

## HIGHLIGHT OF THE MONTH

# Hourglass Economy and COVID-19: A Bottleneck for The Middle Income (M40) Household

Henny Abigailwillyen Sinjus and Muhammad Khalid Ahmad Kamal



The impact of the COVID-19 pandemic has caused a shift in Malaysia's labour demography. The Movement Control Order (MCO) implementation limits economic operability and has affected workers earnings. Although it is known that the bottom 40% (B40) income group is the most affected, however, the impact on middle 40% (M40) income seems lost from the spotlight.

According to the Economic Action Council (EAC), it is estimated that more than 600,000 households from the M40 income groups may have fallen into B40 groups due to the pandemic. From the labour market perspective, this income slip can be associated with an hourglass economy.

The hourglass economy is characterised by high-wage jobs offer for people with advanced educations and low-wage jobs for those with little schooling. Between the two ends, few positions are left for people with semi-skilled levels.

In the past, the financial crisis recovery supported the improvement of the labour market, but it mainly targeted the high-skilled and low-skilled jobs, contributing to the hourglass economy. As a matter of fact, skills demands are also being shaped by trade liberalisation, demographic change and technical change. However, during this pandemic, it also suspected another factor contributing to this hourglass economy.

What is the reason for the hourglass economy to happen in Malaysia? How is this situation affected the M40 group? Further discussions are provided on the following page...

## INTERESTING INSIGHTS :

### Sliding from M40 to B40

Although it is a relief for workers to receive government aid such as loan moratorium and wage subsidy, some workers are not eligible, especially those in the M40 group.

### When do the government stimulus packages start to be effective?

...the existence of the non-linear relationship between job losses and government responsiveness amplifies the effectiveness of the stimulus packages...

### Pasarman: the fresh market game-changer

...continuous support from the government to encourage fair competition shall be a priority to ensure more local participation in digital business...

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# INSIGHT

\* continue from the front page

## Sliding from M40 to B40

The spike of new COVID-19 cases has once again placed Malaysia under full-scale Movement Control Order (MCO) 3.0, which took effect on June 1st, 2021. During the MCO 3.0, only essential sectors are allowed to operate with a limited head-count capacity which causes the rest of the sectors to close temporarily.

In today's dire situation, some companies have to cut down their expenses by retrenching workers or pushing them to take unpaid leaves.

Although it is a relief for workers to receive government aid such as loan moratorium and wage subsidy, some workers are not eligible, especially those in the M40 group. This situation causes them to bear more burden due to their existing financial commitments.

**New entrant of diplomas and degrees holders into the labour market expands the size of the B40 group.** Vacancies data in the MyFutureJob portal shows that the majority of the job offerings are opened for semi-skilled and low-skilled workers. However, the applicants are mainly categorised as high-skilled. This demand and supply mismatch causes the graduates' inability to secure decent jobs that suit their qualifications. Consequently, this situation potentially witnesses more workers falling into the B40 group.

## The struggle of declining household income

The implementation of the pandemic containment measure through MCO leaves many households struggling. Nursakinatul Jannah, a hotel chef, was once categorised under the M40

group. However, since MCO 1.0, she has been struggling to survive as her salary had been reduced by 50%. By MCO 3.0, she lost her job, and her car was repossessed due to her failure to pay the overdue loans.

Given that the M40 group bears higher living costs, reducing income levels would put them under severe financial pressure.

Declining household income has a significant impact on the M40 group's livelihood, leading to the worsening of the economic and labour market instability. The slipping from M40 to B40 has reduced the domestic spending level due to a decline in purchasing power. This situation slows down economic growth and increases urban poverty, creating a new group of "poor" people in the economy.

