



International
Labour
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The socioeconomic impacts of COVID-19 in Malaysia: Policy review and guidance for protecting the most vulnerable and supporting enterprises

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Abbreviations

ALMP	Active Labour Market Policy
BPN	Bantuan Prihatin Nasional
BSH	Bantuan Sara Hidup
CCM	Companies Commission of Malaysia
CMCO	Conditional Movement Control Order
CSO	Civil Society Organization
DOS	Department of Statistics
EIIP	Employment-Intensive Investment Programme
EIS	Employment Insurance System
EPF	Employees Provident Fund
ERP	Employment Retention Programme
FMM	Federation of Malaysian Manufacturers
FMT	Free Malaysia Today
GDP	gross domestic product
GGGI	Global Gender Gap Index
HRDF	Human Resource Development Fund
ICLS	International Conference of Labour Statisticians
ILO	International Labour Organization
IRB	Inland Revenue Board
IR4	Industrial Revolution 4.0
ISIS	Institute of Strategic and International Studies
MCO	Movement Control Order
MDEC	Malaysian Digital Economy Corporation
MEF	Malaysian Employers Federation
MITI	Ministry of International Trade and Industry

MOHR	Ministry of Human Resources
MRC	Migrant Worker Resource Centre
MTUC	Malaysian Trades Union Congress
NESDC	National Entrepreneur and SME Development Council
PEP	Public Employment Programme
PLI	poverty line income
PPR	Projek Perumahan Rakyat
PUI	Person Under Investigation
SME	small and medium-sized enterprise
SOCISO	Social Security Organization
SOP	Standard Operating Procedure
UNDESA	United Nations Department of Economic and Social Affairs
UNDS	United Nations Development System
WAO	Women's Aid Organization
WEF	World Economic Forum
WIEGO	Women in Informal Employment Globalizing and Organizing
WSP	Wage Subsidy Programme

The socioeconomic impacts of COVID-19 in Malaysia: Policy review and guidance for protecting the most vulnerable and supporting enterprises

Introduction

The COVID-19 pandemic has evolved into a health, socioeconomic and humanitarian crises of unprecedented scale and impact. The situation in Malaysia is compounded by the fact that the Government came into power only in early March of 2020 and is already facing a heavy debt problem, financial constraints, plummeting oil prices and knock-on effects on trade and tourism from the global shut down.

On the pandemic front, the Government has received international recognition for its efforts regarding testing, contact tracing, quarantine, and treatment, while keeping first responders safe and providing reliable information and advice to the public. Daily updated information on the numbers and rates of infection, fatalities and recoveries and identification of 'hot spots' track progress in 'flattening the curve'. To break the transmission by restricting movement and contact, the Government imposed a Movement Control Order (MCO) starting 18 March and extended to 12 May 2020. The MCO imposed stay-at-home orders, banned outdoor activities including interstate travel and shut down all businesses except a few designated essential services and the natural resource sectors. A decision to significantly relax the regulations by 4 May 2020 under a Conditional Movement Control Order (CMCO) raised concerns that this could lead to another spike in infections. The CMCO was extended to 9 June, with almost all economic activities and public movements allowed but under strict health and safety Standard Operating Procedures (SOPs).

On the economic front, the lockdown is turning into an economic knockout. The economy is nosediving with intensifying negative impacts on jobs, incomes and

livelihoods, disrupting supply chains and upending businesses, and exacerbating inequalities, poverty and hardships especially among the most vulnerable.

The Government has made available several economic stimulus measures intended to “preserve *rakyat’s* welfare, support businesses and strengthen the economy”. In announcing the *Prihatin Rakyat* (Caring for People) package on 27 March 2020, the Prime Minister emphasized that “no one would be left behind.”¹ On 6 April 2020, the Prime Minister announced an additional stimulus package aimed at support for small and medium-sized enterprises (SMEs) and micro businesses which, according to him, account for two-thirds of the workforce and 40 per cent of the economy.² The total *Prihatin* stimulus package amounts to 260 billion Malaysian ringgit. The key challenge, however, is how the different measures will be delivered to reach those most in need and whether they will provide the expected relief in the immediate term and stimulate the economy and employment to ‘recover better’ in the longer term.

