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# Covid-19 Pandemic and Unemployment in Malaysia: A Case Study from Sabah

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#### Abstract

Covid-19 not only exposed the vulnerability of most industries especially industries that relies on air travel and tourism but resulted in the exponential increase of unemployment in Malaysia. At the same time, online business or trade and 'GIG' economy increased exponentially. The sudden and unexpected loss of jobs had dire consequences for many people. This paper examines how policies enacted during the Covid-19 pandemic affected unemployment in Malaysia by focussing on the situation in Sabah, one of the three remaining partners in the formation of Malaysia. It draws on data from the Family, Women and Youth Survey conducted online towards the end of 2020, as well as secondary data. The study shows that hardship has been faced by many people, especially those previously in professional roles, and those who are younger. The widespread damage to the economy, and to social cohesion, will require significant collaboration between business and industry, the government and the people.

#### **Keywords**

Covid-19; Employment; Unemployment; Malaysia; Sabah



#### Introduction

Covid-19 was initially a localised health crisis, but it expanded into a global health crisis with severe economic impact, with the speed and scale of which the world has never seen before. Economists have yet to comprehensively measure the effects of the pandemic since the chain of reaction is still progressing and spreading around the world in the form of 2<sup>nd</sup> and 3<sup>rd</sup> waves (Chan & King 2020) or even 4<sup>th</sup> waves (Ravindran 2021; Whyte 2021). Covid-19 not only exposed the fundamental flaws in all industries in Malaysia, with the exception of industries in glove-making and pharmaceuticals, but also exposed the fragility of employment. Many companies and industry players have adopted unpaid leave and layoffs to reduce their operational costs so that the company could have sufficient liquidity to tide over this difficulty. Some of these former employees managed to survive in the challenging situation. However, some of them could not withstand the loss of their jobs and choose to commit suicide instead. Blustein et al. claim that unemployment has damaging effects at both individual and community levels, in the aspects of psychological, economic, and social well-being (Blustein et al. 2020; Ferreira et al. 2015). The lockdown or Movement Control Orders (MCO) initiated by the government to flatten the infection rate also added to the depression of being retrenched as feelings of isolation also accompanied the lockdown.

The initial shock from the pandemic distinguished the Covid-19 recession as one of the worst ever pandemics (Ferguson et al. 2020). While previous economic hard times, like recessions, were mainly caused by a series of unfortunate economic or financial policies, by 2020, the adversely impacted labour market was severely disrupted, triggered by the emergence of a new virus, worldwide. By the second quarter of 2020, millions of employees were moved into a temporary job loss category. The record-high in temporary unemployment percentage dwarfed previous recessions, which typically begin with an increase in permanent layoffs (Elsby et al. 2010). The path of job vacancies has also been unusual: while vacancies fell throughout the first half of 2020, the drop was much smaller than is typical observed in most recessions due to the everincreasing popularity of the 'Gig' economy (Umar et al. 2020; Lim 2021). In fact, vacancies at the lowest point were similar in 2015, when the labour market shrank (Altig et al. 2020). While the Beveridge curve – the negative relationship between vacancies and unemployment – usually 'loops around' during and after a recession, the rise in the unemployment rate was much greater than the related decrease in work vacancies in the early months of the Covid-19 recession.

## Pandemic and Unemployment

Economic hard times caused by historical pandemics will enable us to establish a long-term impact on health derived directly from the current pandemic's mortality trends. But what about the ramifications due to the disruption of everyday economic life when people become unemployed? The rapid, severe, and widespread economic disruption caused by the implementation of the MCO to reduce the daily infection spike caused by the spread of the Covid-19 virus is one of its most prominent features in this pandemic. 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 (Newman 2020). For example, the 1918 pandemic's immediate economic damage pales in comparison to the damage triggered by Covid-19 currently. While this pandemic can provide an insight into long-term social and psychological health effects (direct effect), we need to look elsewhere to consider the long-term consequences of pandemics because of economic downturns, particularly for employment (Blustein et al. 2020; Su et al. 2021).

According to the definition of the International Labour Office (ILO), employment comprises of "work performed for others in exchange for pay or profit" (ILO 2013). With that, "employed persons include those who, in their present job, were 'not at work' for a short duration but maintained a job attachment during their absence" (OECD 2020a). The ILO has reported that there are trends of income inequalities in terms of gender and age. However, different regions may vary in the level of differences for these criteria in the



access to employment. For instance, the female labour force participation rate globally is 47% as compared to 74% for their male counterparts (ILO 2020). It should also be pointed out, that the youth face challenges in the labour market such as the growing trend of temporary employment. Unemployment involves individuals with the expected total duration of absence of more than three months or where there is no or unknown expected date for returning to work, and these individuals do not receive any portion of salary or wage from their employers (OECD 2020a).

Theoretical modelling of the interaction between pandemics and economic dynamics has been examined by <u>Eichenbaum et al. (2020)</u>. This theoretical model suggests that reductions in consumption and work will slow down the spread of the Covid-19. Unfortunately, these measures also increase the severity of economic recession. It is reported that offline consumption in China dropped by an average of 32% hitting hard across the board (<u>Chen et al. 2020</u>). This reduction in offline consumption cost China over 1.2% of its 2019 GDP in the twelve-week period of initial lockdown, giving a significant estimate of the impact and magnitude faced. Other countries have reported experiencing similar situations (<u>Chen et al. 2020</u>).