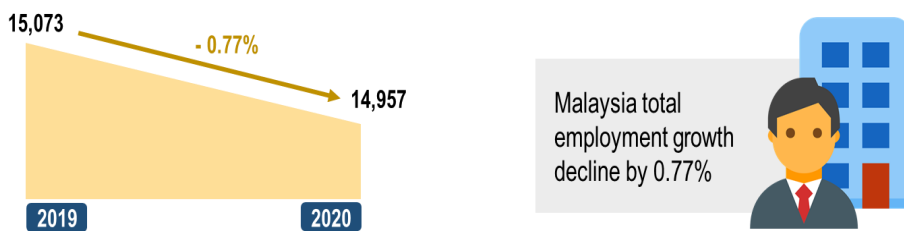
The rise in unemployment and urban poverty would cause 'economic scarring' if not addressed immediately. Economic scarring refers to the medium- to long-term impacts of the recession. Although the initial damage is healed, the normal state of the economics is hard to regain back as the impacts go beyond greater damage.

## Measures to support M40

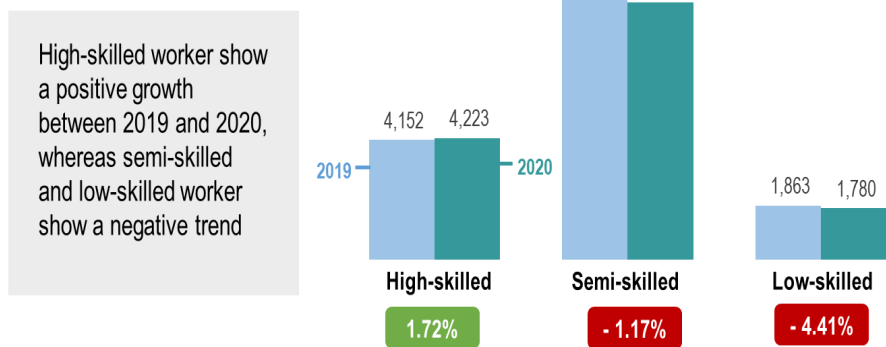
Responding to the drops in the household income, the government has recently provided several initiatives to cushion the impacts on the M40 group. The initiatives include Bantuan Khas Covid (BKC), Bantuan Prihatin Rakyat (BPR), loss of income aid, and Wage Subsidy Programme (WSP) 4.0. These can supports the survival of M40, thus boosting the domestic spending.

However, these initiatives are only effective for a short period of time. When the crisis subsides, appropriate and effective strategies will be needed to support the M40 group to recover. A broader social protection system should be established to cushion and ensure all household income levels are protected from poverty and deprivation in the long term.

Total Employment, 2019 & 2020 ('000)



Employment by Skill, 2019 & 2020 ('000)



Source: Department of Statistics Malaysia, various years

# PERSPECTIVES

provides a summary of research note by our economist

## When do the government stimulus packages start to be effective?

Prof. Dr. Muzafar Shah Habibullah

The COVID-19 pandemic has not only caused a global health disaster but has also brought sudden disruption to the economic activities and labour market.

Many countries worldwide have implemented lockdown measures to contain the spread of the virus at the expense of economic growth. In fact, the unprecedented COVID-19 outbreak has had a far more significant impact on the economy than the 2008 Global Financial Crisis.

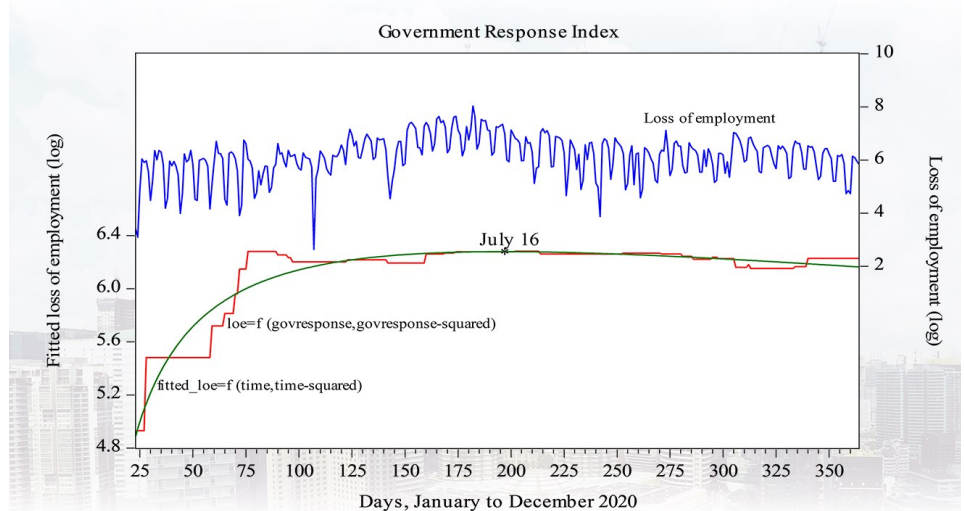
According to the Office of Employment Insurance System (EIS), SOCSO, administrative data on job losses, the lockdown impositions had caused 5,262 job losses in March 2020 and peaked at 38,579 in July, before it decreased to 6,805 at the end of December 2020.

