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**POTENTIAL EMPLOYMENT AND
RETRENCHMENT AMIDST THE
CHALLENGING ECONOMIC CLIMATE**

HRDF INDUSTRY TRAINING INTELLIGENCE REPORT



MINISTRY OF HUMAN RESOURCES



HRDF

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INTRODUCTION

The COVID-19 pandemic has undeniably caused significant disruption to the economic structure and labour market around the globe. The International Labour Organisation has stated currently (as of 22 April 2020), 81% of employers and 66% of own-account workers' live and work in countries affected by recommended or required workplace closures, with severe impacts on income and jobs. Taking together employers and own-account workers, around 436 million enterprises in the hardest-hit sectors worldwide are currently facing serious disruption of business. As such, many jobs could be lost permanently, leaving many unemployed (especially low skilled workers) in the process.

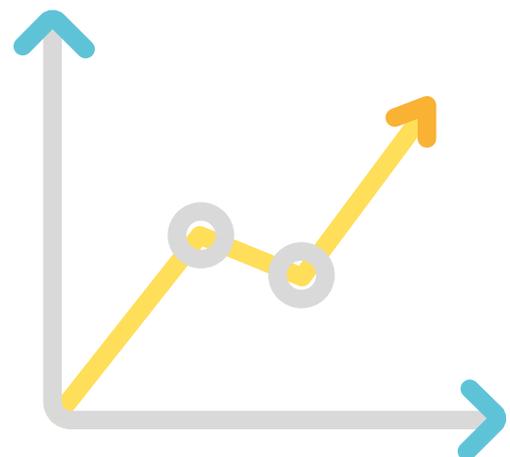
Meanwhile, in Malaysia, the Department of Statistics Malaysia has stated almost 47% (19,677 respondents) of self-employed workers had lost their job or businesses. As for those who are still working, 35% reported a decrease in income by over 90%. This result was gathered from survey titled "The Effects of COVID-19 on Economic and Individuals (Round One)" with a total of 168,182 respondents nationwide. This survey is only for those who are self-employed, it is not taking into account of those workers who are working for an employer.

Undoubtedly, Malaysian Government was quick to take action to reduce the impact of immediate unemployment, and thus it has introduced Wage Subsidy Programme to assist employers in retaining their workers.

Through the programme, the Government will provide a salary of RM600 per month to the qualified and approved employees for three months. The programme is dedicated to workers earning less than RM4,000 and employers experiencing more than 50% decrease in their income since 1st January 2020. Employers must ensure that there are no retrenchments or imposing unpaid leave or wage cut for the next three months after the programme.

This is a good initiative that the Government has come out thus far, especially for the small and medium enterprises in maintaining their headcount for future business needs. However, this move is mainly targeted to resolve short term needs as to reducing short term impact of unemployment, we are yet to address potential structural unemployment that may affect workers career in longer term.

As such, there is a need for greater focus, speed and boldness, and innovation in this effort. One of the suggestions is to address this by creating a granular view of who needs help to keep their job or find new work. We need to determine which jobs are at risk and where there is additional demand for labour by sector and occupation. To start with, HRDF has run a survey to find out the sentiment on the state of potential new employment and retrenchment accordingly.