As Covid-19 continues to spread across the globe, the expected decline in consumption has since become a reality with unemployment reaching nearly 10 million in March 2020 (Wolfers 2020). Martin et al. (2020) claimed that three months of lockdown during the pandemic recorded an increase of about 17.1 to 25.9% in the poverty rate in San Francisco Bay Area with significant decreases in household saving and consumption. Long recovery times have further exacerbated the slowdown of overall economic activity by low household consumption due to changes in consumption behaviours. Sobieralski (2020) projected that job loss in the airline industry during times of air travel instability, due to most countries restricting or closing their borders to curb the spread, was approximately 7% of the airline workforce. Although air travel was not completely halted, the Covid-19 pandemic caused most airlines to ground their planes and retrench a major portion of their workforce.

The Covid-19 pandemic also impacted other economic activities around the world. De Vito and Gómez (2020) reported the fear of lockdown resulted in a change in consumer demand for products and services. This situation has affected the production and service supply chain at domestic and international levels. The pandemic has caused job losses that led to a reduction in consumer demand and resulted in a global economic recession (OECD 2020b). Investment activities were also affected as investors tried to discount the liquidity risk in stock prices. In this regard, the liquidity of listed firms across 26 countries showed a drop of 50%in sales for a full operating firm, with a partial operating firm facing up to a 75% drop in sales (De Vito & Gómez 2020). It was suggested that government fiscal policies, tax deferrals and bridge loans are the most practical policies to overcome the issue of a massive problem with cash flow, a cash crunch.

### Pandemic, Unemployment and Mental Health

Unemployment may be generally viewed as an economic issue, but its impacts are actually greater than that as it affects mental health, stress levels and consequently an individual's quality of life, as well as having an impact on community. As it is, staying employed during economic hard times is one of the most challenging things in life, and when unemployment is prevalent, finding work is doubly difficult. Unemployment is regarded as one of the major discrete and objective life events that necessitate some social or psychological adjustment on the part of the individual in the stress literature (Wheaton 2009). The stress process model (Pearlin 1981,1989) is a common explanation for the relationship between unemployment and mental health that is significant in the present scenario.

Although the theoretical model in its original study was based on the effects of stress by people with Parkinson's disease, its findings are useful and applicable in explaining the stress caused by unemployment due to the Covid-19 pandemic. Pearlin claims that being unemployed increases the likelihood of experiencing stress-inducing factors such as a lack of resources, limited opportunities, and low self-esteem,



as well as limiting access to privileges and security (Pearlin 1989). That is, unemployment is likely to result in a variety of losses, including social ties and economic stability, and these losses may be stressful in and of themselves (Pearlin 1981). As a result, unemployment raises the risk of poor mental health. Achdut and Refaeli (2020) through a hierarchical linear model demonstrate that contextual stressors related with the Covid-19 outbreak such as worries and fears of family members being infected, and financial strain might further reinforce the strain caused by unemployment. Additional stress would be in the form of lack of social services for mental health that most government in third world countries are hard pressed to provide. This situation compounds the problem.

#### Methodology

Primary and secondary data were utilised in this paper. Primary data were collected through two separate sets of questionnaires conducted by the Family, Women and Youth Survey (see Tey 2020). The survey was conducted online between 13 November and 5 December 2020. Data were collected from 2503 respondents from all districts in Sabah. The data were collected using stratified sampling method to achieve a representative sample. In that, the number of respondents for each district was pre-determined proportional to the population size, and stratified according to gender, ethnicity, and age of the respondents. Secondary data were mainly sourced from various official agencies and organisations especially online publications and reports.

This paper is structured with an introduction of the background concerning the issue and relates it to theoretical discourses. It continues with methodological and limitations issues, and a discussion on employment in the airlines industry as the most vulnerable industry under threat. While the airline and hotel industries which makes up the bulk of the hospitality part in the tourism sector, were directly affected in this pandemic, many other downstream industries felt the brunt as well. Thus, the general employment situation needs to be examined to assess the impact of the pandemic. For that purpose, this paper includes a discussion about employment in Malaysia as a whole, utilising secondary data. It then scales the discussion to the employment situation in Sabah based on findings from the primary data collected and corroborated to the secondary data. Sabah is selected as case study because of the importance of the tourism sector in its economy, ranking third in the hierarchy of contributing sectors to the economy of Sabah.

#### Limitations

While this paper attempts to make a first inventory about the Covid-19 pandemic effects on the employment sector, it does have its limitations. Arguably, it is still relatively early to make any determination about long term effects, whether from national government policies or from global contributions. Currently as the pandemic rages on throughout the world, many companies are trying various attempts and measures to survive, with or without laying off staff. Some experts have warned that with the emergence of variants, Covid-19 may become endemic. However, it is hoped that the vaccination process currently underway, worldwide, will put a halt to the spread and in due time, reverse the damage done. Nevertheless, this paper will be a valuable contribution if and when we find ourselves in a post-pandemic era.

# The Vulnerable Airline Industry

According to Sobieralski (2020), the travel restrictions put in place by governments have greatly affected the movement of peoples around the world, while having a negative impact on numerous downstream industries such as the tourism, hospitality and the transportation industries. The issue of flight cancellations and capacity reductions have made the airline industry fight for survival. Some locally grown airlines, for example Malindo Air, had thrown in the towel due to various cash flow problems over the one-year



lockdown period, resulting in the majority of its staff losing their jobs, with only 1000 staff remaining employed (Ram 2020; Birruntha 2020). For airlines, a reduction in the workforce was unavoidable. It was estimated that nearly 7% of the airlines' workforce was trimmed with an upper limit of over 13% with major airline workers being most impacted while regional and low-cost workers were the least affected (Sobieralski 2020). The work a person didalso plays a part here. An airline employee who handled flight operations and passengers was the most affected while management employees were relatively little impacted during this period. It is projected that the recovery of this industry will take around 4 to 6 years to return to pre-Covid-19 situation provided government support via plans and financial assistance are forthcoming.

