

BOX ARTICLE: THE REVIEW OF HOURS WORKED IN MALAYSIA

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Introduction

The year 2020 has brought tremendous changes in the way we live and work. The exponential increase in the COVID-19 cases around the globe have caused countries to put countermeasures in place to protect the population from further risk of infection. As the daily cases surged, most countries have resolved to the Great Lockdown with major restrictions of economic and social activities (International Monetary Fund [IMF], 2020). These containment actions, although aimed to protect lives, have resulted in the depth and magnitudes of collapse in activities like never before (IMF, 2020). Therefore, COVID-19 is first and foremost a health crisis, but as a consequence, is also an economic crisis.

As this unprecedented event continued to unfold, causing slower economic growth in certain regions and downturns in the others, labour as one of the factors of production cannot avoid being impacted significantly by the crisis. At the global front, labour market situation has changed dramatically in the first three months since the outbreak of the pandemic. According to the International Labour Organization [ILO] (2020), the global workforce of 3.3 billion were affected by the full or partial lockdown actions either in the form of job losses or reduced hours worked.

Literature review

Employment is generally a mean to ensure income generation activity for the livelihoods of individuals and households. Rones (1981) and Spencer (2020) believed that firms would have cut hours of work before reducing employment. Realising the importance of employment retention towards the dynamics of the economic cycle, most businesses would only turn to layoffs as the last and most undesired options. Thus, to ensure operation sustainability in the time of crisis, reduced operation hours and subsequent reduced hours worked were the best solutions that could protect individuals and firms.

According to Spencer (2020), during the 2007 - 2008 crisis, Germany, Belgium, France and Italy decreased hours worked to mitigate rise of unemployment and job losses. Earlier, Hijman (2009) found that during the 2008 economic crisis, the share of part-time workers rose, signalling shorter working hours. In the meantime, the average hours worked each week by full-time workers in their main jobs dropped noticeably between the second quarters of 2008 and 2009 (Hijman, 2009).

Along the same line, Borland & Charlton (2020), while looking at the economic impact of this global health crisis towards the employment in Australia found that the hours worked during the past recessions of 1980s and 1990s took a longer time to decline than hours worked during COVID-19 pandemic.

Using the year 2006 as the baseline, the index of total hours worked in the main jobs for European Union (EU) Member States decreased 5.1 index points to 96.8 index points in Q1 2020 as against 101.9 index points in Q4 2019 (Eurostats, 2020). Further to this, Eurostats (2020) also found that Italy was the most affected of the EU Member states in regards of hours worked during pandemic COVID-19 where the index of total hours worked in the main job dropped 9.7 index points to 89.6 index points in Q1 2020. A smaller impact on actual hours worked were recorded during financial and economic crisis in 2018 for Italy (Eurostats, 2020). On the contrary, Eurostats (2020) reported that the total actual hours worked in Finland during the pandemic increased 0.2 per cent in Q1 2020.

In this regards, Nur Layali et al. (2020) found that the share of employed persons working less than 30 hours per week in Malaysia which stood at 2.2 per cent in 2019 escalated to 4.4 per cent in Q1 2020 and increased further to 5.3 per cent in Q2 2020.

Thus, this article will look at the scenario of employment and hours worked for Malaysia through quarterly statistics from the period of 2017 up to Q3 2020 to evaluate the impact of COVID-19 containment measures towards the hours worked in the country.