In our earlier work, we show a linear relationship between job losses and lockdown measures, implying that lockdown measures have increased job losses (see Habibullah et al., 2021a). We revisit that work, which then suggests that there is an inverted U-shape relationship between job losses and lockdown measures.

Briefly, an inverted-U shape signifies the effectiveness of intervention measures to mitigate the economic impact of COVID-19. On top of that, a negative impact would present – in the form of higher job losses – at the earlier stage, prior to the government intervention, before a sign of recovery takes over.

In our new study (Habibullah et al., 2021b), we investigate the non-linear relationship between loss of employment and government responsiveness in mitigating the spread of the COVID-19 outbreak from January to December 2020.

We use the government response index, available at The COVID-19 Government Response Tracker



Both “red” and “green” lines represent an empirical inverted U-shape relationship between loss of employment and government responsiveness index. The labour market recovery started on July 16, 2020.

(OxCGRT) database (Hale et al., 2020), which consists of 16 different measures including, among others: income support, debt or contract relief for households, public information campaigns, testing policy and contact tracing.

Based on the above figure, the non-linear relationship between the loss of employment and the government response index is depicted by both “red” and “green” lines.

We also compute the optimal turnaround point to indicate job losses reduction due to government intervention during the COVID-19 pandemic. Based on this measure, job losses began to diminish on July 16, 2020. In other words, it took around 73 days from the reopening of economic activities to reinstate labour market recovery.

It is learnt that the existence of the non-linear relationship between job losses and government responsiveness amplifies the effectiveness of the

stimulus packages that add up to RM290 billion in 2020.

Proactive measures to avoid negative consequences on the domestic economy, particularly on the labour market, contribute to reducing job losses throughout the second half of 2020.

### References:

- Habibullah, M.S., Saari, M.Y., Din, B.H., Safuan, S., & Utit, C. (2021). Labour market reactions to lockdown measures during the Covid-19 pandemic in Malaysia: An empirical note. *Jurnal Ekonomi Malaysia*, 55 (1), <http://dx.doi.org/10.17576/JEM-2021-5501-3>
- Habibullah, M.S., Saari, M.Y., Safuan, S., Din, B.H., & Mahomed, A.S.B. (2021b). Loss of employment, lockdown measures, and government responses in Malaysia during the Covid-19 pandemic: A note. *International Journal of Business and Society*, 22(3) (forthcoming).
- Hale, T., Angrist, N., Kira, B., Petherick, A., Phillips, T., & Webster, S. (2020). Variation in government responses to COVID-19. Blavatnik School of Government Working Paper BSG-WP-2020/032 Version 6.0. Available: [www.bsg.ox.ac.uk/covidtracker](http://www.bsg.ox.ac.uk/covidtracker)

# UNTOLD STORY

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

## Pasarman: the fresh market game-changer

Muhammad Amirul Ashraf Abd Ghani and Zul Farena Zuhisham

During movement control order (MCO), online businesses have become a new norm, spawning from selling home products to fresh produce. However, selling fresh produce using an online platform is a big challenge.

But, it is not a setback for Azahari bin Ahamad (Azahari), a 43 years old wholesaler, the man behind the Pasarman – a new local brand for online fresh market wholesale and delivery services in Klang Valley.

In 2004, Azahari resigned as a production coordinator from a manufacturing company and started venturing to sell fresh produce in Pasar Borong Selayang with his friend.