As airlines are the most directly and immediately affected by the travel restrictions put in place by governments, employment in the airline industry is the focus of discussion here. At the beginning of the pandemic, airlines management opted for unpaid leave and pay cuts for its employees. Unpaid leave was seen as a temporary measure to help airlines reduce the cost burden, but it could not reduce the pressure for the potential risk of unemployment to employees. During the period of unpaid leave, the most affected employees were aircrew members, who were not able to work from home like other employees because the nature of their jobs has been serving passengers on flight or in the airport. During the MCO, they had to survive with their existing savings, and they may have needed to find other ways of making ends meet.

As the airline industry could not operate normally during this period, some aircrew members who had been flying for many years chose to start their own businesses to earn an income to supplement their daily needs. The first MCO in Malaysia was imposed from 18 March 2020. According to a report in *Malay Mail*, a pilot named Johan MD Rosnan took the unpaid leave program from the beginning of the MCO (Zikri 2020). Since the international borders of most countries and regions closed, this pilot, who flew international flights, has not had any job assigned to him. It is fortunate that Johan, his wife, and his friends had started a plan prior the announcement of the MCO to sell their homemade rainbow bread and coffee bread. As there had been an increase in sales orders for the bread, he decided to open a physical store before MCO in Johor to earn income during the pandemic period. This bakery business not only helped him significantly financially during the pandemic, but it has also helped him psychologically. Since the MCO brought a lot of financial pressure to everyone, his business has helped to keep him busy.

Similar situations were found in Sabah as well. An example is that of stewardess Wendy Radin who had her last flight in April 2020, and is now a full-time financial planning consultant in unit trust sales (Inus 2021). She shared her experience and recruited others to the industry to earn some income to support their family, including those who could not afford to invest themselves. Investment in unit trusts has been encouraging when the government announced the i-sinar programme. This programme was aimed at those who were affected during the MCO and it allowed eligible depositors of the Employees' Provident Fund (EPF) to withdraw a certain amount from their respective Account 1 with a ceiling of RM10,000 for those depositors with RM100,000 or below; and maximum 10% or RM60,000 for those have more than RM100,000 in their Account 1 (Azman 2021). There were success stories for some but not for all.

The AirAsia Group Berhad has gone through several cycles of layoff. The first cycle of layoffs in Air Asia involved more than 333 employees to reduce operational cost under difficult circumstances (Aroff 2020; Bernama 2020). The 333 comprised 111 cabin crew members, 172 pilots and 50 engineers across Malaysia. From that number, it was reported 50 of the laid off staff were based in Sabah (Micheal 2020). The majority of those terminated in Sabah has been working for 10 to 15 years in Air Asia. It was claimed that those involved had not received any information about the layoffs prior to the announcement. The sudden news of layoffs had caused the affected employees to panic and feel helpless. This number was a significant proportion because it represented about one sixth of the total laid off staff. Hence, it reflected the importance of Air Asia's presence in the air travel industry, especially in Sabah. With tourism being one of the dominant sectors in Sabah, the pandemic has severely affected the Sabah economy. Tourism is the third largest contributor to the economic sector in Sabah prior to the pandemic, representing 23% of its



total labour force with RM8 billion (USD 1.85 billion) generated in 2018 (Chan & King 2020). Thus, the repercussion to be felt as the pandemic progressed throughout the year 2020 were severe.

Retrenchment brings people into financial hardship, especially those with families to support. As the breadwinner of the family, the loss of a job means the loss of one's self-identity, besides losing the only source of income for the family, resulting in mental and psychological stress. According to another news report, the stress of losing a job had forced a former pilot to jump to his death from an apartment in Kuala Lumpur (Bernama 2020). This 36-year-old man, a former pilot with local airline, had taken such drastic action due to the pressure of unemployment.

One might ask, in relation to the retrenchment exercise, whether, prior to the airlines laying off its employees, they conducted an exit interview with the personnel involved. If the action of exit interviews were undertaken, the airlines could identify vulnerable employees and taken immediate steps to remediate the situation. In general, companies need to address some or all of the problems and elements related to layoff. As companies plan and communicate the layoffs, it would be useful to maintain a record of the actions taken to help the employee adjust to the new situation. The elements involved in planning layoff can be divided into three sections which are layoff pre-planning, layoff notification planning, and post-layoff notification planning. In the context of Covid-19, there are questions over whether these processes were followed. Were the unfortunate employees prepared mentally and emotionally to face this new challenge in their life? For instance, what kind of package or program would be offered to the laid off employees or to employees offered early-retirement? This kind of package or program offered may include subsistence e.g. their daily needs like money, financial advice, but the most important issues were emotional and mental support. Did the airline offer any kind of psychological need for their employees? These processes would help the airline determine if the employee had enough resources to face retrenchment. Unfortunately, the evidence is that these processes were lacking as many terminated staff claimed that they were given short notices i.e. 2 days, and offered unfair compensation (Micheal 2020).

There is evidence from several sources that there was a significant need for psychological support for people facing hardship at this time. According to the police records, from 18 March 2020 (when the MCO started) to 9 June 2020 there were 78 suicides across the country that reflects a spike as compared to 64 suicides reported in the same period for the previous year 2019 (Astro Ulagam 2020). A study conducted by the Malaysian think tank centre in April also found that 45% of 1084 Malaysians surveyed experienced anxiety and depression during the partial lockdown (Astro Ulagam 2020). Referring to the Department of Statistic Malaysia (DOSM), the unemployment rate in Malaysia for May rose to 5.3%, and 826,100 Malaysians were unemployed that month. Losing a job can easily make people lose the will to live. Although unemployment can lead people to a dead end, it may also bring a new opportunity to learn new things such as new business ventures.

