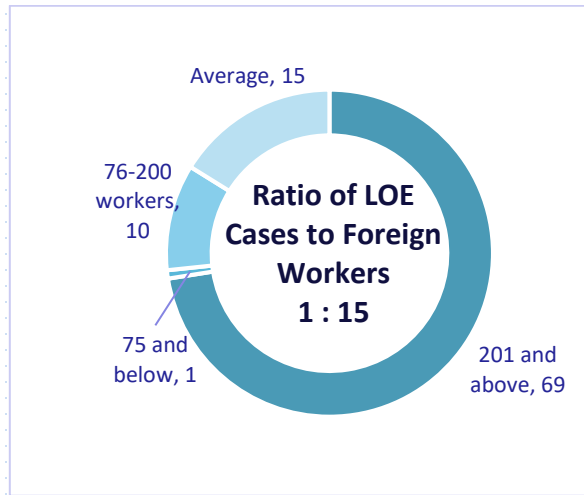
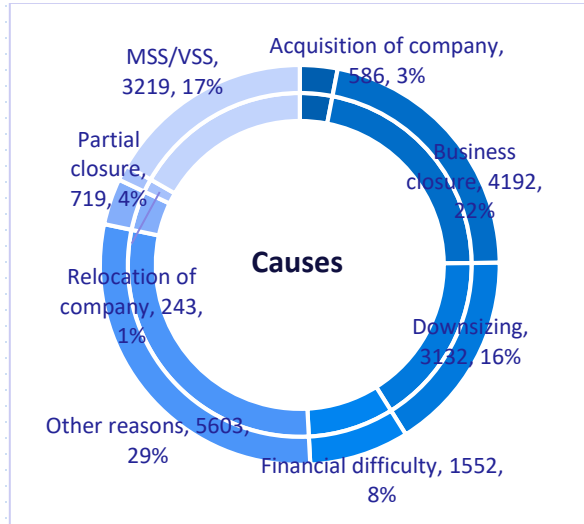
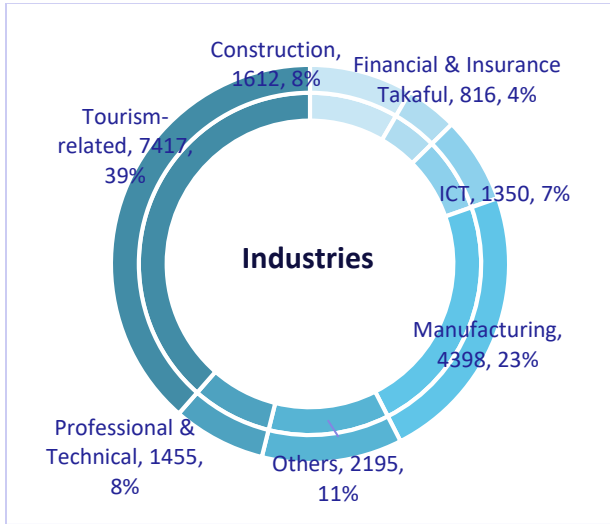
PMET Jobs at Risk