A couple of years later, he owned a shop lot in Pasar Borong Kuala Lumpur and envisioned expanding his business even further. In 2019, he decided to use an online platform and launched his website, Pasarman.com.

Interestingly, he integrates the wholesale business with his pack of riders called the ‘Pasarman’, delivering fresh produce from the wholesale market to customers’ doors.

Before the pandemic hit, Azahari used to supply fresh produce to nearby restaurants and catering businesses. However, due to MCOs, sales and profit had significantly plunged because his regular clients cannot operate their businesses as usual.

Fortunately, digitalising his business before the pandemic was his best investment decision. Now, Azahari continues servicing his customers during the MCOs.

Recently, Azahari was called up by Dato’ Sri Mustapa bin Mohamed, Minister in the Prime Minister’s Department for Economic Affairs, to officially launch his e-commerce platform. He is now working with his team to develop ‘Pasarman’ mobile apps to widen their prospects and potential further.

Life is not always filled with rainbows and butterflies. Azahari admits that he needs to compete with more established companies such as Pandamart and GrabMart that have more market power. This, in turn, could pose unfair competition



Azahari (left) during the launching ceremony of Pasarman.com in the presence of Dato’ Sri Mustapa bin Mohamed (right).

between big companies and micro gig platforms.

However, Azahari believes that with proper planning and realistic targets, Pasarman can sustain its business for a more extended period. In addition, continuous support from the government to encourage fair competition shall be a priority to ensure more local participation in digital business, thus preventing monopoly.

Azahari also voices out his concern on foreign workers issues in the fresh produce market. “The problem with foreign workers is that they may not prioritise food cleanliness and purity as what we (local) do”, told Azahari.

Therefore, Azahari aims to provide clean and hygienic food, or he describes it as ‘halalan toyyiban’, to the local people. He also wants to change people’s mentality who associates working at the wholesale market as a ‘low-class job’.

A piece of advice from Azahari, especially to young entrepreneurs, is to “always work hard and believe in yourself because there is *rezeki* (sustenance) for everyone”. He also encourages young entrepreneurs to be vigilant when making plans and avoid hasty decisions.



Azahari with Pasarman mobile apps platform that will be released soon.

# EDITOR SELECTION

*finding from research paper that is relevant for the labour market*

## Voluntary and non-voluntary lockdowns are indifferent in destroying jobs

Mohd Alzaery Abdul

*PKP Dilanjutkan.* The full-scale Movement Control Order (MCO) or total lockdown has been extended for another 14 days, marking the whole month of staying at home.

In our earlier issue of *The Labour*, we shared the impact of lockdown on the Malaysian labour market. In short, result<sup>1</sup> shows that the enforcement of lockdowns would increase the number of employment losses. Nevertheless, the non-medical intervention suggested by the World Health Organisation (WHO) seems an ideal way to break the contagious transmission of COVID-19 in society after it peaked in late May 2021.

A different yet interesting case is found in South Korea. A study conducted by Aum et al. (2021) compares the implication on the labour market for the countries with and without lockdown enforcements. They select and compare the situation in the United States (US) and the United Kingdom (UK) that implemented large-scale lockdown with South Korea, which relied on testing and contact tracing in its battle against COVID-19.

Surprisingly, even in the absence of lockdown, South Korea shows a 2 to 3 percent drop in local employment for every thousand increases in confirmed infections. Meanwhile, the percentage drop in local employment in the US and the UK are higher, ranging from 5 to 6 percent.

The reason behind South Korea marginal employment reduction is due to private businesses and consumers voluntary precautionary initiatives to contain COVID-19 transmission by limiting their economic activities engagement. In comparison, job losses in the US and the UK are also partially affected by these, but that is rather a consequence of government-mandated lockdowns.

Although voluntary and non-voluntary virus containment measures may destroy jobs, the labour market damages due to the former measure tend to be more severe. In fact, lifting the lockdowns in the US and the UK has led to a modest employment recovery after a faster reduction in the COVID-19 infection rates due to vaccination programme. Therefore,

the best way to revive the labour market then is to eradicate the virus.