The National Health and Morbidity Survey 2019 found that the prevalence of depression in Sabah was 4.0%, higher than the national prevalence of depression at 2.3%. It also revealed that Bumiputera Sabah, the indigenous people of Sabah, ranked highest among all ethnicities with score of 5.2% for depression (IPH 2020). Thus, the consequences of mental threat due to the Covid-19 pandemic posed a significant threat to people in Sabah especially the indigenous people. Recognising the potential threats and risks, mental health psychosocial support teams were established in every district throughout Sabah at the early stages of the pandemic. However, information about accessing this support was somewhat lacking.

The survival of airlines is dependent on travelling passengers. As such, tourist arrivals is an important factor to examine. While there are other means to reach Sabah such as by land (from other parts of Borneo Island) and sea (from West Malaysia), air travel remains the popular method of travel, especially for international tourists, that accounted for 95% of the total arrivals (Chan & King 2020). Thus, it is a relevant indicator and a useful reference point to explain the situation in Sabah and its relationship to the



employment situation in Sabah. In other words, employment is explained through the data of visitor arrivals that is directly indicative of the vitality on the airlines and hospitality industry, subsectors of the tourism sector that forms a major part of the Sabah economy, and other industries that service this sector indirectly.

In Sabah, the total tourist arrivals experienced a drastic reduction for the year 2020 due to the Covid-19 pandemic and its corresponding measures to curb the spread such as border closure and movement control orders (MCO) of which there were various kinds: Conditional Movement Control Order (CMCO), Recovery Movement Control Order (RMCO), Enhanced Movement Control Order (EMCO), Targeted Enhanced Movement Control Order (TEMCO), Administrative Enhanced Movement Control Order (AEMCO), and Full Movement Control Order (FMCO) or 'Total Lockdown' that each has a separate set of standard operating procedures (Povera & Harun 2020). Currently, the FMCO has completed its first phase 1st -14th of June 2021 and has been continued with its second phase of implementation from the 15th-28th of June 2021 that may be further extended if necessary.

As early as January 2020, Sabah was the first state in the country to ban all flights from Wuhan as part of its preventive measures (Bernama 2020). A few days after this ban was imposed, the Government of Sabah took another bold step to ban all China-Sabah flights on 30 January 2020, a decision that was opposed by several quarters (FMT 2020; MATTA 2020). The concern raised may have been due to the fact that tourists from China comprised 42.3% of the total foreign tourists in 2019. The decision was a serious blow to revenue from the tourism sector and its related subsectors. The ban on China-Sabah flights has affected 127 weekly flights involving airlines including AirAsia (60), China Southern Airlines (21), Malindo Air (20), Malaysia Airlines (9), Xiamen Air (7), Shanghai Airlines (7) and Loong Air (3). It is clear that Air Asia has played a dominant role in Sabah tourism, being the main air carrier for Chinese tourists.

As a result, Sabah had managed to remain free from the Covid-19 while other places in Malaysia started to record cases of Covid-19. Sabah maintained its record at zero cases until 12 March 2020 when its first case of the Covid-19 was reported (Kee 2020). The patient zero for Sabah had attended a religious gathering at Sri Petaling, Kuala Lumpur. Over time, further restrictions were imposed as the situation changed. By the middle of March 2020, special approval from the Government of Sabah was required for non-Sabahan Malaysians to enter Sabah, with the provision of medical certificates and polymerase chain reaction (PCR) swab test results, while all foreign tourists and visitors were banned from entering Sabah (Geraldine 2020).

Table 1. Domestic and International Tourist Arrivals, 2015-2020

|      | Total Domestic<br>Arrivals | Total International<br>Tourists | Total Tourist Arrivals |
|------|----------------------------|---------------------------------|------------------------|
| 2015 | 2,197,800                  | 978,426                         | 3,176,226              |
| 2016 | 2,299,132                  | 1,128,776                       | 3,427,908              |
| 2017 | 2,449,556                  | 1,235,178                       | 3,684,734              |
| 2018 | 2,517,846                  | 1,361,567                       | 3,879,413              |
| 2019 | 2,726,428                  | 1,469,475                       | 4,195,903              |
| 2020 | 797,176                    | 180,284                         | 977,460                |

Source: Sabah Tourism Board (STB), 2021

By comparing the data available from the year 2019, the total tourist arrivals in Sabah decreased 76.7% from 4.2 million in 2019 to less than a million in 2020 i.e. from 4,195,903 (2019) and 977,460 (2020)



respectively (Sabah Tourism Board 2021). Total international tourist arrivals observed a greater decline than domestic arrivals. There was a reduction of 87.7% for international tourist arrivals from 1,469,475 in 2019 to 180,284 in 2020; while domestic arrivals decreased 70.8% from 2,726,428 to 797,176 for the same period. Prior to the pandemic, total tourist arrivals in Sabah have been rising steadily over time (Table 1). When MCO was declared on the 18th of March 2020, the decline became noticeable. For the year 2020, tourist arrivals from January to March represented 71.3% of total visitors for the year while April to December the proportion recorded was 28.7%. It was particularly obvious for international tourists with 97.5% of them visiting Sabah during the period from January to March 2020 while only 2.5% of the total international visitors arrived during the remaining months of the year (Sabah Tourism Board 2021). This indicates a vast shrinkage in foreign arrivals, bordering on an almost total absence in Sabah from April 2020 onwards. While we understand the situation of the tourism sector in Sabah, we must now explore this situation with regards to the general employment situation in Malaysia.