To support the Malaysian Government’s efforts to address the socioeconomic impacts of COVID-19, this paper pulls together data and information to serve as baselines and diagnostics for identifying those workers and enterprises most at risk and in need, so that their specific characteristics and vulnerabilities can be taken into account to more effectively design and deliver the stimulus measures.

Within the United Nations Development System (UNDS), the International Labour Organization (ILO) is well placed in terms of its technical expertise and experiences and its normative labour standards to provide policy guidance to protect the most vulnerable workers and support enterprises. The policy guidance distinguishes between the immediate and longer term. Looking ahead, it calls attention to what is needed to ‘recover and build back better’ and meet the country’s commitment to the 2030 Agenda for Sustainable Development. The policy briefs and guidance notes that the ILO has prepared in response to

¹ For the Prime Minister’s full speech announcing the stimulus package, see <https://www.theedgemarkets.com/article/muhyiddins-speech-prihatin-rakyat-economic-stimulus-package>.

² For the Prime Minister’s full speech, see <https://www.nst.com.my/news/nation/2020/04/581935/full-text-pms-speech-additional-prihatin-sme-economic-stimulus-package>.

COVID-19 (and some UN briefs) are highlighted in each relevant section of the paper.

The paper has three main parts. Part 1 covers recent information on the socioeconomic impacts of the pandemic and MCO and the *Prihatin* stimulus package to address these impacts. The quantitative data on the socioeconomic impacts may not be nationally representative nor even necessarily representative of the group covered as they are drawn from time-bound rapid assessments, online surveys and projections. The qualitative information on the *Prihatin* stimulus package reviews the efficacy of the provisions and reflects the reactions and concerns of the various groups seeking support from the package.

Part 2 of the paper provides baselines and diagnostics for improving policy decision-making. The focus is on workers and enterprises in the informal economy singled out in the ILO Monitor on COVID-19 as “the most vulnerable”.³ In addition to labour market characteristics, the paper draws attention to other characteristics, importantly, gender, age, migrant and refugee status, that can exacerbate vulnerability in the crisis situation.

Part 3 provides guidance for policies in the immediate, recovery and longer-term. Immediate action is needed to ensure that people can effectively access health care while supporting job and income security for those most affected. Once the spread of the virus has been contained and the MCO/CMCO restrictions are lifted, the focus should shift to a demand-led employment strategy for the medium to longer term recovery of jobs and incomes. To ‘build back better’ in the longer term and be better prepared for any future health and economic shocks of this nature, we need to build an economy that is stronger, greener and more resilient and a society that is inclusive and better protected. This will also require attention to addressing underlying structural and institutional weaknesses.

³ ILO, Geneva, 2020, p.7.

Part 1: The socioeconomic impacts and the Prihatin economic stimulus package

1.1. The socioeconomic impacts: Available information

The secondary data and information on the socioeconomic impacts of the COVID-19 pandemic and the MCO presented in this section are from a desk (internet) review of media articles, rapid assessments and surveys and projections - so the caveats on their validity and applicability should be taken into account. Given the urgent and dire circumstances, the information gathering has had to be completed quickly but it should be recognized that the data is not nationally representative nor even necessarily representative of the group(s) covered. Online surveys, for example, have several advantages - but also disadvantages, importantly, in this case, not reaching those most affected and most in need. With the situation rapidly evolving and the effects spiralling, the information is time-bound.

Table 1. Projection of macroeconomic impacts in 2020

Projection as of 23 March 2020	
Best case scenario	Worst case scenario
<ul style="list-style-type: none"> • Real GDP contracted by 2.61 relative to baseline. • Projected real GDP growth (YoY) = 1.57%. • Value of real GDP losses (relative to projected 2020 baseline) = 38 billion ringgit (73 billion ringgit in nominal terms). • Job losses; 951,000 (out of 16 million employed labor in 2019, presumably mostly non-salaried jobs). <ul style="list-style-type: none"> – Unskilled labor = 647,000. – Skilled labor = 303,000. • Household income losses = 41 billion ringgit (-5.2% relative to projected baseline in 2020). • Private consumption fell by 4.9%, due to income losses. • Overall consumer prices fell by 2.05%. 	<ul style="list-style-type: none"> • Real GDP contracted by 6.9% relative to baseline. • Projected real GDP growth (YoY) = -2.9%. • Value of real GDP losses (relative to projected 2020 baseline) = 102 billion ringgit. • Job losses; 2.4 million (out of 16 million employed labour in 2019). <ul style="list-style-type: none"> – Unskilled labour = 1.6 million. – Skilled labour = 780,000. • Household income losses = 95 billion ringgit (-12% relative to projected baseline in 2020). • Private consumption fell by 11%, due to income losses. • Overall consumer prices fell by 4.4%.

