

HIGHLIGHT OF THE MONTH

Flood and Employment Livelihood

Assoc. Prof. Dr. Mohd Yusof Saari



Source: Astro Awani

Large-scale rainfall-floods have become an annual event in Malaysia, affecting the livelihood of thousands of people. One of the most devastating floods was recorded in 2014, affecting 3,390 people in Kelantan and 4,209 in Terengganu. Floods in Terengganu are estimated to reduce potential gross domestic product (GDP) by 1.5%¹. On January 03, 2021, it was estimated that the current flood in Johor and Pahang affected more than 7,070 people.

Learning from the responses of frequent rainfall-flood requires different approaches to reduce economic risks and protect employment. The number of people adversely affected by flood shocks shows our inadequacy at dealing with such events and signals that we must find new ways to decrease the economic burden of those who have been affected. Data indicates that, poor and rural areas are more prone to flood risks than wealthy areas. Hence, poor and rural workers are more likely to be employed in the informal-sector with less social protection resulting them being trapped in a vicious cycle of poverty and to the exposure to flood-related shocks.

...continue in the next page

¹Estradaa, et al. (2017). Hydrological hazard assessment: The 2014–15 Malaysia floods. International Journal of Disaster Risk Reduction, 24, 264-270

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INTERESTING INSIGHTS :

Flood and Employment Livelihood

It is timely to consider an active assistance program that is able to compensate income and job losses due to flood events.

Weaning-off foreign labour? Demystifying the productivity paradox

Productivity-led growth in Malaysia is partly driven by prolonged over-reliance on the foreign labour.

From Flying to Frying

There are always ups and downs in any field, but the hurdles could be overcome if you have passion.

INSIGHT

this short essay provides our initial perspective on flood's employment consequences and approach to reduce the burden of workers

Making Flood less Disastrous to Workers

** continue from the front page*

Some questions relating the consequences of flood on employment

Do workers have a valid reason not turning up for work?

There are many valid reasons why workers cannot be present for work in the event of flood. For example they may be ill, disconnected from the workplace and displaced from their homes.

What happens if a worker can come to work but they cannot perform their job?

In some situations, workers are still able to turn up for work during the event of flood but they are unable to carry out their duties because the business operations are affected. In this situation, employers may ask workers to take additional time-off. This non-voluntary break essentially will have to be remunerated but may not be practiced for several reasons such as the informality nature of the business and absent of employment contract.

Can employers cut wages if workers are unable to turn up for work?

Employers are likely to take two unwelcoming actions: cut the wages or not paying the employees during the period of inability to work. Contract workers with daily-basis payment are likely to be affected the most. There may be no legal obligation for informal-sector employers to pay workers that do not turn up for work.

What should employers do following the flood?

The recent event of flood demands for the need for employers to put in place adequate policies, for e.g. specific insurance for natural disaster, to fully deal with this situation when it occurs again.

Making Flood Less Disastrous to Workers

Majority of all natural disasters in Malaysia involve flood events. Flood affects employment in two ways: direct effect or immediate consequences and indirect effect that are linked through economic sectors. Do we have enough safety net programmes to reduce the burden of workers due to flood?

We know that there are certain schemes for flood insurance or catastrophe insurance available in the market. However, the insurance schemes are designed to cover the escalating costs of repairing damages to buildings and their contents caused by floods. Thus, it could only provide partial aid to households since it does not cover their survival in the labour market. As far resilience is concerned, the current available flood insurance could not support the economic and income losses due to flood events.

In our view, there is a need for having an active assistance programme, possibly in the form of employment insurance, that is able to compensate the income and job losses due to flooding. This type of programme should also be applied for other professions that are weather prone such as fishermen and rubber tappers.

Employment insurance related programme has several advantages such as:

- i. Reduces government fiscal burden.
- ii. Strengthens active labour market policy interventions by including natural disasters.
- iii. Increases formality of business for monitoring purposes.



Source: Facebook Istana Negara

PERSPECTIVES

provides a summary of research note by our senior economist

Weaning—off foreign labour? Demystifying the productivity paradox

Dr Muhammad Daaniyall Abd Rahman and Abdul Wafi Khairol Anuar

The influx of foreign labour, either through legal channels or illegitimate migration, into the Malaysian labour market creates a hot debate among local citizens. The people's resentment fired up even further during the Covid-19 pandemic, as more cases affected the migrants.

According to official statistics, foreign labour was recorded at 1.7 million in 2010 and increased to 2.2 million in 2018¹.