#### **Employment Situation in Malaysia**

In Malaysia, the Covid-19 pandemic has affected the labour market. Job losses and reduction in working hours implemented by employers as cost-cutting measures were observed in almost all industries affected by unemployment for the year 2020 at 711,000, increased from 508,200 for year 2019 or unemployment rate increases to 4.5% (2020) from 3.3% (2019) as reported by the Department of Statistics Malaysia (2020).

It has been observed that the ratio of labour force participation for male is higher than female for all ranges of age. While these data might be a decade old as the census in Malaysia is taken on a 10-year cycle (Census 2010, as shown in Table 2) they are useful as a benchmark.

Table 2. Labour Force Participation Rate by Gender, 2010

|       | Male  | Female | Total |
|-------|-------|--------|-------|
| 10-14 | 7.4%  | 5.4%   | 6.4%  |
| 15-19 | 21.1% | 15.7%  | 18.4% |
| 20-24 | 73.3% | 57.8%  | 65.6% |
| 25-29 | 84.3% | 62.7%  | 73.7% |
| 30-34 | 90.0% | 56.9%  | 73.7% |
| 35-39 | 92.3% | 55.8%  | 74.0% |
| 40-44 | 92.6% | 52.8%  | 73.8% |
| 45-49 | 93.5% | 45.8%  | 71.3% |
| 50-54 | 90.0% | 43.4%  | 68.5% |
| 55-59 | 76.3% | 39.0%  | 58.8% |
| 60-64 | 64.2% | 33.8%  | 50.8% |
| 65-69 | 53.3% | 38.1%  | 45.5% |
| 70-74 | 49.6% | 30.8%  | 39.4% |
| 75+   | 47.9% | 26.6%  | 37.6% |
| Total | 49.6% | 31.7%  | 40.9% |

Source: Department of Statistics Malaysia (DOSM)



The major motivations for people to work are ranked in order as follow: to sustain cost of living, seeking attention, addressing pressure from one's surrounding peers, family and relatives, making one feeling comfortable and having peace of mind by working. For youth aged 20-29 years old, the main factor for them to work is to sustain their cost of living or cover their daily expenses (39%), follow by seeking attention (26%), addressing pressure from their peers, family and relatives (22%), feeling comfortable (8%) and obtain peace of mind (5%). This ranking order of factors are consistent with other age groups, as well as for both genders and regardless of whether one is with or without dependent (see Table 3).

Table 3. Motivations for Working, by Age, Gender, and Dependents, 2020

|                                    | 20-29 | 30-39 | 40-49 | 50-59 | Male | Female | With<br>Dependent | Without<br>Dependent |
|------------------------------------|-------|-------|-------|-------|------|--------|-------------------|----------------------|
| Pressure<br>(Peers,<br>Family etc) | 22%   | 25%   | 19%   | 12%   | 24%  | 19%    | 19%               | 22%                  |
| Seeking<br>Attention               |       |       | 22%   | 23%   | 25%  | 24%    | 26%               | 23%                  |
| Sustain Cost<br>of Living          | 39%   | 38%   | 40%   | 41%   | 38%  | 41%    | 40%               | 39%                  |
| Peace of Mind                      | 5%    | 4%    | 6%    | 10%   | 4%   | 7%     | 6%                | 5%                   |
| Feeling<br>Comfortable             | 8%    | 8%    | 13%   | 14%   | 9%   | 10%    | 9%                | 10%                  |

Source: Credit Counselling & Debt Management Agency (AKPK)
Adapted by: Institute of Youth Research Malaysia (IYRES)

The year 2020 was a challenging year for most countries around the world. Besides the airline industry, many industries in Malaysia were also affected by the pandemic. Figure 1 shows the loss of employment (LOE) in Malaysia for the year 2020. LOE in Malaysia refers to individuals who are insured with the Employment Insurance System (EIS), who had lost their job, but it does not include compulsory retirement, voluntary resignation, expiry of a fixed-term contract, and retrenchment due to misconduct. While it does not include all individuals affected by the pandemic such as those that did not sign up for the EIS, it is a

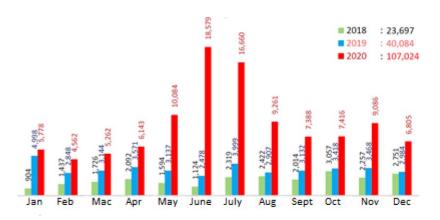


Figure 1. Monthly Loss of Employment in Malaysia, 2018 – 2020

Source: EIAS, 2020



significant point of reference to examine the impact in due course. The implementation of the Movement Control Order (since the 18 March 2020) has resulted the number of LOE to drastically increasing in tandem, peaking in June and July 2020 as can be seen in Figure 1.

The data also indicated that most industries were affected by the MCO, with the top three most affected industries being the manufacturing industry, followed by the wholesale and retail industries, and finally the accommodation and food and beverage sectors. Many other industries underwent a similar retrenchment process but to a lesser extent as shown in <u>Figure 2</u>. The main causes for these losses were downsizing, constituting 28% of total LOE, followed by business closure (25%), Voluntary/Mutual Separation Schemes (23%) (VSS/MSS), company financial problems (15%) and other issues (9%) as shown in <u>Figure 2</u>.