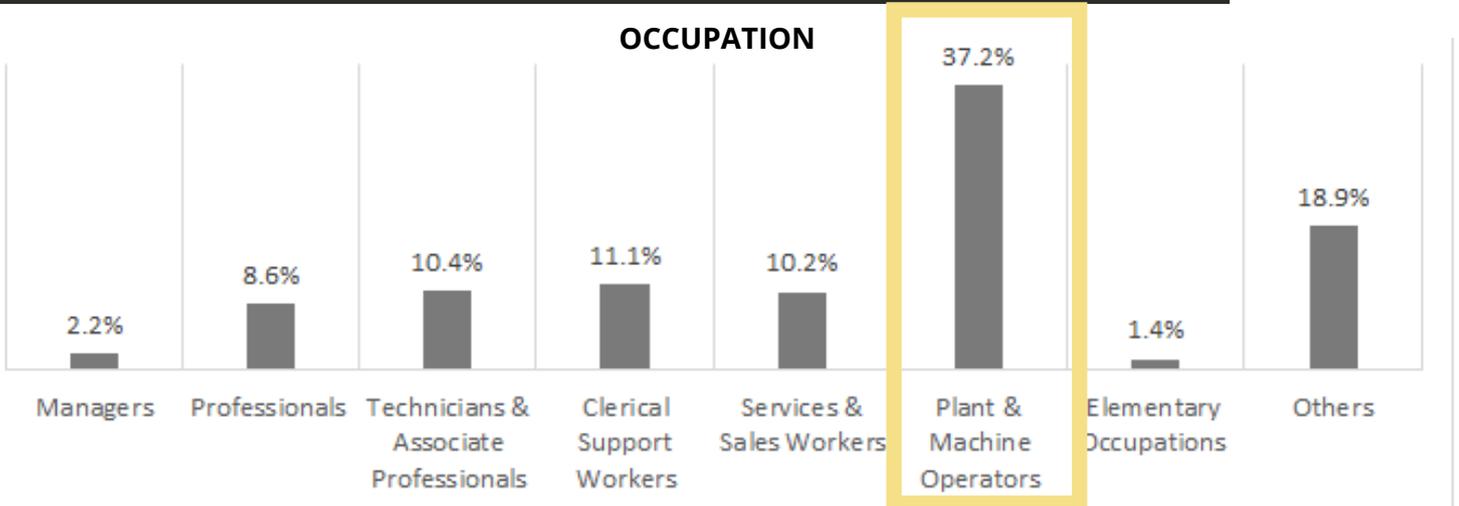


EMPLOYMENT/RETRENCHMENT SURVEY BY HRDF

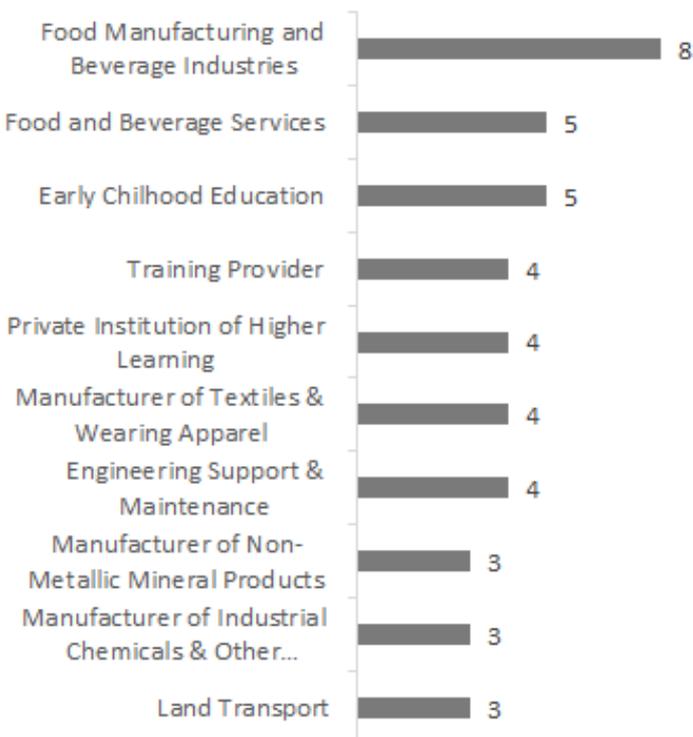
Between April - May 2020, Human Resources Development Fund (HRDF) has conducted a quick survey to have a quick assessment on the types and number of jobs at risk by sector and occupation among the HRDF registered employers. A total of 713 employers have responded in the survey.

