

## Pushed to the margins: The unequal impacts of the COVID-19 crisis on marginalised Malaysian workers

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### KEY TAKEAWAYS

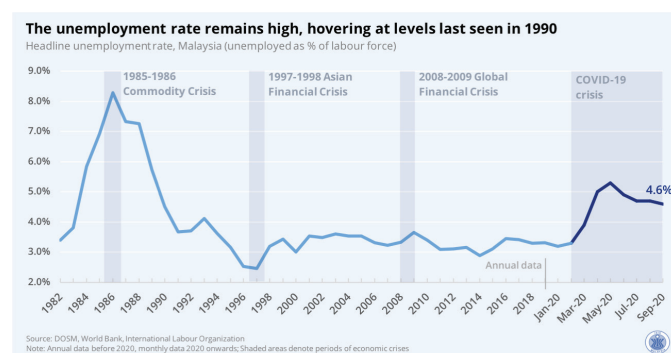
- Women, youth, and lower-educated workers have borne the brunt of the immediate negative employment impacts of the COVID-19 crisis, while mostly being left out of the partial recovery that followed.
- Despite women only making up 39 percent of all employed workers in Malaysia, they made up nearly 2 out of 3 of the total employment declines in 2Q2020. Younger women were especially vulnerable, experiencing an average rate of employment decline about 5.6 times higher than the overall decline in employment.
- Lower-educated workers in blue collar occupations have also been severely hit by the crisis, whereas tertiary-educated workers in "higher-skilled" occupations have been largely shielded from the employment impacts of the pandemic.
- Working towards dismantling unequal gender structures, extending and broadening unemployment benefits, and expanding cash stimulus to households can play a role in alleviating some of these pressures on vulnerable groups in the short term as well as boost economic growth and productivity in the longer term.

### 1.0 Introduction and aggregate impact

As the COVID-19 crisis rages on, its unequal impacts have only become more apparent. All around the world, the novel coronavirus has devastated marginalised and underserved groups and communities. This is especially true for workers. International evidence shows that the COVID-19 crisis has disproportionately hurt vulnerable worker groups like women as well as lesser-educated and younger workers. By some [estimates](#), global COVID-19 job loss rates for women are nearly twice as high as job losses for men, while [one in six](#) young workers have lost employment.

The situation is no different in Malaysia. The COVID-19 pandemic has created the largest employment crisis in decades. Compared to a 2019 baseline, we estimate that an average of about 242,518 Malaysian workers have stopped working in 2Q2020, while the number of unemployed persons have risen by about 276,398 persons. In 3Q2020, relaxed movement control restrictions allowed employment to partially recover, but the unemployment rate still remained at multi-decade highs of about 4.6 percent in September (Fig. 1).

**Fig. 1 Overall unemployment rates, 1982 – September 2020**



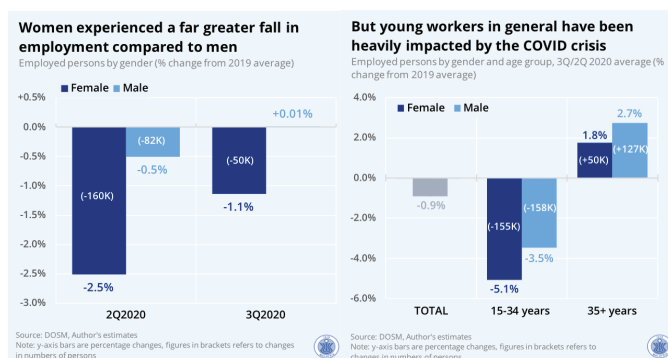
At the same time, consistent with international experience, we find that both the employment shocks as well as the subsequent partial labour market recovery from the COVID-19 crisis has been deeply uneven. Overall, our analysis indicates that women, youth, and lower-educated workers have borne the brunt of the immediate negative employment impacts from the COVID-19 crisis, while mostly being left out of the partial recovery that followed.

In this report, we focus mainly on examining the immediate employment impacts of the COVID-19 crisis—gauging how declines in employment have affected different worker groups, rather than focusing only on measures of labour market slack.