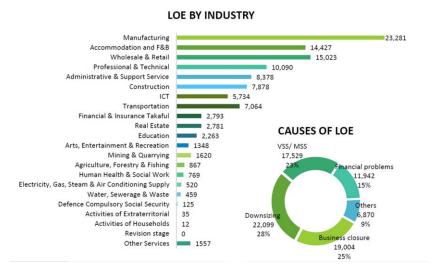


Figure 2. Loss of Employment in Malaysia by Industry and Causes, 2020 Source: <u>EIAS</u>, 2020

In terms of occupations affected by the LOE, professionals top the list, follow by technicians and associate professionals, various categories of managers, service and sales workers, plant & machine operators and assemblers, and finally clerical support workers and others (see Figure 3).



Figure 3. Loss of Employment in Malaysia by Major Occupation Category, 2020 Source: EIAS, 2020

It is important to note that most LOE involved those earning a relatively lower income. It shows a tendency for lower salary earners to face a greater risk of having their employment terminated in a challenging economy. As such 40.1% were those earning below RM2,000, while 62.2% of the LOEs have an income less than RM3,000 or 78.1% were those below RM4,000. Those with relatively higher incomes



were not spared from being laid off. <u>Table 4</u> demonstrates the income levels of LOE in the year 2020 that may well reflect the income disparity and further increase the gap between the rich and the poor, worsened over time by the Covid-19 pandemic.

Table 4. Loss of Employment by Wage Level in Malaysia, in number and in percentage, 2020

| Wage Level     | Number of LOE | %      | 1%     |  |  |  |
|----------------|---------------|--------|--------|--|--|--|
| <1000          | 7,819         | 7.3%   | 7.3%   |  |  |  |
| 1000-1499      | 19,632        | 18.3%  | 25.6%  |  |  |  |
| 1500-1999      | 15,439        | 14.4%  | 40.1%  |  |  |  |
| 2000-2499      | 13,170        | 12.3%  | 52.4%  |  |  |  |
| 2500-2999      | 10,471        | 9.8%   | 62.2%  |  |  |  |
| 3000-3499      | 8,205         | 7.7%   | 69.8%  |  |  |  |
| 3500-3999      | 8,862         | 8.3%   | 78.1%  |  |  |  |
| 4000-4499      | 7,556         | 7.1%   | 85.2%  |  |  |  |
| 4500-4999      | 4,293         | 4.0%   | 89.2%  |  |  |  |
| 6000-7999      | 4,702         | 4.4%   | 93.6%  |  |  |  |
| 8000-9999      | 2,362         | 2.2%   | 95.8%  |  |  |  |
| 10000-12999    | 1,819         | 1.7%   | 97.5%  |  |  |  |
| 13000-15999    | 958           | 0.9%   | 98.4%  |  |  |  |
| >16000         | 1,606         | 1.5%   | 99.9%  |  |  |  |
| Revision stage | 130           | 0.1%   | 100.0% |  |  |  |
| Total          | 107024        | 100.0% |        |  |  |  |

Source: EIAS, 2020

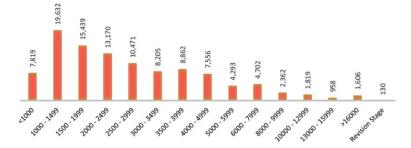


Figure 4. Loss of Employment by Wage Level in Malaysia, 2020 Source: <u>EIAS</u>, 2020

# **Employment Situation in Sabah**

The case study for Sabah was examined and compared with the situation at the national and international levels. Further data requested from Social Security Organization (SOCSO) in Malaysia, revealed that 74.6% of those suffering loss of employment (LOE) in Sabah are workers earning below RM2,000 (SOCSO)



<u>2021</u>). While the trend is consistent with the LOE trend in Malaysia that lower income earners are the major casualties in employment, the situation in Sabah is relatively more severe than the situation in Malaysia as a whole (40.1%, refer <u>Table 4</u> above). LOE over time in Sabah was found consistent with the trend of LOE in West Malaysia, peaking in June and July 2020 (see <u>Figure 1</u> and <u>Figure 5</u>).

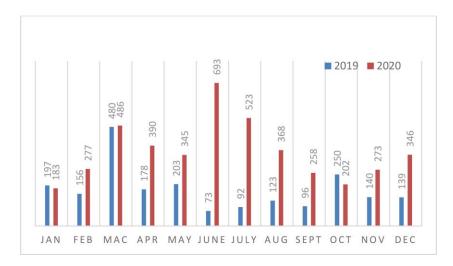


Figure 5. Monthly Loss of Employment in Sabah, 2019 – 2020 Source: SOCSO, 2021

The main reasons for job losses in Sabah were due to business closure (17.9%), financial problems of companies (17.4%), downsizing (15.2%), other issues (10.2%), partial closure (6.4%), VSS/MSS (5.5%), and several other categories that were below 4% (SOCSO 2021). In comparison with the overall Malaysian situation, the businesses were hard hit and relatively more difficult to sustain under the circumstances due to the fact that many companies in Sabah were relatively more engaged in economic activities pertaining to the tourism sector or have a higher business overhead cost in Sabah. With the implementation of MCOs to curb the spread of the disease, this overhead cost became unmanageable (Idris 2021). It was also interesting to note that the LOE on VSS/MSS in Sabah was relatively much lower in Sabah as compared to Malaysia as a whole (23%). This disparity may well reflect that fewer people have the option to 'select' or 'choose' the circumstances under which they would become unemployed, or rather this was not an option available to them. Although these may be unsubstantiated claims, this situation is well known anecdotally. As such, it would be interesting to establish its extent via further investigation into the wellbeing of workers as well as industry players in due course.