Rapid economic growth supported by national policies to achieve advanced nation status has somehow driven the ever-increasing demand for foreign labour. Local talent shortages have been claimed to be the imminent factor in hiring locals for domestic jobs besides the claim the hesitation of local venturing into 3D (Dirty, Dangerous, Difficult) jobs.

Given the current compensation scheme and institutional aspects, substituting migrants for locals remains a good option as it is cheap and cost-effective. Theoretically, this could lead to better profitability for the businesses, eventually facilitating growth.

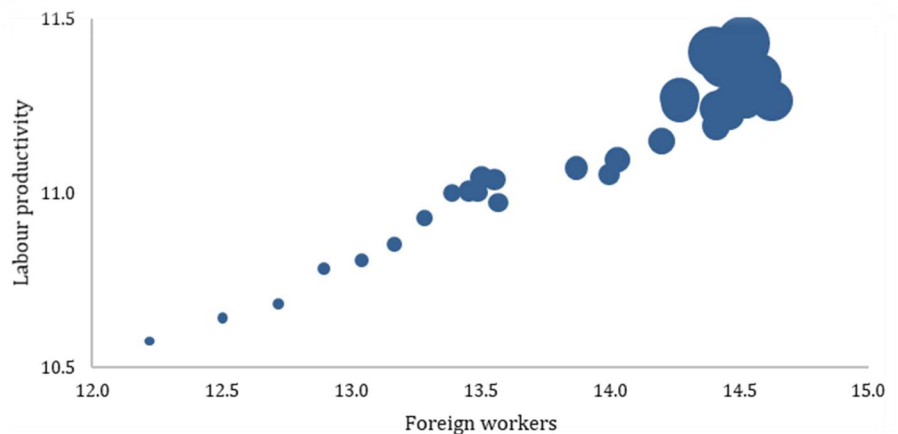
Yet, it is truly a puzzle whether high dependency on foreign labour would benefit workers' productivity.

In understanding this contention, this article aims to analyse the extent to which labour productivity is affected by foreign labour.

We construct a macroeconomic labour productivity model that includes production factors such as foreign labour, average wage, capital and income alongside Malaysia's trade openness and resource rents that represent economic structures.

Our findings suggest that Malaysia's labour productivity is positively

Figure 1. The trend of productivity-foreign labour nexus in Malaysia



Note: Data is presented in logarithm form.. Bubble size represents annual real GDP data (RM, trillion)

Long term trend shows Malaysia labour productivity is positively correlated with foreign labour. Such relationship becomes a de facto evidence of over-reliance on migrant workers to support Malaysia economic growth.

related to foreign labour. Technically, an increase in foreign labour would lead to a 0.24% increase in the productivity level.

However, such causation should not be taken just on the surface to

“ productivity-led growth in Malaysia is partly driven by prolonged over-reliance on the foreign labour ”

justify the need for more foreign labour. This is because, on the other side of the coin, we find that such nexus comes with a set of costs.

First, our result is in line to the general perception that the presence of foreign labour suppresses the real average wage. In fact, the magnitude of the wage suppression effect is found to be detrimental to productivity, compared to other variables.

Second, the existence of foreign labour also to some extent forestall the role of capital accumulation to boost productivity. Though

conventional wisdom may not support this finding, it gives a good signal to relook at the utilisation of capital, especially on the possibility to generate income and productivity through wage-incentive channels.

To conclude, our findings demystify productivity paradox in relation to foreign labour. It is important to note that productivity-led growth in Malaysia is partly driven by prolonged over-reliance on foreign labour. We argue that this is not sustainable given that there is an existence of wage suppression effect as well as the possibility of undermining the role of capital to enhance productivity.

Hence, in line with the strategic thrust in the Shared Prosperity Vision 2030 to reduce foreign labour dependency, proper measures are needed to address the cost and benefit dependency of foreign labour in the Malaysian economy.

¹Department of Statistics Malaysia Newsletter “Situasi Pekerja Bukan Warganegara Di Malaysia”. 2.2020/Siri 39.

UNTOLD STORY

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

From Flying to Frying

Henny Abigailwillyen Sinjus and Zahira Adila Zahuri

Life as a stewardess is like the stars in the sky. It is one of the dream jobs that is full of amazing destinations, exciting rendezvous and designer-made uniforms. However, no one has ever thought that one day the airline industry will turn into a painful grief.

