

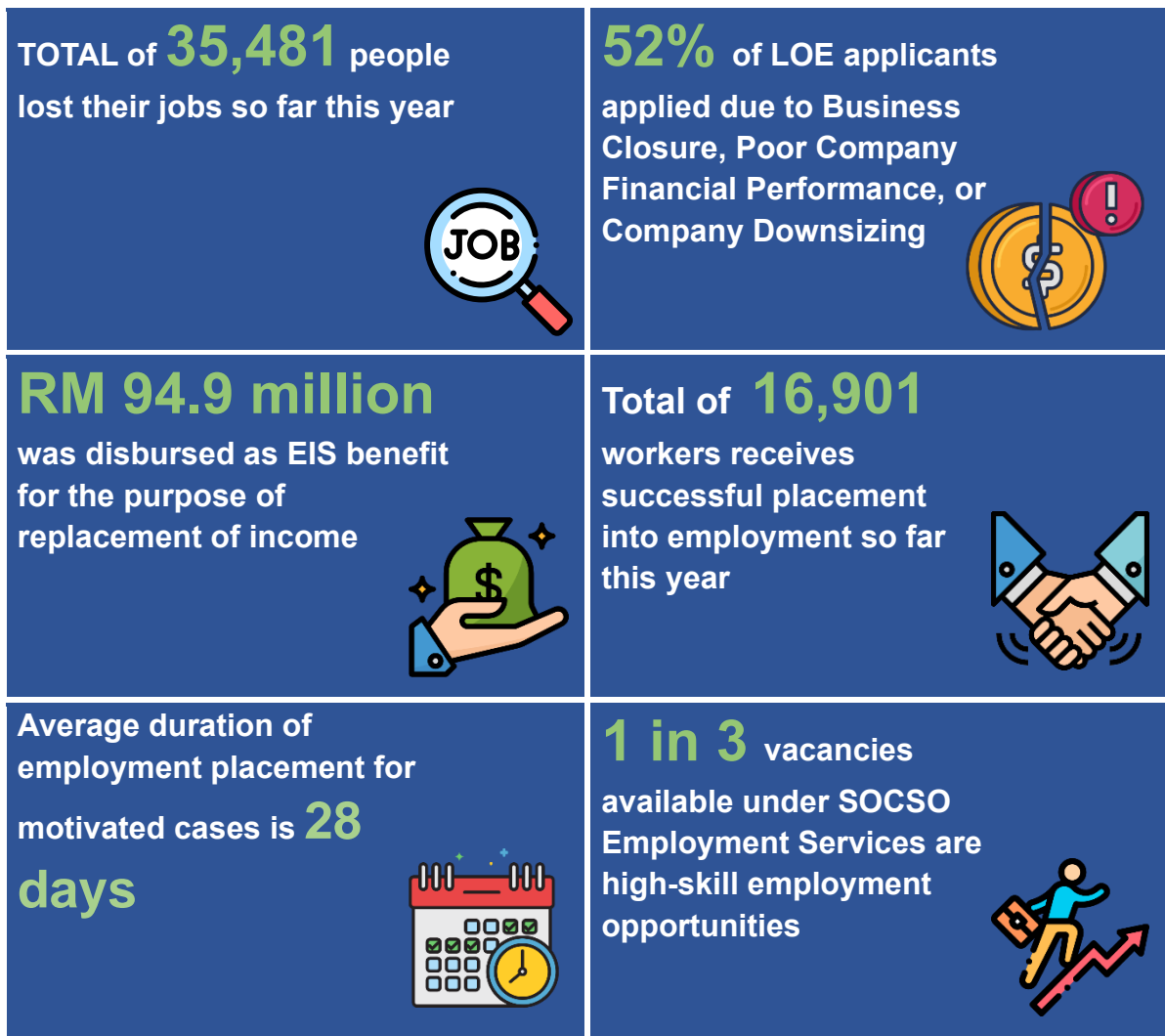
SOCSCO EMPLOYMENT INSIGHTS

Statistics on Retrenchment, Vacancy and Re-Employment

Farqani Mohd Noor¹, 15 December 2019

As part of SOCSCO's role to promote social security and employment, the team will be publishing key labour market indicators and analysis using SOCSCO's Employment Insurance System's (EIS) experience as well as publicly available data. These publications are targeted for workers, employers, policy makers, government agencies, and researchers, in making employment decisions or designing active labour market strategies.