Hours worked scenario in Malaysia

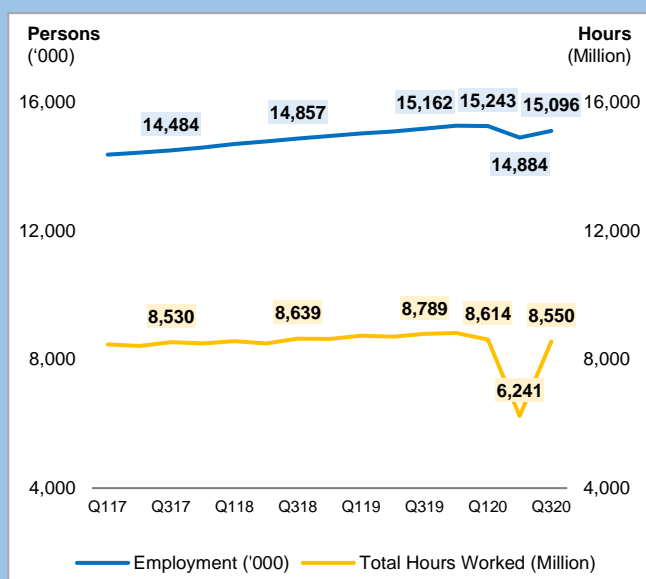
In Malaysia, the mitigation step in the form of Movement Control Order (MCO) has been introduced since 18 March 2020 to flatten the curve of COVID-19 infections in the country. During the initial stage of the order which lasted until 10 May 2020, total movement restrictions was enforced with closure of international, inter-states and inter-district borders. Business activities were allowed to operate at a minimal level and only for essential industries.

Later, the Conditional MCO (CMCO) kicked off with allowance for businesses to operate, while most social activities were still restricted. During this challenging time, most economic sectors were impacted, especially tourism related industries such as hotels & accommodations, food & beverages, arts & recreations, as well as segments of transportation subsector primarily passenger air transports. As a consequence, the Malaysia's economic growth moderated to 0.7 per cent in Q1 2020, and contracted sharply by 17.1 per cent in Q2 2020 (Department of Statistics, Malaysia [DOSM], 2020d). Meanwhile, the labour market situation was also compromised where unemployment rate increased to 3.5 per cent in the first quarter of the year and subsequently, in the following quarter it spiked to the highest rate since 1990 at 5.1 per cent (DOSM, 2020a).

After facing a challenging four phases of MCOs and two phases of CMCO up until 9 June 2020, finally Malaysia's Government announced that the country has entered the Recovery MCO (RMCO) phase where most of the restrictions during MCO have been eased, allowing interstate travels and more businesses to reopen. To ensure minimum risk of infections and subsequent repeated waves of COVID-19, these permissions were subjected to compliance of standard operating procedures. Aimed towards revitalising the economy, the RMCO, in addition to continuous assistance and stimulus packages observed the intended effect when the Malaysia's economy decreased at a much slower pace of 2.7 per cent in Q3 2020 (DOSM, 2020d). Accordingly, the unemployment rate in the quarter declined to 4.7 per cent (DOSM, 2020a).

In line with the slower demand since the escalation of pandemic in Malaysia and the subsequent MCO, Q1 2020 saw the number of employment decreased by 12 thousand against Q4 2019 to register 15.24 million. The effect was more profound where employment further declined by 359 thousand, resulting in the total employment of 14.88 million in Q2 2020. As the population grew during normal circumstances, so did the employment. In this regards, the last time the country recorded the number of employment below 15 million was in Q4 2018. Better labour market condition was observed in Q3 2020 as far as employment was concerned, whereby the number rebounded 1.4 per cent from Q2 2020 to record 15.10 million persons, slightly lower than the average employment in 2019 (15.13 million persons).
[Chart A & Table A]

Chart A: Employment and total hours worked, Malaysia, Q1 2017 - Q3 2020



Source: Labour Productivity, Q3 2020, DOSM

Table A: Employment and total hours worked, Malaysia, Q1 2017 - Q3 2020

Quarter	Percentage change from the preceding year (%)	
	Employment	Total hours worked
Q1 2017	1.8	2.7
Q2 2017	1.8	1.4
Q3 2017	2.0	3.4
Q4 2017	2.2	1.4
Q1 2018	2.3	1.2
Q2 2018	2.4	0.9
Q3 2018	2.6	1.3
Q4 2018	2.4	1.7
Q1 2019	2.2	2.0
Q2 2019	2.1	2.4
Q3 2019	2.1	1.7
Q4 2019	2.2	2.1
Q1 2020	1.6	-1.4
Q2 2020	-1.3	-28.2
Q3 2020	-0.4	-2.7