Of course, this is not to say that lockdown is economically harmless. But, it is rather a blunt tool to squash infections because it could lead to more economic damages.

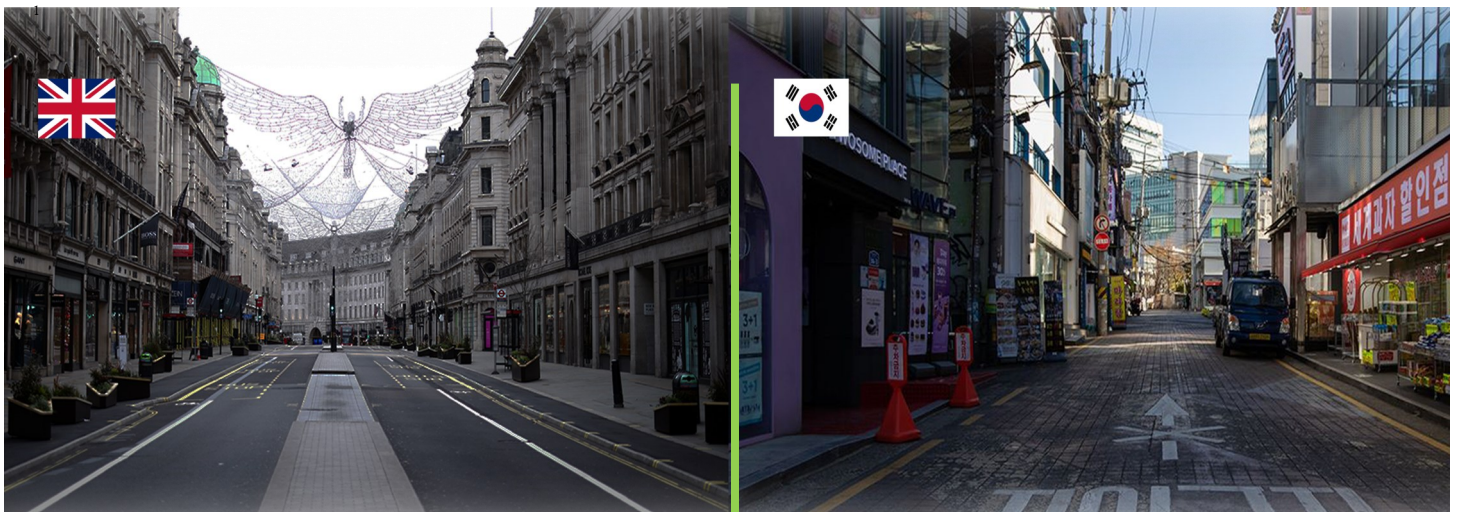
There is nothing much that could be said since the lockdown has been extended. An important note to ponder is that we should imitate South Korean mindsets through the voluntary self-lockdown initiative. It shows South Korean great social capital that proves their flexibility in adapting to the new norm without any enforcement from the government.

As a matter of fact, it could give more room for the government to focus on improving the institution's quality, especially in mitigating the pandemic and facilitating post-pandemic economic recovery.

### Reference:

Aum, S., Lee, S. Y., & Shin, Y. (2021). COVID-19 doesn't need lockdowns to destroy jobs: The effect of local outbreaks in Korea. *Labour Economics*, 70, 101993.

A 10% increase in the restriction on public gathering size, international travel, public events, school and workplace closing would increase employment loss by 5.4%, 9.3%, 6.1%, 3.7% and 4.2% respectively.



We should imitate South Korean civic mindsets through voluntary self-lockdown initiatives

# ACTIVITIES

## EU-ERA IN MEDIA

### Printed Media

1. MYFutureJobs tingkat kecekapan pepadanan majikan, pekerja - Berita Harian (20 June 2021)
2. Segerakan proses vaksinasi di sektor perkilangan - Harian Metro (21 June 2021)