## 2.0 Women and youth have been the hardest hit

Women, particularly younger women, have experienced far greater declines in employment compared to older men. We estimate that compared to a 2019 pre-crisis average, the number of employed women fell by about 5 times more than the fall in employed men, recording a -2.5 percent decline in 2Q2020 (vs 2019), compared to just -0.5 percent for men. Put differently, despite women only making up 39 percent of all employed workers in Malaysia, women made up nearly 2 out of 3 of the total employment declines in 2Q2020 (Fig. 2). In 3Q2020, as movement restrictions were gradually lifted and labour market conditions improved slightly, the number of employed women still continued to decrease (albeit at a slower pace), even as men's employment had already begun to recover (Fig. 2).

**Fig. 2 Employment impacts by gender, 2Q-3Q 2020**

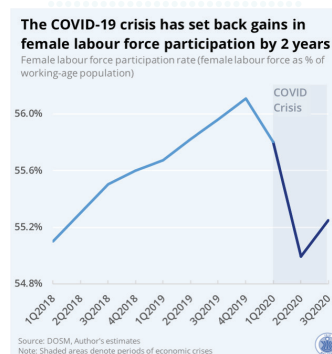


Beyond the gender aggregates, there is also a strong [youth dimension](#) to these employment declines. Younger workers in general were far more likely to have experienced adverse employment effects, with younger women especially susceptible. Over the past two quarters, compared to 2019, our estimates suggest that younger workers aged 13–34 years experienced an average fall in employment more than 4.5 times higher than the overall decline in employment (0.9 percent—see Fig. 3); while younger women in particular experienced an average decline in employment which was 5.6 times higher (-5.1 percent decline—see Fig. 3). Meanwhile, older workers have fared better. In particular, older men (35+ years) saw sizable employment gains in the post-crisis period (+2.7 percent) compared to a 2019 average.

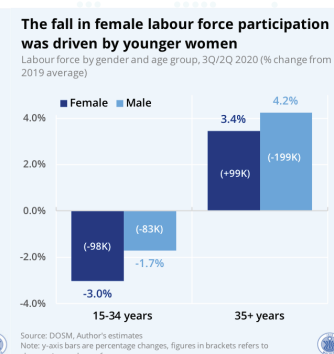
But the impacts of the COVID-19 crisis on women go beyond just lower employment. Recent data indicates that more and more women have exited the labour force entirely. Over the past two quarters, Malaysia's female labour force participation rate has declined drastically, reversing the steady progress made over the past two years in women's workforce participation (Fig. 4). However, looking deeper at labour force numbers by age and gender highlights a significant degree of heterogeneity. Data suggests that younger women (and younger men to a lesser degree) were overwhelmingly more likely to have exited the labour force as opposed to

older women and older men—experiencing a 3.0 percent decline in labour force numbers (Fig. 5).

**Fig. 4 Female labour force participation**



**Fig. 5 Labour force numbers by gender and age**



## 3.0 Structural gender inequities are a driving factor

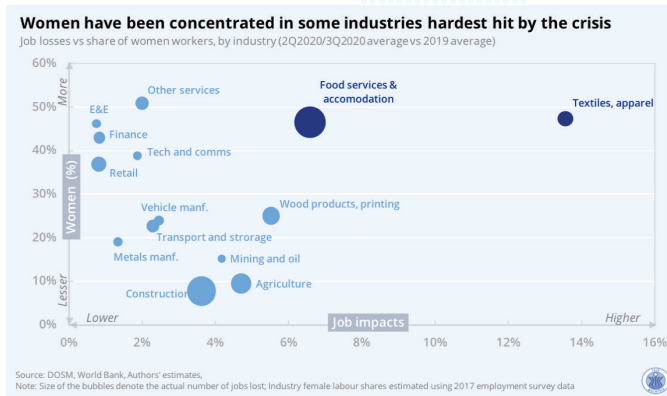
These heavy employment losses suggest that women's vulnerability to the labour market impacts of the COVID-19 crisis are due to a combination of several factors. Firstly, there is some evidence for industry-mix effects: (young) women workers are [concentrated](#) in some of the demand-sensitive [industries](#) hardest hit by the COVID-19 crisis. In Malaysia, these are industries like food services and accommodation, along with textiles and apparel (Fig. 6).