On the type of industries that top the list for LOE in Sabah was accommodation and food and beverages (21.6%), wholesale and retail (17.2%), administrative and support service (16.3%), construction (15.1%), manufacturing (4.6%), real estate (4.5%) while other industries accounted for less than 4% in each of the categories (SOCSO 2021). The industry based LOE composition in Sabah was very different from the West Malaysia situation where manufacturing sector had the highest LOE. This corroborates the fact that tourism plays a dominant role in the economy of Sabah.

In following section, some relevant primary data from the Family, Women and Youth Survey, conducted online between 13 November and 5 December 2020, were analysed. While these data did not specify the tourism sector, it is useful considering the main sector affected by loss of employment were mainly those related to tourism directly or indirectly as discussed above. <u>Table 5</u> shows the distribution of respondents under unmarried and married sample categories that cover all districts in Sabah.



Table 5. Respondents by Gender and Districts in Sabah

|               | UNMARR | MARRIED |       |     |            |       |  |  |  |  |
|---------------|--------|---------|-------|-----|------------|-------|--|--|--|--|
| District      | Male   | Female  | Total | Mal | e Female 1 | Total |  |  |  |  |
| Beaufort      | 15     | 21      | 36    | 11  | 14         | 25    |  |  |  |  |
| Beluran       | 19     | 10      | 29    | 21  | 19         | 40    |  |  |  |  |
| Keningau      | 20     | 52      | 72    | 32  | 35         | 67    |  |  |  |  |
| Kinabatangan  | 22     | 25      | 47    | 34  | 27         | 61    |  |  |  |  |
| Kota Belud    | 5      | 33      | 38    | 14  | 20         | 34    |  |  |  |  |
| Kota Kinabalu | 73     | 117     | 190   | 88  | 86         | 174   |  |  |  |  |
| Kota Marudu   | 11     | 30      | 41    | 13  | 12         | 25    |  |  |  |  |
| Kuala Penyu   | 4      | 5       | 9     | 2   | 5          | 7     |  |  |  |  |
| Kudat         | 5      | 20      | 25    | 21  | 11         | 32    |  |  |  |  |
| Kunak         | 5      | 18      | 23    | 13  | 10         | 23    |  |  |  |  |
| Lahad Datu    | 31     | 47      | 78    | 41  | 36         | 77    |  |  |  |  |
| Nabawan       | 4      | 9       | 13    | 8   | 4          | 12    |  |  |  |  |
| Papar         | 20     | 51      | 71    | 21  | 28         | 49    |  |  |  |  |
| Penampang     | 15     | 34      | 49    | 20  | 25         | 45    |  |  |  |  |
| Pitas         | 9      | 5       | 14    | 5   | 7          | 12    |  |  |  |  |
| Ranau         | 14     | 44      | 58    | 23  | 12         | 35    |  |  |  |  |
| Sandakan      | 62     | 87      | 149   | 76  | 78         | 154   |  |  |  |  |
| Semporna      | 8      | 31      | 39    | 28  | 26         | 54    |  |  |  |  |
| Sipitang      | 4      | 14      | 18    | 6   | 7          | 13    |  |  |  |  |
| Tambunan      | 5      | 17      | 22    | 5   | 9          | 14    |  |  |  |  |
| Tawau         | 55     | 104     | 159   | 71  | 82         | 153   |  |  |  |  |
| Tenom         | 12     | 9       | 21    | 10  | 10         | 20    |  |  |  |  |
| Tongod        | 9      | 4       | 13    | 8   | 5          | 13    |  |  |  |  |
| Tuaran        | 18     | 45      | 63    | 19  | 20         | 39    |  |  |  |  |
| Putatan       | 9      | 16      | 25    | 11  | 13         | 24    |  |  |  |  |
| TOTAL         | 454    | 848     | 1302  | 601 | 601        | 1202  |  |  |  |  |

Source: Tey et al. 2020

From the data collected from 2503 respondents at the end of 2020, 779 respondents (31%) reported that they were forced out of their jobs, comprising 438 female respondents and 341 male respondents. In terms of marital status, 443 unmarried respondents and 336 married respondents had lost employment due to the implementation of MCO (see <u>Table 6</u>). The findings demonstrated that more unmarried respondents had their jobs terminated as compared to married respondents. Unmarried respondents are relatively younger



that married respondents on average. Hence, this is also in line with the claim that younger workers are facing greater risks of losing their job than more experienced workers. Besides, it may well be that marital status has been one of the factors considered by employer in retrenchment. However, this claim needs further verification.

Table 6. Loss of Employment due to MCO in Sabah

| Description | Description Unmarried |      |      |        | Total | %    | Married |      |      |        | Total | %    | Uni  | marrie | ried | Total  | %    |      |      |
|-------------|-----------------------|------|------|--------|-------|------|---------|------|------|--------|-------|------|------|--------|------|--------|------|------|------|
|             |                       | Male | %    | Female | %     |      |         | Male | %    | Female | %     |      |      | Male   | %    | Female | %    |      |      |
|             | No                    | 283  | 62%  | 575    | 68%   | 858  | 66%     | 431  | 72%  | 435    | 72%   | 866  | 72%  | 714    | 68%  | 1010   | 70%  | 1724 | 69%  |
| Job         | Yes                   | 171  | 38%  | 272    | 32%   | 443  | 34%     | 170  | 28%  | 166    | 28%   | 336  | 28%  | 341    | 32%  | 438    | 30%  | 779  | 31%  |
| Total       |                       | 454  | 100% | 847    | 100%  | 1301 | 100%    | 601  | 100% | 601    | 100%  | 1202 | 100% | 1055   | 100% | 1448   | 100% | 2503 | 100% |

Source: Tey et al. 2020

The survey also investigated the loss of businesses as a consequence of implementing the MCO. A total of 582 respondents or about one quarter of respondents reported that they have loss businesses. Detailed figures on loss of businesses due to MCO are shown in <u>Table 7</u>. These primary data were consistent with the analysis of the secondary data presented in earlier section.