Chart 1: Quick Takeaways from SOCSCO database

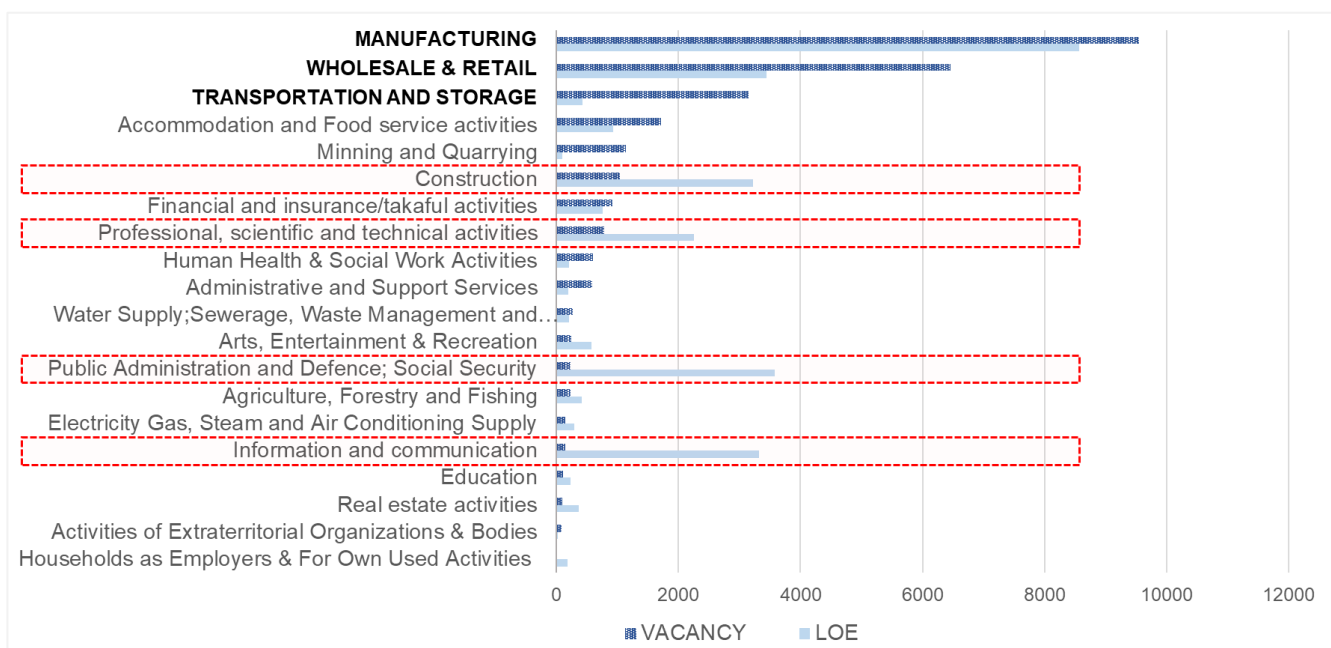


¹ Thank you to Nadia, Raihan and Dalilah for their valuable input in processing micro dataset and reviewing the discussion in this paper.

1. SOCSCO EIS Data – Mismatch and Challenges

Under EIS, SOCSCO garners access to information on retrenched workers actively seeking jobs (labour supply) and vacancy postings from active employers². Chart 2 illustrates the potential mismatch of supply and demand for employment that exists even at SOCSCO’s EIS operational level. High vacancies have been reported in three sectors namely, Manufacturing, Whole sale & Retail as well as Transportation & Storage. However, those registering with Loss of Employment (LOE) at SOCSCO comes from very different sectors, with possibly varying skillset.

Chart 2: Gaps when matching Employment Insurance and Employment Services Data Across Economic Sectors