Yet, this only explains a small proportion of the disproportionate impact on women's employment. The larger factor here is the pre-existing structural inequalities faced by women (particularly younger women). International [evidence](#) since the start of the COVID-19 crisis suggests that pre-existing socio-economic inequalities such as the burden of [unpaid](#) care work on women has been exacerbated by the increasing need for child/family care as health risks mount and as schools and care centres close.

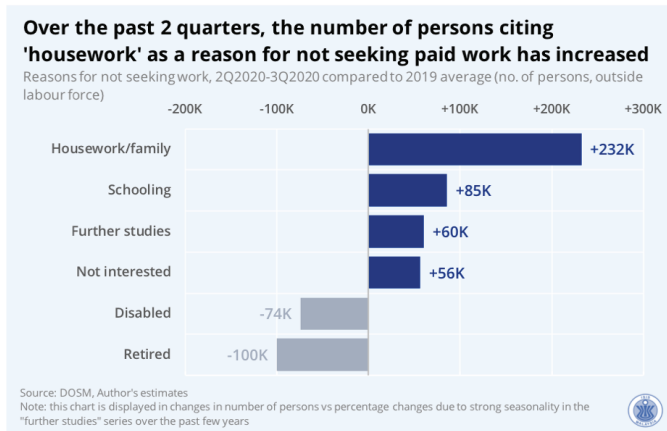
This increase in unpaid care responsibilities, compounded by long-standing inequities in the labour market (like the [gender pay gap](#) and [systemic discrimination](#) in the workplace) have played an important role in contributing to both women's disproportionate share of employment declines as well as higher workforce exits. Indeed, the exit of young women from Malaysia's labour force coincided with an increase in persons outside the labour force citing "housework/family" preventing them from seeking paid work in recent workforce surveys (Fig. 7).



**Fig. 6 Women's labour share and job impacts by industry**



**Fig. 7 Reasons for labour force non-participation\***



#### 4.0 Lesser-educated workers in elementary occupations have also seen far larger employment impacts

Similarly, our analysis suggests that lower-educated workers in blue collar occupations have been more severely hit by the crisis, whilst tertiary-educated workers in "higher-skilled" occupations were largely shielded from employment declines.

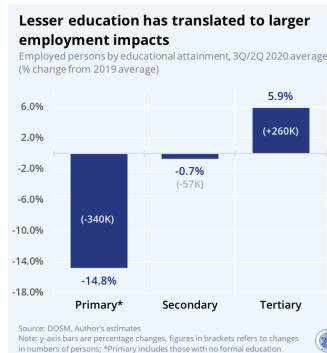
Data disaggregated by educational attainment shows that that employment impacts have varied greatly by educational attainment (Fig. 8). Tertiary-educated workers, on balance, have still managed positive employment growth even in the crisis period. In contrast, lesser-educated workers have faced tremendous employment declines. In particular, workers with primary education and below recorded a 14.8 percent decline in employment compared to 2019—translating to an estimated 339,492 workers with primary education who have stopped work since the crisis began.

By occupation type, the data indicates a similar trend. Employment in lower-tech and blue collar occupations requiring more manual labour like 'machine operators', 'elementary occupations', and 'craft and trade workers' have been decimated by the crisis, with our estimates showing that about 130,025 machine operators and 99,425 workers in 'elementary occupations' have stopped work in the crisis period compared to a 2019 average (Fig.

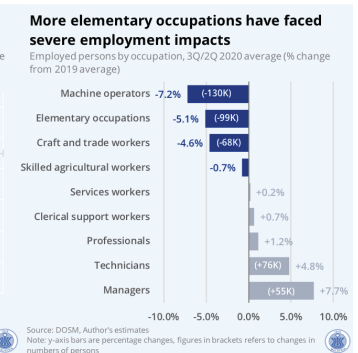
9). Meanwhile, mirroring the employment impacts for tertiary workers (Fig. 8), white-collar occupations like 'managers' and 'technicians' have managed to see positive employment gains versus a 2019 average (Fig. 9). Based on status in employment, we also observe large employment declines in workers classified as 'employer'—likely [smallholder/micro-enterprise](#) owners—as well as 'self-employed' workers (Fig. 10).