Of the 713, 76 employers have intentions of retrenching workers. The results show that three (3) Manufacturing industries (Manufacturer of Plastics products, Manufacturer of Industrial Chemicals and Food Manufacturing & Beverage Industries) have shown higher tendency of planning retrenchment.

POTENTIAL RETRENCHMENT ACCORDING TO INDUSTRY AND OCCUPATION AMONG HRDF-REGISTERED EMPLOYERS



RETRENCHING COMPANIES ACCORDING TO THEIR INDUSTRY



Based on the survey, employees under Plant and Machine Operators categories may have been more likely to be retrenched. It indicates that employees within that occupation category might be replaced by technology without human interaction. At the same time, companies under food and beverage industries in Malaysia have surprisingly indicated the highest potential to retrench their employees. This might be caused by the COVID-19 pandemic, where this industry faces difficulties in supplying food and beverages to those restricted industries such as eateries, hotel or events etc. that used to consume higher amount of value added food and beverages.

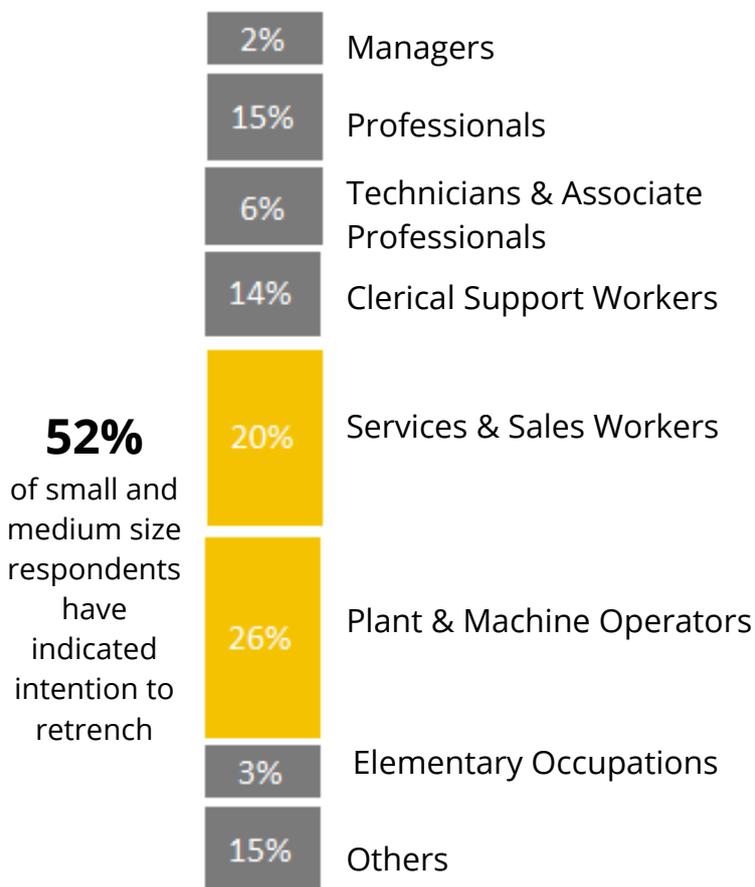


The results also showed that there are Manufacturing companies have shutdown their operations due to COVID-19 outbreaks. Clearly, the manufacturing sector, which employs some 1.12 million of workers registered under HRDF, is poised to be hit hard because of this outbreak, primarily for two reasons: FIRST, many manufacturing jobs are on-site and cannot be carried out remotely. SECOND, slowed economic activity has reduced demand for industrial products both domestically and globally. Apart from that, some of the manufacturers of chemicals, textiles and plastics are facing concerns regarding the availability of raw materials as major segment of vendors are from China.

(Source: PricewaterhouseCoopers (2020). COVID-19: What It Means For Industrial Manufacturing).