Projection as of 23 April 2020*

- Real GDP will grow by 3.8% relative to 2019 or -0.29% from the 2020 baseline.
- Full rebound in economic activities, including trade and investments by third quarter (Q3) of 2020.
- *Prihatin* stimulus and near full recovery expected to prevent job losses by 1.05 million (from 1.08 million to 28,600).
- Real GDP will contract by 1% relative to 2019 and -4.9% relative to 2020 baseline.
- Production and trade will rebound by 96-98% by fourth quarter (Q4) of 2020 and into Q1 of 2021.
- Job losses projected to decline from 2.41 million to 1.46 million (or 955,266 jobs protected).

*Taking into account the *Prihatin* stimulus package.

Source: MIER, 2020.

Box 1

Bank Negara Malaysia Outlook for 2020

“Against this highly challenging global economic outlook, Malaysia’s GDP growth is projected to be between -2.0 to 0.5 per cent in 2020 (2019: 4.3 per cent). The domestic economy will be impacted by the necessary global and domestic actions taken to contain the outbreak.

Of significance, tourism-related sectors are expected to be affected by broad-based travel restrictions and travel risk aversion, while production disruptions in the global supply chain will weigh on the manufacturing sector and exports. The implementation and subsequent extension of the Movement Control Order (MCO), while critical, will dampen economic activity following the suspension of operations by non-essential service providers and lower operating capacity of manufacturing firms.

Beyond the MCO period, reduced social and recreational activities, until the pandemic is fully controlled globally and domestically, will continue to dampen consumption and investment activity. Apart from the pandemic, the domestic economy will also be affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector. Unfavourable weather conditions and maintenance works will weigh on the production of oil palm, crude oil and natural gas”.

In its report on economic and financial developments in the Malaysian economy in the first quarter of 2020, Bank Negara reported GDP growth of 0.7 per cent, as compared to 4.5 per cent for the first quarter of 2019 and reflecting the impact of the MCO.

	2019 Share %	2019 1Q	2019 4Q	Year Annual growth %	2020 1Q
Services	57.7	6.4	6.2	6.1	3.1
Manufacturing	22.3	4.1	3.0	3.8	1.5
Mining	7.1	-1.5	-3.4	-2.0	-2.0
Agriculture	7.1	5.8	-5.7	2.0	-8.7
Construction	4.7	0.4	1.0	0.1	-7.9
Real GDP	100.0	4.5	3.6	4.3	0.7

Source: Bank Negara Malaysia, 2020. P.9-10.

Table 2. World Bank projections (annual percentage change) *

Indicators	2019	2020	2021
Real GDP growth, at constant market prices	4.3	-0.1	6.4
Private consumption	7.6	1.6	7.4
Government consumption	2.9	2.4	2.3
Gross fixed capital investment	-2.1	-4.0	3.8
Exports, goods and services	-1.1	-3.9	5.1
Imports, goods and services	-2.3	-3.6	4.2
Real GDP growth, at constant factor prices	4.4	-0.2	6.5
Agriculture	1.8	1.9	2.5
Industry	2.4	-2.9	4.2
Services	6.1	1.3	8.5
Current account balance (% of GDP)	3.3	1.9	2.6
Net foreign direct investment (% of GDP)	0.6	0.2	0.4
Fiscal balance (% of GDP)	-3.4	-6.4	-3.8
Debt (% of GDP)	52.5	59.3	59.0
Primary balance (% of GDP)	-1.3	-4.2	-1.5

*Cut-off date for information was 30 March 2020.

Source: World Bank, 2020, p.19.

Table 3. Impact on service SMEs

	Before the MCO	After the MCO
Level of business impact		
Very negative	16.7	68.9
Slightly negative	45.0	22.2
Neutral	28.3	8.9
Mostly positive	8.3	-
Very positive	1.7	-
Area of business most affected		
Sales	45.0	53.3
Cash flow	30.0	26.7
Supply chains	11.7	4.4
Human resources	5.0	6.7
Funding and investments	3.3	2.2
Marketing	3.3	6.7
Other	1.7	0.0
Business outlook for rest of 2020		
Very negative	21.7	33.3
Slightly negative	38.3	44.4
Neutral	23.3	11.1
Mostly positive	11.7	8.9
Very positive	5.0	2.2

Source: Justina Ann Marie (26 March 2020); and Azril Annuar (27 March 2020).