### Electronic Media

1. Pemerका PLUS: Perluas moratorium termasuk kepada M40 - Astro Awani (2 June 2021)
2. Sekatan Pergerakan Penuh: Penambahbaikan dan 'blind spot' penstabil ekonomi - Astro Awani (3 June 2021)
3. MYFutureJobs pelengkap pasaran buruh di Malaysia - Berita Harian (9 June 2021)
4. Menjayakan pemulihan, Menjamin kemampunan - RTM Biz Malaysia (17 June 2021)
5. Segerakan proses vaksinasi di sektor perkilangan, pembuatan - Harian Metro (19 June 2021)
6. MYFutureJobs tingkat kecekapan pepadanan majikan, pekerja - Berita Harian (20 June 2021)
7. Dialog Tiga Penjuru: Selamatkan Poket Rakyat - Astro Awani (24 June 2021)
8. PKP 3.0 | Keperluan moratorium menyeluruh - Astro Awani (27 June 2021)
9. Moratorium: Kini bola di tangan Bank Negara Malaysia - Astro Awani (27 June 2021)
10. PEMULIH: Pakej perlindungan rakyat dan pemulihan ekonomi - Ruang Bicara Bernama (28 June 2021)
11. PEMULIH manifestasi kerajaan yang prihatin - Astro Awani (29 June 2021)
12. PEMULIH redakan kegelisahan isi rumah dan PKS - Bernama (29 June 2021)
13. Pemulih a relief for households, SMEs: Economists - The Sun Daily (29 June 2021)
14. PEMULIH redakan kegelisahan isi rumah dan PKS - Astro Awani (29 June 2021)

## Opportunities

### Author's Contribution

Our centre publishes the bulletin on a 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](mailto:euera@perkeso.gov.my) for further details.

## UPCOMING EVENTS

### Quantitative Workshop 2021

1. Understanding the Labour Market Ecosystem (4 November 2021)
2. Labour Market Impact Assessment Tool (8 - 9 November 2021)
3. Data Envelopment Analysis (10 November 2021)
4. Econometrics Workshop Series: Understanding Basic Econometric Principles (11 November 2021)
5. Econometrics Workshop Series: Understanding Basic Econometric Principles (11 November 2021)
6. EXCEL for Data Analytics (15 - 16 November 2021)
7. Econometric Workshop Series: Forecasting Labour Market Indicators Using ARIMA and Box-Jenkins Approaches (TBC)
8. Modeling and Estimating Using ARDL Approach (TBC)

\*(TBC) - To be confirmed  
Specific information on the dates, venue, contents, fees and related details will be updated soon.

### Seminar/Conference 2021

1. 1<sup>st</sup> National Conference on Labour Market Planning and Analysis

### Seminar/Conference 2022

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

\*For any inquiries, please email us at [euera@perkeso.gov.my](mailto:euera@perkeso.gov.my)

## 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/>



# SPOTLIGHT

## Vacancies

MINISTRY OF HUMAN RESOURCES  
PERKESO  
EMPLOYMENT INSURANCE SYSTEM  
50 Tahun PERKESO

### Recent Vacancies on MYFutureJobs

Your National Employment Services Provider

Data as of 25 June 2021

#### JOB VACANCIES

Occupations	Vacancies
<b>1-MANAGERS</b>	
Marketing manager	1,372
Sales manager	957
Construction general contractor	671
<b>2-PROFESSIONALS</b>	
Online marketer	7,763
Marketeer	4,411
Promotion assistant	3,769

Occupations	Vacancies
<b>3-TECHNICIANS &amp; ASSOCIATE PROFESSIONALS</b>	
Administrative assistant	3,827
Commercial sales representative	2,411
Accounting assistant	1,925
<b>4-CLERICAL SUPPORT WORKERS</b>	
Office clerk	2,710
Inventory coordinator	2,635
Customer service representative	1,492

#### ACTIVE JOB VACANCIES (ALL)

Note: All vacancies available on MYFutureJobs [www.myfuturejobs.gov.my](http://www.myfuturejobs.gov.my) are open and active.