Among the occupations examined, 37% of Plant and Machine Operators are at risk. A significant reason this group lost their jobs is due to business shutdowns and mandated lockdown orders. As such, jobs most at risk are on-site jobs that cannot be done remotely such as plant operators and clerical support workers. Additionally, given the nature of the industry, manufacturers should be creating social distancing in workplaces that are typically worker-dense. With reduced demand on one end, the number of allowed on-site workers have also limited production capacity, which could lead employers to adopt automation process faster, as well as possible accelerated disruption and displacement of jobs.

HOW WILL SMALL ENTERPRISES BE AFFECTED?



The survey also focuses on the need of small and medium-size enterprises (SMEs), which account for the majority (34%) of jobs registered under HRDF. The survey has found that SMEs account for 52% of all jobs at risk across subsectors. Smaller businesses, typically have smaller balance sheets than do their larger counterparts. In the United States, for example, the median small business has a cash buffer that will last only 27 days, while one-quarter of SMEs surveyed hold a cash buffer that will last only 13 days or fewer.

(Source: Fine. D (2020). How To Rebuild and Reimagine Jobs Amid the Coronavirus Crisis. McKinsey)

Nearly 17% of jobs in Food Manufacturing and Beverage subsectors have been affected, one of the hardest hit sector. In terms of occupations, Plant & Machine Operators as well as Services & Sales workers are jobs affected the most.

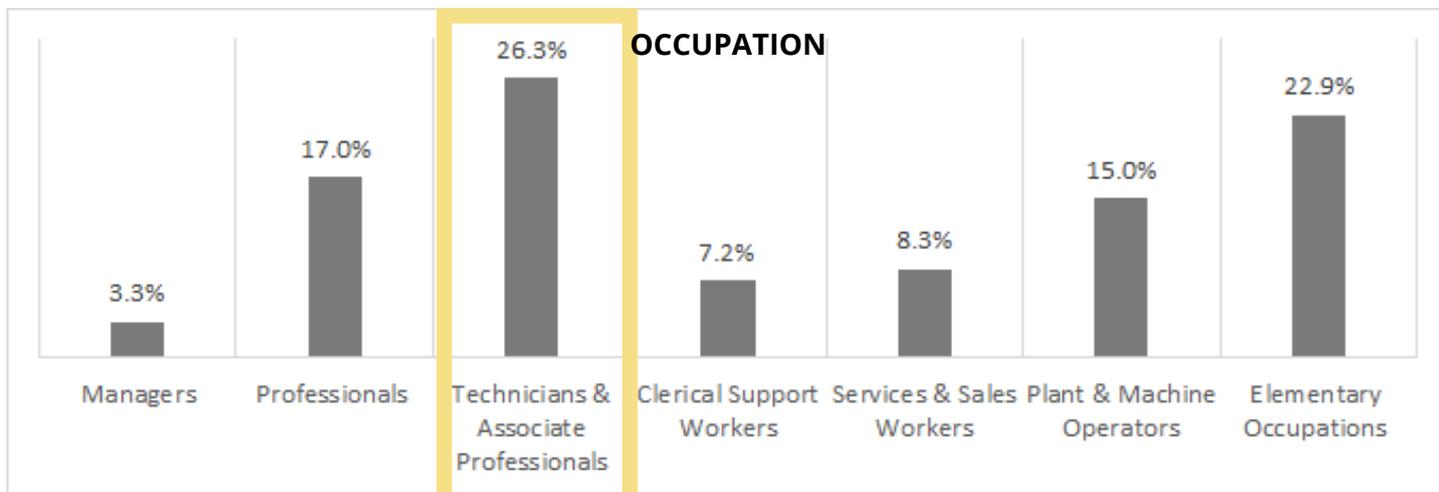
*Data is based on Employment Scenario (Supply & Demand) Among HRDF Registered Employers survey as at 8 May 2020