(The survey by Recommend.my, a home services platform, was conducted among 97 service-based, SMEs.⁴ Two rounds of surveys were conducted. The first was before the MCO was enacted on 18 March 2020, and the second round one week after the MCO. 88 per cent of the SMEs surveyed had 10 or less employees).

Table 4. Impact on vulnerable communities

Vulnerable communities are at greater risk:

- **2.1 million affected elderly:**
 - Malaysia's elderly (65 years and over) are at greater risk from more serious complications from COVID-19 and have less access to non-COVID-19-related healthcare.
 - The highest death rate worldwide is for people above 70 years.
- **2.8 million affected B40 households:**
 - Many of the B40 population are casual and low-skilled workers who are more likely to lose their jobs, resulting in financial hardship.
 - Low health, illiteracy, malnutrition and chronic diseases, which mostly occur in B40 households, as well as living in high density housing, puts them at greater risk.
- **Estimated 3 million (documented and undocumented) affected migrant workers:**
 - Key sectors (e.g. construction, hospitality, plantation) are dependent on migrant workers.
 - Reluctance to visit government health facilities for fear of losing wages, being laid off or deportation (especially undocumented workers).
- **The urban poor living in public housing projects:**

⁴ The companies were in home maintenance, home improvements, events, lifestyle, business services.

- The high-density, overcrowded living conditions make them highly vulnerable, unable to practice social distancing and often not able to work from home.

Source: Think City, 27 March 2020.

Table 5. Effects on the economy and individuals: DOS online survey round

Impact on employment by employment status (%) *

Employment status	Work from home	Half paid leave	Unpaid leave	Lost job	Reduced working hours	Increased working hours	No impact
Self-employed	25.1	0.9	9.2	46.6	13.8	0.6	3.8
Employer	30.9	3.8	14.5	23.8	22.2	1.4	3.3
Private employee	48.9	7.0	13.2	1.8	17.5	1.8	9.8
MNC employee	80.8	0.9	2.0	0.4	7.2	2.1	6.6
GLC employee	73.7	0.6	1.1	0.4	14.7	1.4	8.2

Impact on employment by sector (%)

Employment sector	Work from home	Half paid leave	Unpaid leave	Lost job	Reduced working hours	Increased working hours	No impact
Agriculture	21.9	1.2	6.7	21.9	33.3	1.3	13.7
Agriculture & plantation	23.5	1.1	5.9	21.1	33.7	1.2	13.6
Farming	12.9	3.0	10.9	19.8	29.7	2.0	21.8
Forestry & logging	23.5	5.9	17.6	11.8	29.4	5.9	5.9
Fishing	13.9	0.9	8.7	33.0	33.0	1.7	8.7
Industry	51.4	8.1	13.5	6.7	12.8	1.1	6.5
Mining & quarrying	69.8	1.2	9.3	6.8	7.4	2.5	3.1
Manufacturing	47.6	10.6	15.0	4.2	13.9	1.0	7.5
Electricity	54.7	4.7	7.2	5.3	17.1	1.5	9.5
Water	48.0	5.5	9.8	5.5	23.0	0.8	7.4
Construction	54.9	6.6	15.6	11.8	7.4	0.8	3.0
Services	44.8	3.8	10.6	15.0	16.9	1.5	7.4
Wholesale & retail trade	26.0	6.5	15.2	14.3	27.0	1.4	9.7
Transportation	25.9	3.9	10.2	18.7	30.3	2.4	8.5
Accommodation	21.8	8.6	22.2	14.6	21.2	2.7	9.0
Food services	17.0	3.2	19.1	35.4	18.8	1.3	5.1
Information & communication	70.7	1.7	4.3	4.4	7.5	2.2	9.1
Finance & insurance	59.2	1.0	3.1	4.4	23.4	1.5	7.4
Real estate	61.0	3.4	7.9	13.0	11.1	0.7	2.9
Professional	67.9	3.0	5.3	3.9	12.8	1.0	6.1
Administrative	63.0	2.5	6.1	4.5	15.8	1.1	7.0
Education	59.2	5.8	11.7	11.2	6.9	1.2	4.0
Health & social services	30.3	3.0	9.7	9.7	23.5	4.4	19.4
Arts, entertainment, recreation	34.1	4.5	11.7	38.0	7.0	0.7	3.9
Other services	41.8	5.2	12.7	18.0	15.0	0.8	6.4

*Conducted 23-31 March 2020 and covering 168,182 respondents.