Isabella Brenda Vu, 25 years old, was once a stewardess in a local commercial airline earning a well-paid salary. Working in both domestic and international routes, she had the privilege to travel around the world. Besides working in the blue sky, she also pursues her study in Diploma of Science Food at Malaysian Integrated Business (MIB) College as a part-time student.

Until the COVID-19 pandemic struck Malaysia in January 2020, many companies were forced to reduce their operating costs by retrenching employees. She was one of the victims at that time. She felt miserable and depressed as she needs for income to pay her living expenses and tuition fees.



Isabella as a flight attendant was getting ready for the flight

However, she still manages to hold it together. Isabella said “It’s not only me, but there are still lots of people out there who are affected. I know it is hard, but I need to chin up and rise because this is not the end of the world. I need to be strong and make money to live and pay for my tuition fees”.

Realising the importance of having a decent income, she decided to take the bull by the horns by starting up a business. While most businesses stop their operations due to the pandemic, Isabella takes the risk to put her feet into the food and beverages business. She believes that this venture could weather the pandemic storm when

“ There are always ups and downs in any field, but the hurdles could be overcome if you have passion ”

she decided to sell food that is close to the Malaysian taste buds, that is chicken rice. With a modest capital she gathered from her savings and compensation, she mustered up her courage to start her own business.

It is not easy for her to run a shop alone. In the early days of running her business, her stall received low volume of customers. Thankfully, due to her excellent quality in serving delicious meal, she made a huge profit from selling chicken rice. Furthermore, various digital platforms such as Grab Food and Food Panda has help to increase her sales as many customers prefer to order online.



Isabella operated her food business “Chicken Rice Asia” at Chetz Chillax Cyberjaya. Instagram: @chickenriceasia

The “Chicken Rice Asia” stall has now operated for four months and she can now afford hiring two employees who help her out. Compared to the early days of operation, Chicken Rice Asia is now getting more than 50 customers daily.

Despite being new in this career, she will never give up on her restaurant and continue to serve customers with a hearty meal. A motivational word from Isabella is to never be afraid to try something new because life is about taking chances, trying new things, having fun, making mistakes and learning from them. She also added, “There are always ups and downs in any fields, but the hurdles could be overcome if you have passion”.

EDITOR SELECTION

finding from research paper that is relevant for labour market

Tracking livelihood and effectiveness of graduates in the labour market

Chakrin Utit

The use of administrative data in labour market planning provides important insights that most aggregate data may fail to produce. A study in Italy shows that the use of university graduate data, the AlmaLaurea, is capable of validating whether tertiary education attainment is always “worth it” and is “still a good investment”. The questions arise as the age profile of university graduates are rising, particularly in countries where students can freely determine the length of their studies such as the US and Europe (including Italy).

Based on AlmaLaurea data, taking longer to graduate may have several drawbacks for both labour market and graduates. Concerning to labour market, rising age profile reduces university graduates’ time in the labour market over their life course, which can totally or partly undermine the benefits of the investment in education. Moreover, in the presence of severe delays, there is a concrete risk that the knowledge acquired at university is already obsolete at the time of job market entry.

From the graduates’ perspective, delayed graduation is found to reduce the employment probability by 0.8% points for each year of delay, and this effect will still persist five years after graduation. Additionally, once employed, graduates are also penalised in their net monthly earnings, whereby there is a prospect of failing to achieve the earnings of individuals who graduate on time. Evidently, the most penalised groups are women and graduates in non-scientific fields.

The use of AlmaLaurea data in tracking university graduates provides an important reflection to the administrative aspect for graduate tracer study. Since 1994, the Italian university graduate data are collected through four stages. Graduates are interviewed at the completion of their degree and are followed and interviewed again after one, three, and five years by trained enumerators. For each cohort of graduates, the collected information includes demographic and educational profiles, labour market status during and after university, occupational characteristics, and income bracket after graduation.

“...tracking essential labour market information such as long-term employability, income sustainability and effectiveness of education”

What we can learn from this study? The current graduate tracer study in Malaysia is only

conducted at the completion of a degree programme and it could be extended to tracking essential labour market information such as long-term employability, income sustainability and effectiveness of education. This initiative can be started by establishing data integration with the current available administrative labour market data at potential agencies such as Social Security Organisation (SOCSSO), Employees Provident Fund (EPF) and other relevant agencies. With this initiative, better-informed policy responses on the effectiveness of existing tertiary education curriculum in securing jobs for graduates and how it affects their livelihood can be made.

Reference

A summary and assessment made based on the following article: Aina, C., & Casalone, G. (2020). Early labor market outcomes of university graduates: Does time to degree matter?. *Socio-Economic Planning Sciences*, 71, 100822.