BUILDING SMART SOLUTIONS TO HELP PEOPLE GET BACK TO WORK

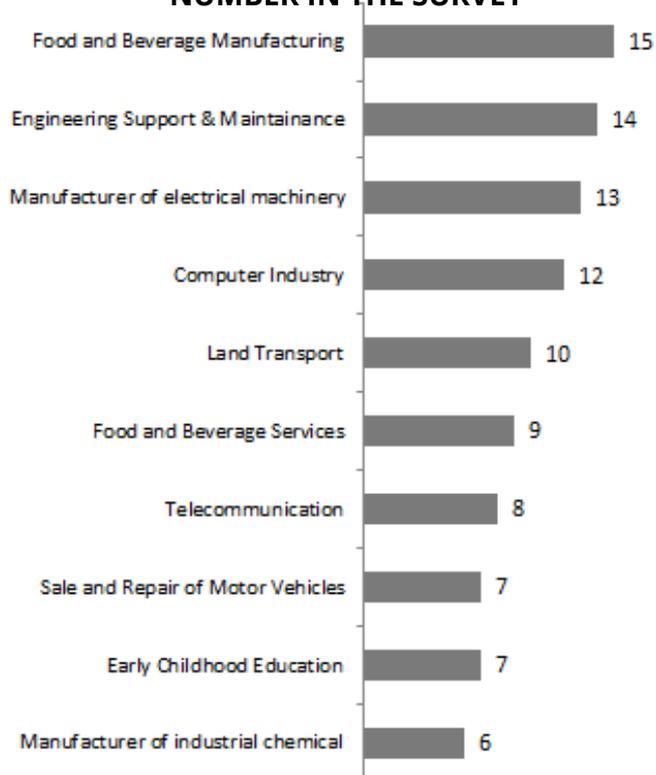
Although there are potential job displacements caused by the pandemic as well as looming economic recession, there are also job opportunities indicated by employers. Through the HRDF survey, there are 162 out of 713 employers plan to provide 1,912 job opportunities to the market.

The analysis of the survey shows that there have been significant new job opportunities in the Engineering Support, Manufacturer of Electrical as well as the Manufacturer of Industrial Chemical subsectors.

POTENTIAL RECRUITMENT ACCORDING TO INDUSTRY AND OCCUPATION AMONG HRDF EMPLOYERS



TOP TEN INDUSTRIES' INDICATION OF VACANCY NUMBER IN THE SURVEY



The highest job opportunities indicated by employers are in Technicians & Associate Professionals category. For this category, employers prefer someone that can perform technical and related task connected with research and the application of scientific or artistic concepts, operational methods and government or business regulations. The employers also indicated the lowest job opportunity in the manager category . This is may be due to the cost-benefit factor of paying higher salary compared to the returns of business. The Food and Beverage Manufacturing Industries indicated the highest number of recruitment, followed by Engineering Support & Maintenance as well as Manufacturer of Electrical Machinery.

With physical support centers halt operations temporarily, organisations need to improvise their method of supporting customer on technical support needs via technology. Especially with the increasing trend of working from home, there will be more workers that need support to set up and pairing devices or troubleshooting errors. Thus, this has increased the demand to hire more staff in Engineering Support and Maintenance subsector.

In terms of occupations, the result shows that the demand for particular roles in the workforce has been changed due to technological advancement. For example, demand for ICT specialists, technicians and manager are increased while demand for administrative roles have decreased. The adoption of automation and the move toward increased work from home culture have reshaped Malaysia labour market to increase job demands for particular skills.

Through this survey, we can see the initial list of the businesses and services in which jobs could be lost and which are being created. Therefore, safeguarding and recreating jobs through targeted redeployment and reskilling must be critical priorities for the country.

Reskill at speed and scale. The temporary decline of some industries provide an opportunity for upskilling towards future-skill-growth areas. There are two interventions can be conducted in this regard: rapid upskilling for short-term demand surges, such as in food and beverages services and franchise. The other initiative, longer-term upskilling or reskilling programmes that enables individuals to move into careers aligned with future-skill trends. For example, to convert operator to technician level. This initiative is similar with **Place &Train** programme where this programme will helps individuals to transit into new career paths through targeted job placements.