Semi-Low Skilled Jobs at Risk



LOE Profiling

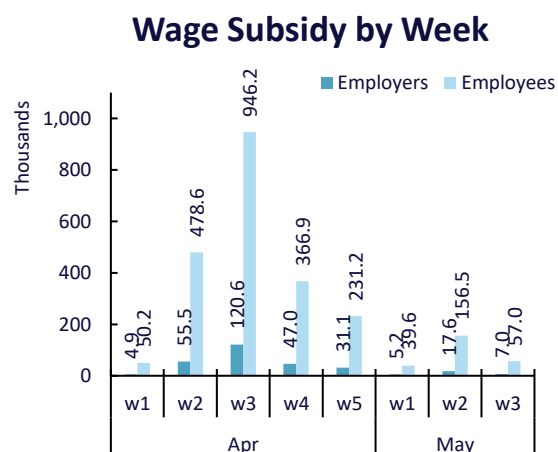
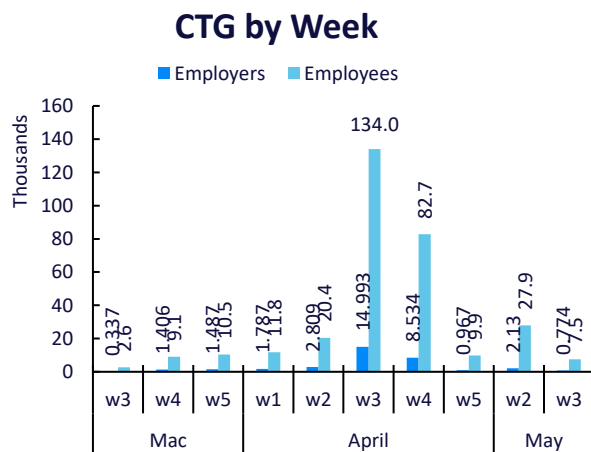


Preventative Measures

In an effort to prevent retrenchments, the government has allocated RM14.05 billion in funding to the ERP and PSU programs in addition to enhancing EIS benefits.

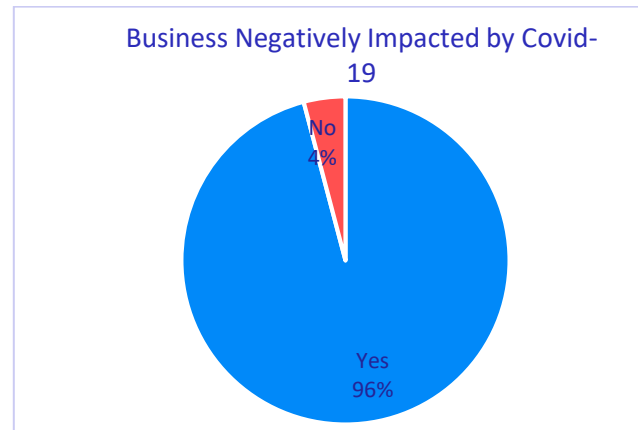
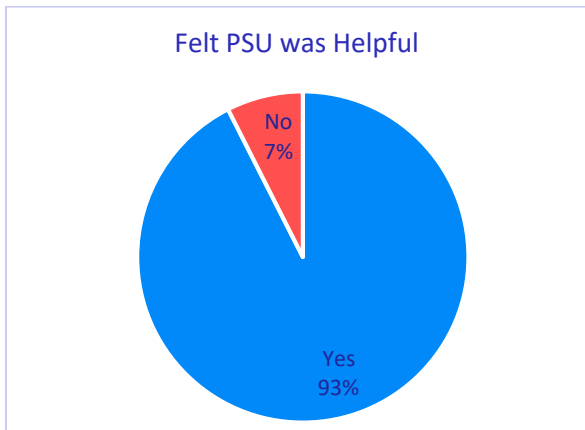
No.	Program	Description	Amount (RM)
1.	Employment Retention Program	An allowance for employees ordered to take unpaid leave (CTG)	RM600 per month Max. 3 months
2.	Wage Subsidy Program	Subsidizing salaries of workers earning RM4,000 and below	RM1,200 – micro and small RM800 – medium RM600 – large
3.	SIP Plus	Unemployment benefits for workers who would not normally be eligible for EIS benefits	RM600 per month 3 months
4.	Training Plus	Training for EIS recipients	Daily allowance of RM30 Max. RM6,000 for course fees

Over 36,000 employers with 316,000 employees applied for the ERP, while 289,000 employers with 2.33 million employees applied for the PSU.



Preventative Measures

PSU applications have indicated that 79% of businesses were unable to operate during the MCO and faced declining sales as a result. About 7% of companies unable to sustain themselves for over 6 months on current reserves if the outlook does not improve soon.



Source: 2020 SOCSO Wage Subsidy Program Survey

More than 90% of employers felt that their businesses were negatively impacted by the economic crisis linked to Covid-19. Among those, 93% felt that the measures taken by the government e.g. PSU were helping them to stay afloat.