ACTIVITIES

Virtual Seminar

1. The Ultimate Productivity Webinar Series #3: Break Labour Market Black Box - The Influence of Social Security Benefit on Productivity Growth (4 December 2020)
2. Smart Incentives Webinar Series #5: Role of Government in Promoting The Nation's Competitiveness Through Incentives (19 December 2020)

EU-ERA in Media

Printed Media

1. Growth of Workforce: Addressing Present, Future Jobs – New Straits Times (9 December 2020)
2. Bekerja dari rumah: Kos Operasi & Produktiviti – Harian Metro (12 December 2020)
3. KWSP mampu beri dividen 5 peratus – Berita Harian (29 December 2020)

Electronic Media

1. Ekonomi kembali rancak – Harian Metro (7 December 2020)
2. Adakah bekerja dari rumah benar-benar berfungsi? – Astro Awani (11 December 2020)
3. Harga minyak lepas AS\$50 setong, Malaysia raih manfaat – Berita Harian (11 December 2020)
4. Belanjawan 2021: Demokrasikan pelaksanaan Belanjawan – Astro Awani (16 December 2020)
5. Tekanan Deflasi Domestik Berakhir 2021 – Berita Harian (24 December 2020)
6. Ekonomi 2020 & Cabaran Pandemik – RTM Biz Malaysia (30 December 2020)

Opportunities

Internship Opportunity

We welcome undergraduate students to join our dynamic team through a structured internship programme. For more info, please email us at euera.centre@gmail.com

Author's Contribution

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

Upcoming Events

Quantitative Workshop 2021*

1. Understanding the Labour Market Ecosystem
2. Excel for Data Analytics
3. Labour Market Impact Assessment Tool
4. Labour Market Leading Indicators
5. Econometrics Workshop Series: Dealing with Non-Stationary Data
6. Econometrics Workshop Series: Forecasting Labour Market Indicators using ARIMA and Box-Jenkins Approaches
7. Data Envelopment Analysis

Seminar/Conference 2021*

1. National Seminar on New Data and New Approaches on Labour Market Analysis
2. 28th International Input-Output Conference and 10th Edition of the International School of IO Analysis

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

Recent Publications

1. Malaysia Budget 2021: Labor Market Perspectives
2. Quarterly Labour Market Perspectives: Growth and Labour Market Recovery



Program organised by RTM



Newspaper article

SPOTLIGHT

Vacancies



Kemahiran Popular Popular Skills @MYFutureJobs

Data pada 31 Disember 2020
Data as of 31 December 2020

Pilih bidang kemahiran anda untuk menentukan pekerjaan-pekerjaan yang diperlukan oleh industri. Pekerjaan boleh didapati di portal MYFutureJobs. Senarai pekerjaan dengan jumlah kekosongan pekerjaan yang tersedia yang memerlukan kemahiran itu ditunjukkan di ruangan kedua.

Selecting a skill will show all the occupations from MYFutureJobs that require that skill most often. The list of occupations with the number of available job vacancies requiring that skill is shown in the second column.



Catatan: Anda boleh memilih lebih dari satu kemahiran pada ruangan pertama dengan menekan CTRL-key. Untuk membuat pilihan semula, klik sekali lagi pada kemahiran yang diinginkan.

Note: You can select *more than one skill* in the first column by *holding the CTRL-key*. To undo your selections, click again on skill(s) highlighted.

For more information : www.myfuturejobs.gov.my/popular-skills

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Chief Executive of SOCSO

Dato' Sri Dr. Mohammed Azman Dato' Aziz Mohammed

Head of Employment Insurance System Office

Dato' Mohd Sahar Darusman

Chief Economist

Assoc. Prof Dr. Mohd Yusof Saari

Senior Economists & Research Associate

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Nur Azreen Mokhyi

Admin Executive

Siti Nabila Salim

Graphic Designer

Muhammad Zulkifli Amiruddin

Intern

Abdifatah Ahmed

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.

Address


EIS-UPMCS Centre for Future Labour Market Studies (EU-ERA)
Social Security Organisation (SOCSO)
Office of Employment Insurance System (EIS)
Menara PERKESO Putrajaya
Level 2, No. 6, Persiaran Perdana
Precinct 2, 62100 Putrajaya


Contact us

 +603 8091 5465

 euera.centre@gmail.com

 Centre for Future Labour Market Studies

 @euera.centre

 Centre for Future Labour Market Studies