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# 1 Introduction

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When Covid-19 first struck, large swathes of jobs and workers reeled from the impact of the economic and health shocks that trailed in its wake. In the process, it also accelerated the path towards the future of work – now a portent of disruptions looming on the horizon. But like all disruptions in the past, not all jobs were equally impacted, with certain forms of employment, skills and sectors left at a bigger disadvantage than others.

In this regard, labour intensity, level of skills and informality<sup>1</sup> were the key factors that shaped the extent to which workers were affected. Like the rest of the world, Malaysia’s most vulnerable workers were left exposed to the worst of the pandemic, suffering the brunt of both job losses and health hazards, which deepened socioeconomic inequality. Yet, the inequality of the Covid-19 crisis highlights the need for a re-evaluation of how our labour markets work and raises the question of how we can develop a fairer world of work.

Even as we return to “normality”, revisiting the lessons of Covid-19 is far from superfluous. The pandemic profoundly reshaped the ways we live, work and learn – necessitating new strategies to navigate the labour market challenges of tomorrow. The future of work will require careful understanding of the new contours of the labour market and how workers, employers, policymakers and governments play a role in the reshaping.

This book aims to capture that spirit by charting both an analytical overview of the Covid-19 disruptions and outlining the path ahead. By bringing together experts from both local and international research organisations, these chapters represent multi-disciplinary approaches to provide an overarching narrative on the labour market for the endemic era. Written in October 2022, this book aims to provide nuanced analyses of the pandemic's disruptions and crucial lessons learned for the future of work.

By first analysing the state of the labour market and the institutions that shape it, this book maps pathways towards strengthening wages, jobs, working conditions and social protection in Malaysia – questions the country has long grappled with in its quest for economic growth – as the key fundamentals for recovering from the pandemic. Amid this, we undertake a review of the short- and long-term impacts of the pandemic on the economy, and what the implications are for an overarching labour market policy to build back better. It moves on to identify specific worker groups who exist at the margins of the labour market or who remain most vulnerable to the onslaught of crises and economic shocks, such as informal workers and women. Here, we consider their plight in and beyond the pandemic to establish the foundations for a more inclusive world of work. Finally, we consider future trends for the labour market through transformational shifts in hiring, digitalisation and the green economy. Even as technological advancements and climate change pose a functional threat to labour markets, these shifts, if well harnessed, also present opportunities for growth.

In the first chapter on *Decent work, wage growth as national objective*, **Lee Hwok-Aun** and **Kevin Zhang** of **ISEAS-Yusof Ishak Institute** review Malaysia's labour standards, detailing its transition out of a low-wage regime through the long-awaited introduction of a minimum wage in 2013. This represented a significant step towards achieving decent work in the country. But the effects of Covid-19 have been drastic, wiping out at least a few years of wage growth for low-wage workers, while exposing the country's pervasive low-wage issues and inadequate labour institutions. The authors argue that minimum wage, in itself, while safeguarding the well-being of low-wage workers, has its limits. The authors critically

consider the issue of a living wage as a concept that aligns more closely to the ideals of “decent work”. Policy solutions thus require a focus on unemployment assistance and job protection, wage growth and improving work and living conditions for all workers, including migrants.

In *Post-Covid-19 recovery and quest for ‘good jobs’*, author **Calvin Cheng** from **ISIS Malaysia** delves deeper into the complexities of this issue. The chapter discusses the structural inequalities that have widened as a result of the pandemic and how, if left unchecked, will pose long-term consequences for economic development, social mobility and socio-political stability. Within this, the author shows how the demographics most affected were younger, lesser educated and women. An equitable and inclusive recovery requires the incentivisation of “good jobs” – essentially those that ensure individuals earn a middle-class living wage while enjoying employment stability and protections. But the risk lies in leaving the market to its own devices when it comes to creating such jobs. Future labour market policies can buttress Malaysia’s quest for good jobs by implementing two key pillars: safeguarding the welfare of workers and building resilience against crises while supporting the longer-term development of workers and creating opportunities.