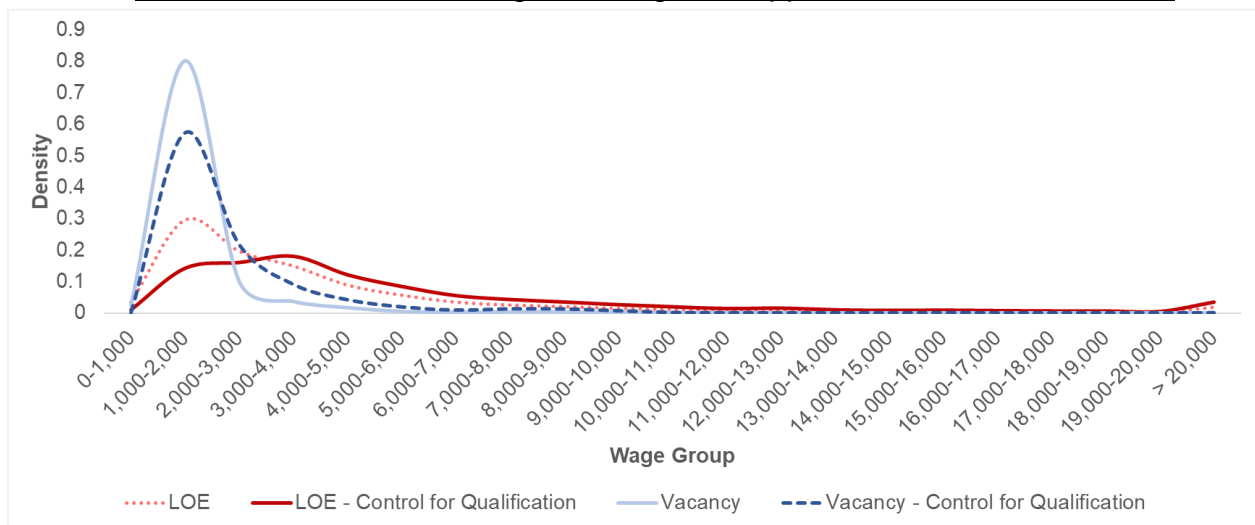


While SOCSCO notes that there could be shifts in employment opportunities and changes in nature of jobs at play, the mismatch of labour suggests that the transition of workers between retrenchment and employment is not smooth, and the labour market is sticky. We find **an oversupply of 5,000 retrenched workers in sectors such as Information Technology as well as Professional, Scientific and Technical activities** – economic sectors that may have resorted to more capital-intensive resources rather than labour. Apart from the job-seeking allowances to smoothen the loss in income for retrenched workers, the EIS case management unit must profile each worker and prescribe suitable re-training modules to promote these workers back into employment.

² Operational data as of **end of November** acquired for analysis are skewed towards SOCSCO’s Statutory services in the **formal sector only** as a Public Employment Service (PES) provider. For example, vacancies reported here are collected through engagements with employers on our platform. Vacancy data is also available on other platforms such as JobsMalaysia, JobsStreet, etc.

Besides the mismatch in employment by sector of economic activities, we observe huge gaps when comparing wage reported by LOE applicants and wage offers in vacancies. SOCSO find approximately **82% of wages offered among EIS job vacancies are within 1001-2000 category and below** whereas only 35% of our retrenched workers previously earned in the same bracket or lower. While SOCSO has very limited power to interfere or dictate the wage offer by employers, we believe that publications of such information will guide employers when advertising vacancies and secure higher bargaining power among employees to negotiate for better pay.

Chart 3: Distribution of Wages among LOE applicants and Job Vacancies



Among other possibilities, companies could be replacing older staff with entry-level positions and lower pay to reduce operational cost. Hence, the distribution is also controlled for variables such as age of applicants and higher qualification requirements. But the results remain consistent with our analysis³. Persisting low wage structure in employment discourage workers to re-enter the private job market. To add, SOCSO observes thousands of employment cases close with **retrenched workers leaving the formal labour force** mostly due to lack of motivation and better opportunities in freelance work.

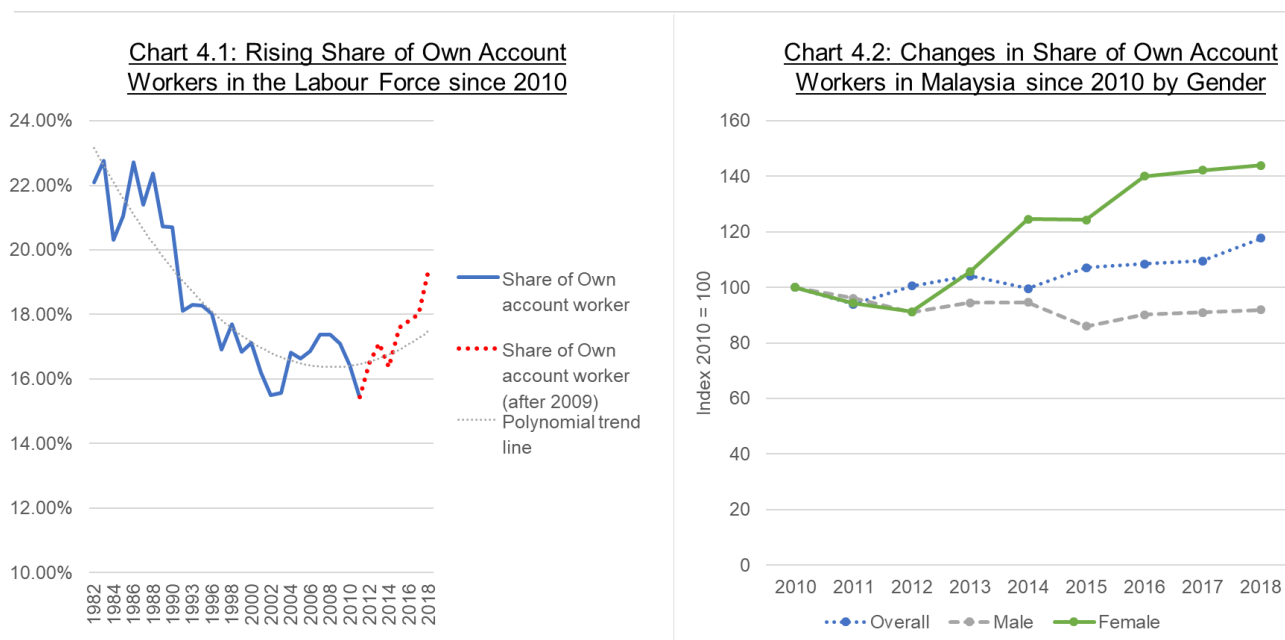
With the coming launch of the EIS job portal, we hope to map vacancies for incoming supply of workers and re-integrate retrenched workers back to the formal Labour Market. Working with strategic partners in social security such as the Flemish Public Employment and Vocational Training Services (VDAB), SOCSO is building robust models to project occupation demand, and optimize our training resources to facilitate employment. The model will account for multiple factors such as wage levels, economic sector, location, qualification requirements, occupational level, age, etc.