APRIL 2,396  
MAY 33,357  
JUNE 203,037

Infographic: EMPLOYMENT INFORMATION ANALYSIS SERVICES DIVISION (EIAS)

#### STATE

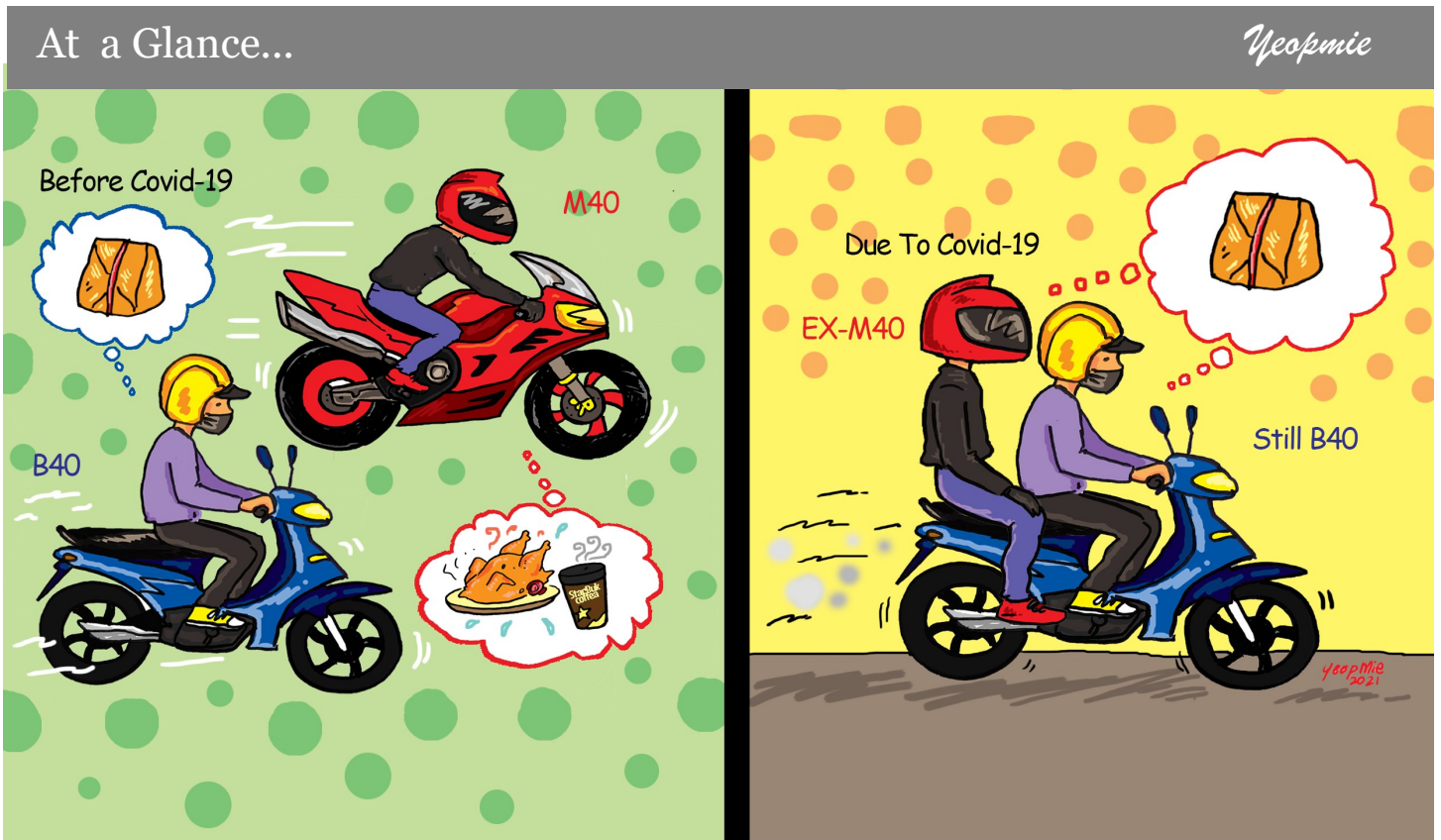
**74,187** SELANGOR  
**46,805** KUALA LUMPUR  
**22,210** JOHOR

#### INDUSTRY

**51,188** ACCOMMODATION  
**45,241** MANUFACTURING  
**31,120** WHOLESALE & RETAIL TRADE

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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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