This stark educational and occupational divide in vulnerability is consistent with international experience with the COVID-19 crisis, highlighting issues such as the difficulty and availability of [remote work](#) for blue-collar occupations which mostly requires hands-on on-site work, compared to white-collar occupations and managerial positions. Similarly, it is [well-documented](#) that [self-employed](#) or casual/informal workers along with [small/micro-enterprises](#) are particularly [susceptible](#) to the demand shocks from the pandemic—due in large part to a lack of financial buffers and inadequate protection from social safety nets. This large divergence in employment impacts between higher-educated, "higher-skilled" professionals and lesser-educated workers will widen existing class and income disparities in the labour market. In reality, there may be substantial overlap between these vulnerable groups, with workers at the intersection of multiple vulnerabilities being particularly exposed to shocks. For instance, the [majority](#) of workers in the informal sector are women—and many of them are young and/or lesser-educated.

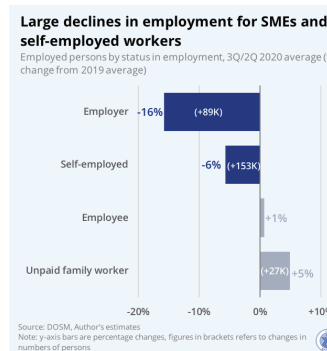
**Fig. 8 Employment impacts by education**



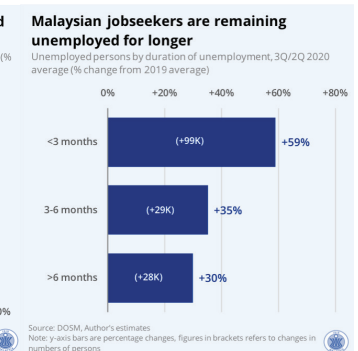
**Fig. 9 Employment impacts by occupation (MASCO 2013)**



**Fig. 10 Employment impacts by status in employment**



**Fig. 11 Duration of unemployment**





## 5.0 Policy action to safeguard Malaysian workers and households

As we have [previously argued](#), decisive policy action can play a role in both alleviating some of these pressures in the immediate-term as well as increasing economic growth and productivity for the longer-term. We highlight four potential areas for policy action.

### 1. Expanding and extending unemployment benefits.

Increasing the Employment Insurance System' (EIS) Job Search Allowance (JSA) benefits and temporarily extending the current 6-month maximum limit for receipt of these unemployment benefits to 12-months will benefit more than half a million unemployed Malaysians. The COVID-19 crisis has dramatically depressed labour market conditions—and Malaysians are remaining unemployed for longer as a result. Already, the number of people who have been unemployed longer than 6 months in 2Q-3Q2020 has increased by 30 percent compared to 2019 (Fig. 11). Unemployment insurance needs to take this into account, and allow unemployed job seekers more time and financial headroom to seek employment before their current EIS JSA benefits run out. Expanding unemployment insurance will also disproportionately help women and youth jobseekers who have faced the greatest employment impacts from the crisis.

Additionally, broadening the scope of the EIS unemployment benefits to fully cover self-employed/independent workers as well as relaxing contributory conditions (CQC) will be a first step in closing large gaps in vulnerability for self-employed workers that were hit hard by the pandemic. These temporary expansions and extensions to the EIS should also be directly financed by the federal government through an [act of parliament](#), rather than depleting the current pool of EIS payroll contributions.

### 2. Improve existing cash transfer programs and include cash support for childcare.

The current 2020–2021 Bantuan Prihatin Nasional (BPN) supplementary emergency cash transfer program has already benefited millions of Malaysian households, and the new 2021 Bantuan Prihatin Rakyat (BPR), successor to the Bantuan Sara Hidup (BSH) cash transfers, represents a slight improvement in terms of benefit size. Yet, these programs are based largely on infrastructure and mechanisms inherited from the 2019–2020 Bantuan Sara Hidup (BSH) program. As such, mending pre-existing weaknesses in Malaysia's cash transfer program infrastructure could have outside impacts for the longer-term. These [fixes](#) include further increasing transfer sizes as well as allowing income targeting eligibility to vary by [household income](#). Similarly, increasing efforts towards the reduction of targeting exclusion errors and program undercoverage—as well as making it altogether easier to apply and receive cash support—would decrease the number of people that fall through the cracks. Furthermore, building on earlier Penjana [childcare eVouchers](#) and expanding [previous childcare subsidies](#) for low-income families, and providing additional supplementary cash support for mothers with children

would help to alleviate the rising burden of childcare amid the pandemic and help families return to work more easily.