³ The control refers to age 40 and below and qualifications for Diploma level requirement/attainments and above. Other variables such as location, job classification, etc. are also analysed separately.

2. Complementing SOCSO’s data with Public Information - DOSM

SOCSO’s limited coverage in the self-employed sector prompts us to study and benchmark our observations with publicly available data. For example, the Department of Statistic Malaysia (DOSM) publishes multiple surveys like the Labour Force Survey, which provides labour supply information that are highly representative of the Malaysian population. Cross tabulation and benchmarking exercise help validate our current observations about the self-employed sector; specifically, in confirming the transition of workers from the formal sector to the self-employed sector.

Chart 4: Workers shifting back from Formal Private Sector to the Self-employed sector in Malaysia – especially for Women



Long term trends indicate that the labour market is shifting back to self-employed work, and possibly the informal sector. The share of own account workers has risen to **nearly 20% out of the total Labour Force, which mirrors the levels before the 1990s (Chart 4.1)**. The source of rising independent work is often attributed to the digital economy, but some experts view digital workers as only a small part of the sector’s growth. Most workers in the sector still rely on traditional forms of self-employment such as food operators, arts and entertainment, fishermen, farmers, craftsmen, construction, etc (Allen Ng, 2019)⁴. Regardless, SOCSO is wary that more than 2.8 million own account workers are active in the labour market without formal social security arrangements.

⁴ Allen Ng. 2019. *Future of Work in Malaysia*.

Government policies should promote social security coverage and labour rights provisions for the self-employed, together with its current initiatives to expand Malaysia's digital economy, entrepreneurship and other self-employed work. Studies have shown that rapid technology advancement such as digital platforms have continuously changed the nature of work and the labour market by **breaking the traditional employer-employee relationship** (La Salle & Cartoceti, 2019)⁵. Without formal contributory arrangements, unprotected workers will risk increasing government's liability in providing social assistance and welfare in the future.

Share of women in self-employed work is growing rapidly in the last 10 years – approximately 43.3% increase since 2010. The change in number of women self-employed workers peak in 2013 with growth rates of 26.77% from the preceding year. In comparison, the share of men in self-employed work has diminished by 10% in the past 10 years (**Chart 4.2**). Including women that are presently working in informal unpaid care and household work, the trend implies that more and more women in the total working population are working without formal social protection coverage.

Recognizing the situation, SOCSO is extending our Self-employed Social Security Scheme (SESS) to all 20 sectors under Malaysian Standards of Industry Classification (MSIC) and ensure no one is left behind⁶. We plan to continue engaging with various workers' associations such as Lembaga Kemajuan Ikan Malaysia (LKIM), Persatuan Penjaja dan Peniaga Kecil Malaysia, and Persatuan Seniman Malaysia, etc. to promote social protection for self-employed workers. With greater exposure and better access to micro data, SOCSO can also study and unpack other dimensions of the self-employed labour market like income growth, up-skilling or training opportunities, density in region or strata, etc.

Conclusion

We find some evidence of a mismatch between labour supply (profile of LOE) and labour demand (list of ES vacancies) at SOCSO's operational level. Together with evidently low wage offers in the job market, retrenched workers have less incentives to Return to Work. Initiatives such as adopting a case management approach for each worker and developing the EIS Job portal should help curb the issue. However, some workers have shifted to the self-employed sector, where formal social security arrangements are limited. Among several other research avenues, these shifts in employment status open very important questions regarding missing labour and social security provisions for self-employed workers involved.

⁵ Dominique La Salle and Greta Cartoceti. 2019. *Social Security in the Digital Age*

⁶ Self-employed workers are only active in 20 out of the 21 sectors specified under MSIC, DOSM.