Source: Labour Productivity, Q3 2020, DOSM

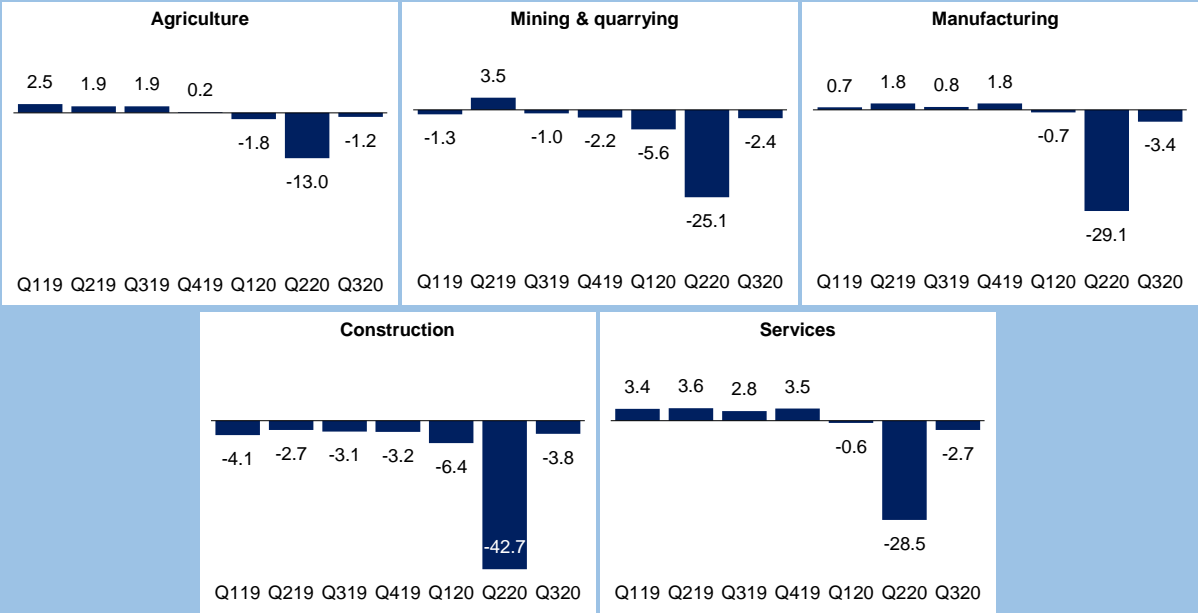
According to DOSM (2020c), total hours worked for all employment during the reference period are the aggregate number of hours actually worked for a quarter or 13 weeks. This number was derived by multiplying the average weekly hours' with the number of employment excluding those who did not worked during the reference period because of illness, injury, disability, bad weather, leave, labour dispute and social or religion reasons (DOSM, 2020c).

Since Q1 2017, total hours worked displayed increasing trend in line with the rise in employment. The average quarterly total hours worked recorded in 2019 was 8.7 billion hours. Q1 2020 saw the total hours worked grew marginally by 1.4 per cent to 8.61 billion hours. However, this number was lower than the average number recorded in 2019. In Q2 2020, total hours worked dropped 28.2 per cent year-on-year to 6.24 billion hours. Although it has risen as compared to the previous quarter to record 8.55 billion hours in Q3 2020, total hours worked was still posting a year-on-year decline of 2.7 per cent. This may be because businesses were still in the period of adjustment and have yet to fully operate at the optimum level.

All sectors registered sharp decline in total hours worked during Q2 2020. Construction sector which has been on the declining trend since Q1 2019 was the most affected with hours worked shrinking by 42.7 per cent in Q2 2020 since construction of building, civil and other specialized construction activities were stopped during the period. In the meantime, total hours worked in the Manufacturing sector went down 0.7 per cent in Q1 2020 and declined further by 29.1 per cent in Q2 2020. As for Services sector, total hours worked decreased by 0.6 per cent in Q1 2020 and took a sharp fall of 28.5 per cent in Q2 2020. This was partially due to focus on operation of essential business activities such as health, financial services and food & beverages activities at reduced hours as compared to the usual business hours.