Impact on income by sector (%)

Employment sector	Drop in monthly income	Income as usual	Increase in monthly income
Agriculture	70.0	29.5	0.5
Agriculture & plantation	69.1	30.5	0.4
Livestock	72.3	25.7	2.0
Forestry & logging	52.9	47.1	0.0
Fishing	79.1	20.9	0.0
Industry	46.7	52.9	0.3
Mining & quarrying	27.2	72.8	0.0
Manufacturing	48.7	50.9	0.3
Electricity	39.6	60.0	0.4
Water	40.2	59.4	0.4
Construction	50.1	49.6	0.3
Services	54.2	45.4	0.4
Wholesale & retail trade	68.7	30.7	0.6
Transportation	62.8	36.7	0.5
Accommodation	69.5	30.5	0.0
Food services	85.9	13.5	0.6
Information & communication	28.0	71.5	0.5
Finance & insurance	30.6	68.9	0.5
Real estate	55.6	44.3	0.2
Professional	37.4	62.5	0.1
Administrative	31.9	76.5	0.6
Education	47.1	52.9	0.0
Health & social services	46.8	52.2	1.0
Arts, entertainment, recreation	75.3	24.3	0.4
Other services	63.0	36.7	0.3

Sufficiency of financial savings by employment status (%)

Employment status	Sufficient for less than 1 month	Sufficient for at least 3 months
Self-employed	71.4	5.0
Employer	49.2	10.5
Private employee	58.0	8.2
Multinational company employee	31.2	13.7
Govt. linked company employee	38.9	11.0

Financial readiness if Movement Control Order extended (%)

Employment status	Ready	Not ready
Self-employed	18.1	81.9
Employer	28.7	71.3
Private employee	34.9	65.1
Multinational company employee	63.8	36.2
Govt. linked company employee	55.0	45.0

Source: DOS, 2020.

Table 6. Effects on the economy and individuals: DOS online survey

Benefits from the *Prihatin* economic stimulus package*

Whether received benefits:	%
Yes	96.8 **
No	3.2
Ethnicity of recipients:	
Bumiputera	90.3
Chinese	7.7
Indian	1.8
Others	0.7
Non-citizens	0.1
Number of benefits received:	
One	17.9
Two	13.9
Three	68.2
Types of assistance:	
One-off cash aid (BPN), IPT student aid, e-hailing	79.2
Moratorium	60.5
Utility discount	47.4
EPF cash withdrawals and private retirement	41.2
Wage subsidies and payments under ERP	13.7
Credit guarantee schemes	8.4
Satisfaction with <i>Prihatin</i> economic stimulus package	
Satisfied	87.3
Not satisfied	12.7
Ease of receiving aid:	
Easy	62.0
Hard	9.3
Bureaucratic barriers	16.5
Others	12.1

**It is worth noting that this very high percentage most likely denotes strong sample selection with those receiving benefits responding and those who did not receive benefits omitted.

Employment status

	%
Work from home	42.6
Work as required on full pay	20.3
Work as required on reduced pay	2.5
Leave on full pay	8.4
Leave on reduced pay	3.0
Retrenched	1.5
Outside the labour force	21.6

*Conducted 10-24 April 2020 and covering 41,386 respondents.

Perceptions and changes in lifestyle

Main priority facing the current situation	%
Health and life	90.9
Income (jobs, business, enterprise)	4.6
Normal life	4.5
Changes in lifestyle	
More careful about hygiene	93.6
Limit social activities	83.3
Limit tourism activities	67.1
Not eating out	43.5
Limit sports and recreational activities	42.4
Limit religious and prayer activities to the home	33.7
Others	3.1

Source: DOS, 2020.

Table 7. Impact on manufacturing enterprises

(Two surveys were conducted by the Federation of Malaysian Manufacturers (FMM). The first covered 1,120 manufacturers while the second survey had a response from 419 companies).