**Amanina Abdur Rahman** and **Alyssa Jasmin** of the **World Bank** explore the impacts of the pandemic on informal workers who, due to their exclusion from employment-related protection, were rendered more economically vulnerable than formal workers. In *The changing nature of work: an overview of informal employment in Malaysia*, the authors provide a foundational look at the trends in informal employment and employment characteristics: likely youth or older workers and those who are less highly educated. In a bid to support their protection and productivity, Malaysia has taken significant strides towards developing policies and programmes for the informally employed through the Socso and Employees Provident Fund (EPF) schemes. They argue what lies ahead is a need for new approaches to be explored to improve individual-based protection. The dominant association of informal employment with gig work also runs the risk of excluding “traditional” informal workers in agriculture, forestry and fishery. Finally, the authors contend that informal workers are a heterogenous group and reflecting that nuance

in the design of subsequent policies and social protection programmes is vital to the plight of informal workers.

Across the board, women workers have also stood out as particularly vulnerable to the impacts of Covid-19 – a fact that is heavily emphasised throughout this volume. In *Centring women's work and care at core of recovery*, authors **Lee Min Hui** and **Sofea Azahar** of **ISIS Malaysia** look deeper into the “she-cession” catalysed by economic shocks during Covid-19. The pandemic disproportionately affected women, who experienced more negative labour impacts and whose recovery in the endemic phase has been considerably slower. Locating the source of inequality in the burden of care shouldered by women across households, the chapter delves into the necessity of a care-centred approach in policymaking. But existing labour laws, such as the Employment Act 1955, are unlikely to bring about such change and undermined by implementation challenges. By further juxtaposing the care policy packages across Asia, policies like maternity and paternity leave, shared parental leave and childcare support are vital for the formation of a gender-responsive and family-friendly labour future for workers.

Beyond that, one of the biggest changes wrought on the world of work has been the transition to hybrid and flexible work. In the chapter on *Prepping the nation for skills-based hiring*, **Nurul Izzati Kamarulbahri** and **Mohd Ikhwan Abdullah** of **TalentCorp Malaysia** suggest that where educational degrees used to be a proxy to guarantee employment, there has since been a shift towards skills-based hiring – what many deem a “structural reset” accelerated by the pandemic. The chapter provides a brief look into the skills employers now seek amid shifts in technological currents. The result is a demand for more hybrid competencies, such as a balance between higher cognitive and socioemotional skills with technical skills. In the context of Malaysia, however, these hiring trends are a double-edged sword. While it could equalise the playing field for the country’s “lost generation” – young people badly affected by education gaps during the pandemic – it risks confining qualified graduates into underemployment or informal work. Future policies will need to set conditions for better skills-based hiring through education, training and

development programmes, stronger commitments to lifelong learning, and rethinking remuneration levels for employees.

Finally, **Ahmad Afandi** of **ISIS Malaysia** and **Darshan Joshi** of **The Asia Foundation** and **World Bank** identify opportunities for green jobs in light of Covid-19 in *Putting environment and climate action at heart of job creation and security*. The pandemic has revealed the link between climate risks and the rise of zoonotic diseases, highlighting the ways in which planetary boundaries have been crossed through ecosystem exploitation, agricultural intensification and climate change, which combined are now affecting human health on a grand scale. In its wake, it also stalled progress towards achieving the United Nations Sustainable Development Goals (SDGs) even as Malaysia has exhibited an encouraging reorientation towards risk-based thinking and focus on green growth in recent years. The authors further emphasise the role of jobs driven by the green economy, sustainability and environmental, social and governance (ESG) agenda as a key solution to building back better. Finally, they argue that a climate and environmental lens is an important aspect of labour policies to achieve the twin goals of job creation and worker protection.

It is a pivotal time for Malaysia's labour landscape. The opportunity to reshape it to be safer and more inclusive to thrive in the endemic era is now. Indeed, it is no small task – requiring evidence-based policymaking, and cross-cutting and sustained collaboration across labour market institutions, employers, worker groups and policymakers. But the lessons from the pandemic offer strategic direction for the future – one that factors in resilience, equitability and inclusivity.

## Note

<sup>1</sup> Park, C. Y., & Inocencio, A. M. (2020). *Covid-19, technology, and polarizing jobs* [ABD Briefs No. 147]. <https://www.adb.org/sites/default/files/publication/623036/covid-19-technology-polarizing-jobs.pdf>