Job Losses

States and Federal Territories

A. Johor

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Ayer Hitam					4		1	5
Bandar Penawar							1	1
Bandar Tenggara				1				1
Batu Pahat		2		11	7	2	93	115
Benut							1	1
Bukit Gambir							1	1
Bukit Pasir				2				2
Gelang Patah	13			8	1		10	32
Gerisek				1				1
Jementah							3	3
Johor Bahru	72	2	5	143	105	19	235	581
Kluang	5		2	3	1	1	17	29
Kota Tinggi			2	6	1		2	11
Kulai	2			109	2		13	126
Labis	2			8	1			11
Masai	6		1	75	2	5	37	126
Mersing	1				4			5
Muar	2			15	4		13	34
Nusajaya			2	17	17	3	11	50
Pagoh				1				1
Parit Raja				1				1
Pasir Gudang	13			21	3		44	81
Pekan Nenas				1	1		1	3
Pengerang	2			2				4
Pontian	1			2	2			5
Segamat	4				19		5	28
Senai	35			83	8	3	7	136
Seri Gading				1	2		2	5
Seri Medan				2	2			4
Simpang Rengam							1	1
Sungai Mati				1			1	2
Tangkak					4		9	13
Ulu Tiram				5	1	6	8	20
Yong Peng				14	2		2	18
Total	158	4	12	533	193	39	518	1457

Job Losses

States and Federal Territories

B. Kedah

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Alor Setar	15	1		129	9	11	86	251
Ayer Hitam							1	1
Bedong				12	2			14
Bukit Kayu Hitam				162			1	163
Guar Chempedak				1				1
Gurun				151	1		5	157
Jitra	2			4			26	32
Kodiang							2	2
Kuala Kedah				1			1	2
Kuala Ketil	2			2	1		3	8
Kuala Nerang					1			1
Kulim	1	1		331	3	2	13	351
Kupang					1			1
Langgar				1				1
Langkawi	6		1		3		53	63
Lunas	2			2	1		4	9
Padang Serai				4			2	6
Pendang							1	1
Pokok Sena					2			2
Sungai Petani	10	3	40	65	13		87	218
Yan	12						1	13
Total	50	5	41	865	37	13	286	1297

Job Losses

States and Federal Territories

C. Kelantan

City	Construction	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Bachok					4	4
Gua Musang			1			1
Jeli			2			2
Ketereh			6			6
Kota Bahru		1			4	5
Kota Bharu	33	6	32	1	82	154
Kuala Krai			9		3	12
Pasir Mas	1				1	2
Pasir Puteh		1				1
Tanah Merah	3		1			4
Tumpat		5				5
Total	37	13	51	1	94	196

D. Melaka

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Alor Gajah	2			12	1		4	19
Ayer Keroh	1	1		1	4	2	8	17
Bemban							1	1
Durian Tunggal							1	1
Jasin							2	2
Masjid Tanah	1			1	1		1	4
Melaka	10	3	1	75	12	17	121	239
Sungai Rambai				1				1
Total	14	4	1	90	18	19	138	284

Job Losses

States and Federal Territories

E. Negeri Sembilan

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Bahau							8	8
Bandar Sri Sendayan						1		1
Gemas				1	1		3	5
Jelebu							1	1
Kuala Klawang						1		1
Kuala Pilah	2						1	3
Mantin	1							1
Nilai	2			9	1		2	14
Port Dickson	7			2			9	18
Rantau	1							1
Rembau				8				8
Seremban	24	1	1	14	14	4	35	93
Si Rusa							2	2
Simpang Pertang							1	1
Tampin				1			1	2
Total	37	1	1	35	16	6	63	159

