

Risk of rising unemployment remains high with MCO 2.0

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Malaysian Employers Federation executive director Datuk Shamsuddin Bardan said this year has to take into account the 2020 cohort coming out of the education system.

PETALING JAYA: The worsening Covid-19 pandemic, which triggered a second round of the movement control order (MCO) in Malaysia, has once again cast the spotlight on rising unemployment.

Businesses are staring at a road full of uncertainties even with the hint of vaccine optimism and as it is, job prospects for remains jittery.

Many are worried this MCO, with its possible extensions, would be the straw that breaks the camel's back.

With the expectations of an economic reset as soon as a massive inoculation can be carried out with the Covid-19 availability, Malaysia has to deal with 764,400 currently unemployed and possibly around one million new entrants to the job market.

Malaysian Employers Federation (MEF) executive director Datuk Shamsuddin Bardan told StarBiz this year has to take into account the 2020 cohort coming out of the education system.

“They were supposed to have graduated last year but due to the disruption, they are supposed to take their final exams this year.

“And also taking into account the 2021 cohort, we’re talking about a double input into the labour market this year, with a high of about one million people,” he said, adding despite the government’s commitment in [Budget 2021](#) to create 500,000 new jobs, the present situation will make it very challenging moving forward.

The Statistics Department’s November unemployment data showed the rate was slowly creeping up and it would only remain elevated this year.

Malaysia’s unemployment rate rose to a high of 5.3% last May and moderated to 4.6% by September, only to start rising again to 4.7% in October and 4.8% in November.

Acknowledging there is no choice for the government but to implement the MCO due to the safety of the people, Shamsuddin said unemployment will remain challenging as more companies freeze their hiring.

“Unfortunately this time around, the MCO was announced without any kind of further subsidies given to employers, not like the first time when there was Employment Retention Programme (ERP), the Wage Subsidy Programme (WSP) and even a general moratorium for employers and employees.

“This time around, assistance is really required from the government for the employers to try to retain their employees.

“Our only hope is more employers will be allowed to continue with their operations so at least they maintain their services and supply to clients,” he said.

Bank Islam Malaysia Bhd chief economist Mohd Afzanizam Abdul Rashid said businesses would continue to remain cautious in their hiring decision as the business outlook is highly uncertain.

“At the same time, business competition will continue irrespective of the Covid-19 spread. “On one hand, businesses would be mindful of taking new staff. On the other spectrum, they need to keep abreast with the competitive landscape of their industries in which they operate.

“This would mean they need to hire labour that would enhance their productive capacity and be able to capture market share,” he said, adding that the demand for skilled workers would remain healthy.

Afzanizam said the concern was on unskilled workers which would likely be marginalised by technology as well as shocks from the pandemic.

He expected the unemployment rate would remain elevated this year.

Maybank IB Research said amid a “sticky” jobless rate, persistent fall in manufacturing jobs and incomes, re-imposition of MCO and an emergency declaration to flatten Covid-19 infections, it retained its 4.5% unemployment rate forecast for 2021 on the back of heightened risk of “scarring effect” in job market.

The Statistics Department recorded a decrease in persons “temporarily not working” from 183,600 in October to 142,000 in November.

This group of employees are not classified as unemployed because they have jobs to return to, but are currently unable to perform their jobs off workplaces.

If included in the unemployment figures, the rate would have been 5.6%.