Table 7. Loss of Business due to MCO in Sabah

| Description |     |      | Unm  | narried |      | Total | %    |      | Married |        |      | Total | l % Unmarried & Married |      |      |        |      | Total | %    |
|-------------|-----|------|------|---------|------|-------|------|------|---------|--------|------|-------|-------------------------|------|------|--------|------|-------|------|
|             |     | Male | %    | Female  | %    |       |      | Male | %       | Female | %    |       |                         | Male | %    | Female | %    |       |      |
|             | No  | 328  | 72%  | 684     | 81%  | 1012  | 78%  | 457  | 76%     | 452    | 75%  | 909   | 76%                     | 785  | 74%  | 1136   | 78%  | 1921  | 77%  |
| Business    | Yes | 126  | 28%  | 163     | 19%  | 289   | 22%  | 144  | 24%     | 149    | 25%  | 293   | 24%                     | 270  | 26%  | 312    | 22%  | 582   | 23%  |
| Total       |     | 454  | 100% | 847     | 100% | 1301  | 100% | 601  | 100%    | 601    | 100% | 1202  | 100%                    | 1055 | 100% | 1448   | 100% | 2503  | 100% |

Source: Tey et al. 2020

With the imposition of MCO, it is noticed that majority of the respondents or more than two-third of respondents experienced a reduction in income (see <u>Table 8</u>). Thus, we can extrapolate that whether it is the loss of businesses or employment, most respondents were impacted financially under MCO. This claim is consistent when comparing the loss of employment for year 2019 and 2020 in Sabah, a significant increase that LOE in 2020 has doubled from year 2019 or 104.2%, i.e. from 2123 cases to 4344 that was recorded by SOCSO (<u>SOCSO 2021</u>).

Table 8. Reduction in Income due to MCO in Sabah

| Description          | Description |      | Unm  | narried |      | Total | %    | 6 Married |      |        |      | Married |      |      | Total | %      | Uni  | marrie | d & Mari | ried | Total | % |
|----------------------|-------------|------|------|---------|------|-------|------|-----------|------|--------|------|---------|------|------|-------|--------|------|--------|----------|------|-------|---|
|                      |             | Male | %    | Female  | %    |       |      | Male      | %    | Female | %    |         |      | Male | %     | Female | %    |        |          |      |       |   |
| MCO_                 | No          | 135  | 30%  | 253     | 30%  | 388   | 30%  | 205       | 34%  | 200    | 33%  | 405     | 34%  | 340  | 32%   | 453    | 31%  | 793    | 32%      |      |       |   |
| Income_<br>Reduction | Yes         | 319  | 70%  | 594     | 70%  | 913   | 70%  | 396       | 66%  | 401    | 67%  | 797     | 66%  | 715  | 68%   | 995    | 69%  | 1710   | 68%      |      |       |   |
| Total                |             | 454  | 100% | 847     | 100% | 1301  | 100% | 601       | 100% | 601    | 100% | 1202    | 100% | 1055 | 100%  | 1448   | 100% | 2503   | 100%     |      |       |   |

Source: Tey et al. 2020



#### Conclusion

The January of Covid-19 has affected working hours and the earnings of workers around the world. The International Labour Organization (ILO) has compiled the list of industries affected and urgent government policy is needed to address the situation. This crisis is expected to affect 6.7% of working hours around the world, which is equivalent to 195 million full-time workers (ILO 2020). Around 81% of the global workforce of 3.3 billion was exposed partially or fully by this pandemic. Thus, comprehensive policies are needed to focus on, but not limited to, the following four aspects: supporting enterprises, employment, and incomes; protecting workers in the workplace; stimulating the economy and jobs; and using social dialogue between government, workers, and employers to find the solutions.

As Malaysia enters a new phase of the Covid-19 wave, it is unknown where the peak is as new highs are reported daily. Thus, it is important to prepare the community in facing the new challenges, financially and psychologically by evaluating and revisiting the strategies employed over the last one year. If the pandemic is prolonged and continue to impact the bread and butter of the people, fatigue will set in, resulting in the Malaysian society putting aside the current Standard Operating Procedures (SOP) in the Covid-19 prevention strategies or measures. We have seen this happen in countries like Indonesia and India, where livelihood has trumped Covid 19 prevention SOPs.

Indecisiveness in policy, political uncertainty and politicians behaving as if they are above the law in complying with SOP, will result in the erosion of the people's trust as the situation of Covid-19 and economy continues to worsen over time. With uncertainty ahead and the declaration of emergency, the ruling PN-government may have been able to avoid a 'vote of confidence' in parliament, however, the ruling government cannot prevent the declining of 'voice of confidence' in the government.

With the news of the availability of vaccines for the COVID19 after successfully passing the mandatory clinical trials, being made available in Malaysia, the situation is looking favourable. However, effective measures to address the economic issues are still lacking. It is generally accepted that the people's confidence in the government is closely related to the well-being of the economy. As shown in the survey conducted in Sabah and in the secondary data obtained from government agencies at the national level in Malaysia, the findings pointed to one common ground i.e. the hardship faced by the majority of Malaysians in the time of this pandemic Covid-19. Government roles and engagement with various communities and industries are essential especially when it involves retrenchment, loss of employment and/or loss of businesses in due course. Supports and measures for employers and employees need to be emphasised to overcome the challenges in this difficult time for all.

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