F. Pahang

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Balok	1				1			2
Bandar Bera							2	2
Bandar Pusat Jengka	1				1		5	7
Bentong	4				1			5
Cameron Highlands				2			1	3
Endau					2			2
Jerantut	9			1			5	15
Karak				4				4
Kuala Krau							2	2
Kuala Lipis					149			149
Kuantan	66	1	1	28	11	7	48	162
Mentakab			1	2	4		3	10
Pekan	1			1	38			40
Raub							1	1
Tanah Rata							2	2
Temerloh	2			5	1	1	9	18

Job Losses

States and Federal Territories

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Triang				1	2		1	4
Total	84	1	2	44	210	8	79	428

G. Perak

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Ayer Tawar	3			1	1		2	7
Bandar Seri Iskandar							1	1
Batu Gajah	1			1			3	5
Bidor					3			3
Chemor	2			6	11		2	21
Chenderong Balai					2			2
Gerik							1	1
Gopeng							1	1
Hutan Melintang				1			1	2
Ipoh	7	8	26	17	21	10	319	408
Kampar			3		6		1	10
Kampung Gajah					1			1
Kampung Kepayang				1			2	3
Kamunting	1		1	13		6	14	35
Kuala Kangsar							19	19
Langkap					1			1
Lumut	2			4		1	5	12
Matang				1				1
Pantai Remis							1	1
Parit Buntar							1	1
Pengkalan Hulu							1	1
Pusing					1		1	2
Simpang		1					3	4
Sitiawan		1		1	1		7	10
Sri Manjung	7			25	4		6	42
Sungai Siput				1	1		2	4
Sungkai				1			5	6
Taiping	2	1		18	7	2	62	92
Tanjong Malim					2			2
Tanjong Rambutan				1				1
Tanjong Tualang							2	2
Tapah						1		1
Teluk Intan	2			3	6		10	21
Trong					3			3
Ulu Kinta					1			1

Job Losses

States and Federal Territories

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Total	27	11	30	95	72	20	472	727

H. Perlis

City	Manufacturing	Others	Tourism-related	Total
Kangar	29	21	4	54
Padang Besar		1		1
Total	29	22	4	55

I. Pulau Pinang

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Ayer Itam	1			1		1	3	6
Balik Pulau							1	1
Batu					1		1	2
Ferringhi								
Batu Maung	3	1	11	82	6	15	17	135
Bayan Lepas	11	3	13	39	3	13	25	107
Bukit Mertajam	2		1	42	6	1	9	61
Butterworth	3	2	1	220	5	10	51	292
Gelugor					1		7	8
George Town	1	1	4	7	11	6	87	117
Jelutong	2	1		5	6	5	10	29
Kepala Batas				11	2		7	20
Nibong Tebal	1			1			1	3
Padang Tembak				1				1
Perai	2		4	144	122	24	89	385
Permatang Pauh							2	2
Pulau Pinang	4	9	21	4	7	11	20	76
Seberang Jaya	1				1	2	8	12
Simpang Ampat				16			11	27
Sungai Jawi				3		1	2	6
Tanjong Bungah						2	2	4
Tasek Gelugor	2							2
Total	33	17	55	576	171	91	353	1296

Job Losses

States and Federal Territories

J. Sabah

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Beaufort					4		1	5
Inanam							26	26
Keningau	1				2		17	20
Kota Kinabalu	207	18	3	47	85	80	441	881
Kota Marudu	1							1
Lahad Datu		1		1	1		8	11
Likas		1		2			1	4
Membakut							1	1
Papar							62	62
Penampang							55	55
Putatan					28		1	29
Sandakan	2			7	5	5	17	36
Semporna							1	1
Sipitang				1				1
Tambunan							6	6
Tamparuli							2	2
Tanjung Aru							1	1
Tawau	3	1		5	10		20	39
Tuaran				1	1			2
Total	214	21	3	64	136	85	660	1183

K. Sarawak

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Baram							6	6
Betong							1	1
Bintulu	12			7	6	11	7	43
Dalat							1	1
Kapit	1						5	6
Kota Samarahan				1	1	1	2	5
Kuching	241	3	1	26	139	17	85	512
Limbang				1				1
Lutong	7						1	8
Miri	14	2		7	30	9	47	109
Niah							1	1
Sarikei							4	4
Serian							2	2
Sibu	11	1	2	15	45	8	51	133
Sri Aman	2				6		5	13
Total	288	6	3	57	227	46	218	845

