

Post-MCO: A Labour Reallocation Strategy

VIEWS 28/20 | 13 April 2020 | Christopher Choong Weng Wai

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This view was prepared by Christopher Choong Weng Wai, a researcher from the Khazanah Research Institute (KRI). The author is grateful for the valuable comments from Hawati Abdul Hamid and the broader discussions with Adam Manaf Mohamed Firouz, Nur Thuraya Sazali and Siti Aisyah Tumin, which has contributed to this piece.

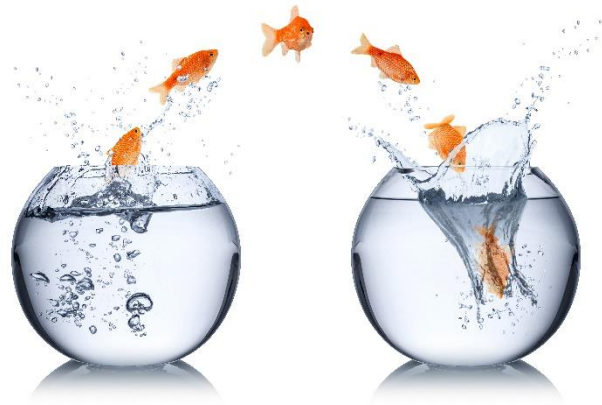
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At the start of the Movement Control Order (MCO), I have stated that we need a massive employment-retention strategy as a response to the economic shocks of Covid-19. As we move closer to post-MCO, I want to argue that the dominant strategy for this phase has to be a major labour reallocation strategy.

In other words, how can we reduce surplus labour in the economy? Surplus labour here refers not only to retrenched and unemployed workers, but also workers on unpaid and paid leave as well as self-employed workers whose livelihoods are affected.

A survey by the Department of Statistics (DOS), though specific only to the sample, shows that the share of workers who lost their jobs ranged from 3.9 to 38.0% (by industry). Add on workers on unpaid leave, reduced hours and half-pay leave, the range increased from 17.9 to 76.5%. A staggering 46.0% of self-employed workers have reported losing their jobs. But to reiterate, caveat should be applied here as the numbers are not nationally representative.

Nonetheless, if this is any indication of the national situation, then it puts Bank Negara's projection that unemployment will increase from 3.3 to 4.0% on the conservative side.

To conceptualise labour reallocation, we can think in terms of Lewis' dual-sector model, but with a twist:

- i. The two sectors are "affected" and "unaffected" instead of industry and agriculture;
- ii. There is no "Lewis turning point" i.e. no wage increase after a certain point due to the movement of surplus labour;
- iii. The inter-sectoral movement of labour can't be triggered by the wage mechanism but has to be policy-induced; and
- iv. Increase in labour demand is not due to reinvestment of private profits, but public investments.

Based on this and in more concrete terms, we need to have a two-prong strategy. First, we need to redeploy surplus labour to sectors that have seen a surge in labour demand due to the pandemic. This is not just healthcare, which is obvious, but also groceries, food retail, logistics, cleaning services, online learning and so on.

Where possible, this should be designed as a form of temporary work, with a recall clause, so that the original employer attachment is preserved.

Second, we need to use public investments to catalyse strategic sectors in creating new jobs. It is an opportunity to reconfigure our economy to be more forward looking. With lower start-up costs, fuelled by an impetus to rethink fundamental economic assumptions, what better time than now to invest in renewable energy, scale up digital ecosystems, ramp up recycling, repurpose physical spaces and build up the care economy.

Public investments are meant to stimulate and "crowd in" private sector investments, which otherwise wouldn't take off given current economic outlook. For these investments, we can set out the criteria on the absorption of surplus labour using mechanisms set up by the government.

On mechanisms, labour reallocation has to work in tandem with workforce retention and protection programmes. This includes the Employment Insurance System, Employment Retention Programme, Wage Subsidy Programme and potentially the Self-Employment Social Security Scheme if we want to include the self-employed, especially given their precariousness as suggested by DOS' data.

These benefits, when designed well, can be used to incentivise temporary hiring and workforce sharing. Job matching and training platforms can be consolidated. Vacancy listings can be boosted with more industry-specific discussions and buy-ins.

In sum, I think we have the mechanisms to implement this, but we need to do this systematically, thoughtfully and at scale. We have bought ourselves another two weeks before the post-MCO phase kicks in, and that should be sufficient time to put this idea into action, if we start now.

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