Although total hours worked in Agriculture sector posted a decline of 1.8 per cent in Q1 2020, it recorded the smallest decline during Q2 2020 in comparison to the other sectors since this sector was not ordered to stop work. Thus, the decrease could be attributed by the movement restriction orders and inter-district travel banned which might hinder full operations of Agriculture activities. As more activities were allowed to resume under the RMCO, during Q3 2020, total hours worked in all sectors decreased at a slower pace as against double-digit decline in Q2 2020. **[Chart B]**

Chart B: Total hours worked by sector, Malaysia, Q1 2019 - Q3 2020
(Percentage change from corresponding quarter of preceding year, %)



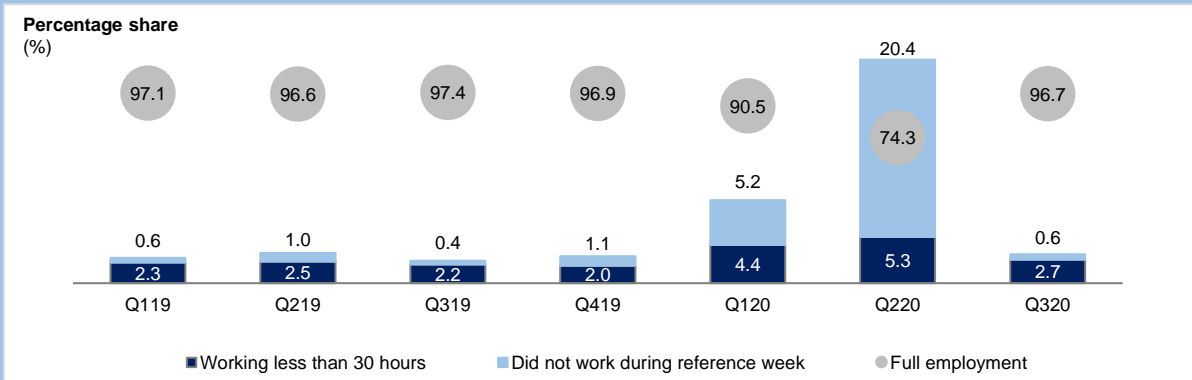
Source: Labour Productivity, Q3 2020, DOSM

In evaluating total hours worked, the number and share of employed persons working less than 30 hours or did not work during the week was reviewed. The average share of full employment between Q1 2019 to Q4 2019 was 96.6 per cent, equivalent to 14.67 million persons. At the beginning of the MCO in Q1 2020, the share decreased to 90.5 per cent or 13.79 million persons.

Subsequently, as the phases of MCO prolonged, the share and number of full employment in Q2 2020 decreased further to 74.3 per cent and 11.05 million persons respectively. In the meantime, it was observed that the share of employed persons working less than 30 hours per week went up from the average of 2.2 per cent in 2019 to 4.4 per cent in Q1 2020, before accelerating to 5.3 per cent in Q2 2020. Since business operation practically stopped in certain segment of the economy, the share of those who were employed but did not work at all also increased significantly from the average of 0.8 per cent in 2019 to 5.2 per cent in Q1 2020, subsequently posting a share of 20.4 per cent in Q2 2020.

As the economic sector picked up steadily and business operation hours returned to almost normal during the RMCO, the share of full employment in Q3 2020 went up to 96.7 per cent, recording 14.60 million persons. **[Chart C]**