Job Losses

States and Federal Territories

L. Selangor

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Ampang	11	1	4	4	9	9	44	82
Bandar Baru Bangi	3		3	89		4	59	158
Bandar Puncak Alam				4		2	1	7
Bandar Sunway					1			1
Banting	2			3	6		2	13
Batang Berjuntai				2				2
Batang Kali				2				2
Batu Caves	4			16	5		60	85
Beranang				13				13
Cheras	7		1	16	7	6	39	76
Cyberjaya	3	2	112	1	8	28	40	194
Dengkil	1							1
Gombak							4	4
Hulu Langat					1			1
Jenjarom	1			1			1	3
Jeram				1				1
Kajang	15	4	4	21	8	45	45	142
Kapar				6		1	4	11
Klang	16	2	12	45	9	4	105	193
Klia					1		30	31
Kuala Langat	1							1
Kuala Lumpur	4			3	6	2	5	20
Kuala Selangor					1		1	2
Pandan	32	3	2	3	5	5	36	86
Pelabuhan Klang	2	1		59	2		93	157
Petaling Jaya	126	42	395	363	216	479	388	2009
Puchong	30	3	12	37	11	27	147	267
Pulau Indah			25	2			1	28
Rasa							1	1
Rawang	25	1	2	11	4	1	11	55
Semenyih	2		6	7	5		9	29
Sepang							9	9
Serdang					5		2	7
Serendah				1			2	3
Seri Kembangan	7		1	9	9	37	63	126
Shah Alam	44	2	83	184	77	31	1492	1913
Subang Airport		1		21		1	12	35
Subang Jaya	16	2	12	41	14	31	75	191
Sungai Besar							1	1
Sungai Buloh	4		1	4	8	5	5	27

Job Losses

States and Federal Territories

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Telok Panglima Garang	1			2			138	141
Total	357	64	675	971	418	718	2925	6128

M. Terengganu

City	Construction	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Ajil		1				1
Al Muklatfi Billah Shah		1				1
Cukai	7	3	4		13	27
Dungun		2			4	6
Jerteh		2	2			4
Kemaman		5	7	2	3	17
Kerteh	2	2	1			5
Kuala Terengganu	1	59	4	2	33	99
Marang					2	2
Paka	2		5	1	1	9
Total	12	75	23	5	56	171

N. WP Kuala Lumpur

City	Construction	Finance & Insurance	ICT	Manufacturing	Others	Professional & Technical	Tourism-related	Total
Ampang					3			3
Bandar Tun Razak					1			1
Batu Caves	4	1	6	22	3	2	14	52
Cheras	1		23	7	1	3	17	52
Kepong	2				2	2	2	8
Kuala Lumpur	292	673	488	905	583	396	1469	4806
Lembah Pantai					6			6
Petaling Jaya			1	9				10
Segambut							7	7
Setapak	1			1			2	4
Subang Jaya							9	9
Wangsa Maju	1							1
Total	301	674	518	944	599	403	1520	4959

Job Losses

States and Federal Territories

O. WP Labuan

City	Finance & Insurance	ICT	Manufacturing	Others	Tourism-related	Total
Labuan	6	1	4	1	26	38
Total	6	1	4	1	26	38

P. WP Putrajaya

City	Finance & Insurance	ICT	Others	Professional & Technical	Tourism-related	Total
Putrajaya	2	8	1	1	5	17
Total	2	8	1	1	5	17

References

Loss of employment was defined using the 2017 Employment Insurance System Act (Act 800). All analysis was based on EIS administrative data.

All conclusions and opinions expressed in this publication are solely the author's and do not necessarily represent SOCSO's official viewpoint. We do not necessarily endorse referenced sources or reject sources that were not included.

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