**3. Work towards confronting gender inequality.** Inclusive fiscal policies that promote gender equality can contribute to dismantling structural issues that disadvantage women in the long-term whilst alleviating the negative immediate-term impacts. This would entail distributing the burden of care work more equitably, in part through subsidizing childcare through cash transfers (see above) and/or through expanding public investment in accessible state-funded childcare facilities nationwide. Additionally, international [evidence](#) suggests that implementing federally-funded universal paid family leave policies that encourage greater sharing of paternity leave would distribute the responsibility of childcare more equitably, encourage quicker return-to-work for women, and [shift cultural norms](#) regarding gender roles in society. Concurrently, granting [legal protection](#) to women against labour market discrimination—including unequal hiring practices, [the gender pay](#) gap and issues related to sexual harassment—along with strengthening collective bargaining mechanisms and increasing union [coverage amongst women workers](#) can be a good first step to erode systemic discriminations in the workplace and make it [easier](#) for women to work.

**4. Spending more on stimulating economic growth and supporting microenterprises.** Expanding government spending to boost aggregate demand and tighten labour markets tends to [benefit marginalised worker](#) groups like youth, women, and lesser-educated workers whose employment is more cyclically-sensitive. To be sure, multiple stimulus efforts are already underway. However, there remains room for continued fiscal expansion, particularly if macroeconomic conditions and labour market indicators in the coming months show continued employment losses for vulnerable worker groups. Economic crises present good opportunities to invest in future productivity as borrowing costs are generally lower—[MGS 10 year yields](#) are near multi-decade lows as at time of writing—and fiscal expenditure multipliers are typically larger.

Here, we highlight three additional avenues for fiscal expansion that may provide the greatest bang-for-the-buck in terms of both its growth and distributional impacts.

**Increase infrastructure spending.** Adding on to the RM4 billion small-scale projects in underdeveloped regions presented in the Prihatin stimulus package, and the [RM2.7 billion](#) allocated for rural infrastructure in 2021, can raise [long-term productivity](#) and [economic growth](#), especially if financed by higher government deficits.

**Expand and extend the Special Prihatin micro-enterprise grant program.** i.e. Geran Khas Prihatin (GKP). SMEs—and Micro-enterprises in particular—have faced [high closure](#) rates since the beginning of the crisis. While the GKP has been a lifeline to some micro-enterprises, overall it was broadly limited in terms of individual grant size (RM3,000



one-off per enterprise), as well as in program coverage: surveys suggest that a [majority](#) of micro-enterprises still have not received any government assistance, even while [GKP 2.0 registrations](#) have already closed in October 2020. Increasing GKP's grant size and coverage can help small businesses survive the crisis and reduce the numerous costs of business closures.

**Increase direct cash stimulus to households.** Research has shown that [direct cash stimulus](#) to households via cash transfers or immediate tax rebates get money out into the real economy much quicker than other conventional fiscal stimulus tools like corporate tax cuts—as well as having [high growth impacts](#). Emergency cash support to households can also be made [automatic](#)—pre-set to trigger whenever macroeconomic indicators worsen below a specified threshold, helping to automatically [safeguard](#) the welfare of lower-income households amid periods of economic turmoil whilst supporting economic growth.

## 6.0 Conclusion

In Malaysia, our report suggests that vulnerable worker groups like women, youth, lesser-educated, and self-employed/independent contractors have experienced employment losses many times higher than the average worker. Moreover, the partial recovery that followed has tended to exclude workers from these vulnerable groups—instead mostly favouring workers who are male, older, higher-educated and more experienced.

As global COVID-19 infections continue to mount, it may be tempting to think that the virus affects the rich and the poor equally—knowing no race, gender or age. Yet, reality is quite the opposite. All around the world, recent data has shown that the crisis overwhelmingly hurts marginalised communities already suffering deep-seated inequities even before the onset of the pandemic. Millions of lives and billions of livelihoods have been decimated by COVID-19, but assessing the impacts of this crisis by just looking at aggregates would be missing the point.

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