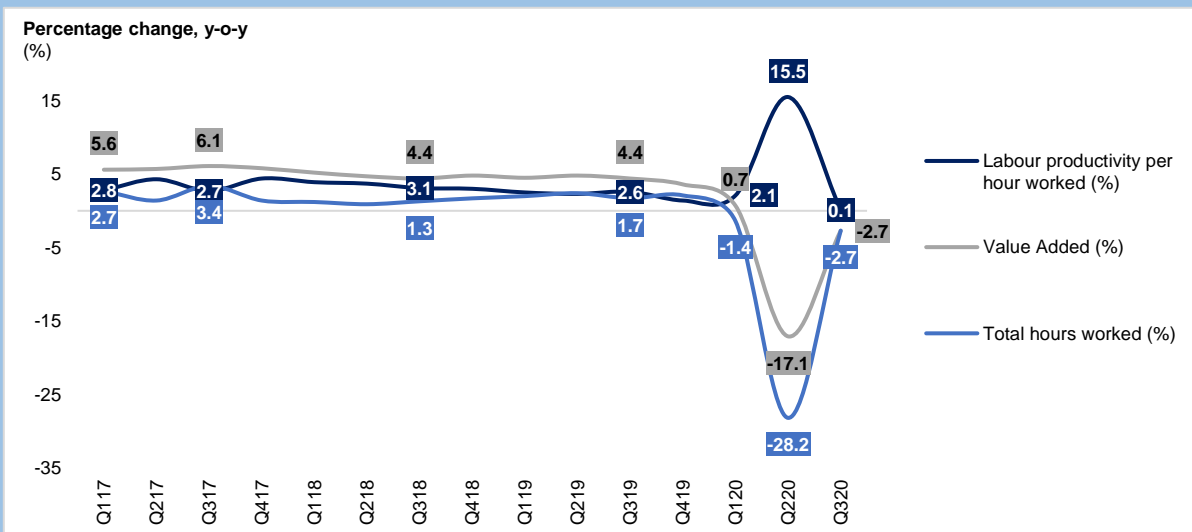
Chart C: Percentage share of employment by category, Malaysia, Q1 2019 - Q3 2020



Source: Authors' calculation based on the LFS

As hours worked reduced, it was observed that the performance of Malaysia's labour productivity measured by value added per hours worked increased 15.5 per cent in Q2 2020 (Q1 2020: 2.1 %). The large increase of labour productivity per hour worked during the quarter occurred as hours worked fell at a larger magnitude than the contraction of value added. As both the hours worked and value added registered slower decline in Q3 2020, Malaysia's labour productivity posted marginal increase of 0.1 per cent. **[Chart D]**

Chart D: Labour productivity per hour worked, value added & total hours worked, Malaysia, Q1 2017 - Q3 2020
(Percentage change from corresponding quarter of preceding year, %)



Source: Labour Productivity, Q3 2020, DOSM

Discussion and Conclusion

Over time, it was observed that hours worked in Malaysia grew steadily as employment grew, with slight downward and upward trends during major festivals as well as school and public holidays. However, the year 2020 has been very different with major restrictions of economic and social activities being imposed to contain COVID-19 pandemic in Malaysia. This has resulted in the hours worked to drop significantly during the first two quarters of 2020.

The decline was primarily because of order to stop business operations in most industries except for essential services in addition to implementation of strict standard operating procedures as businesses reopen. This include reduced hours of operations as well as limiting number of employees in the premises during business hours in order to ensure physical distancing to mitigate risk of infection to the pandemic. Certain business activities halted completely since there was barely any demand, hence operating would cause more losses. The instance of this was accommodation and passenger air transport subsectors.

As business struggled to ensure continuity, there were also pressures to retain employees. In this regards, reduced operation hours can also be an option exercised by firms to avoid more employees losing jobs and subsequent decline in employment and rise in unemployment. This was reflected through higher share of persons working less than 30 hours per week as against lower share of full-employment. The measure, although may cause lower salaries and wages received by employees, was by far the better option to ensure job retention as a mean to drive the economy forward.

Interestingly, as the hours worked plunged, labour productivity measured as the ratio of value added per hour worked rose significantly. The sudden spike in output per hours worked signalled that people were working harder during the limited business hours to ensure that productions and target are achieved. Additionally, to remain relevant and competitive in the tight labour market, skills and knowledge were increased. This view was validated by Lazear, Shaw, & Stanton (2013) in their study which found that declined in hours worked and output for the USA during the 2007-08 recession caused increased in labour productivity as workers efforts increased during the time.

Hence, in managing labour market efficiency during the crisis and leveraging upon the situation to rejuvenate the economy, it is pertinent to continuously strategise, review and innovate business model to remain relevant in order to increase skilled labour demand as the enabler of a higher value added. Meanwhile, labour force should strive towards increasing agility and adaptability, embracing changes and adopting the right attitude towards lifelong learning in order to be of high value to the industry.

Disclaimer

The views expressed are those of the authors and do not necessarily represent the view of the DOSM.

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