Results from the first survey (21 March – 2 April):

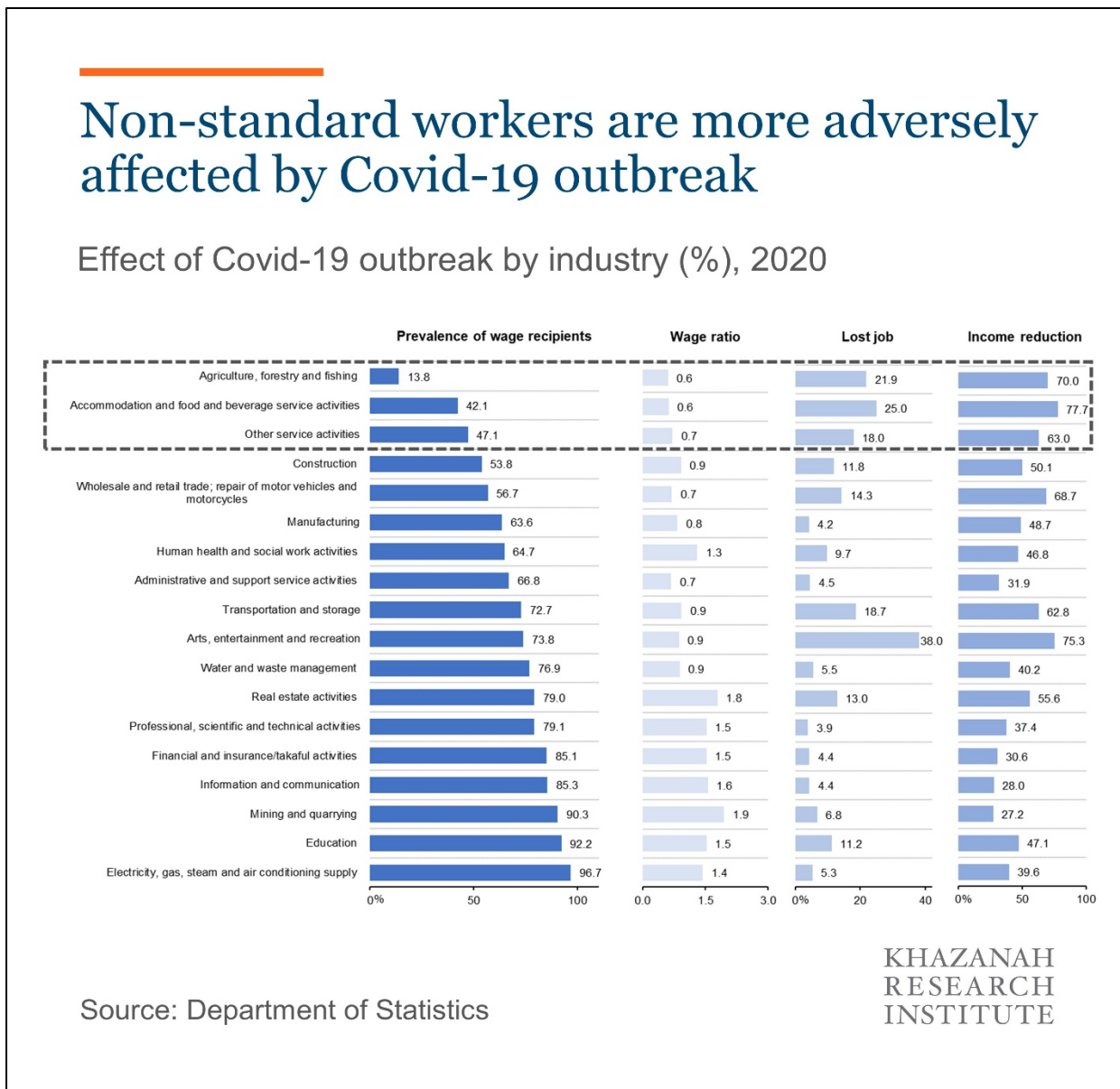
- 55.4 per cent estimated losses of 1-5 million ringgit, particularly among medium-sized enterprises;
- Small-sized enterprises estimated losses of between 100,000-300,000 ringgit followed by 500,000 ringgit to less than 1 million ringgit;
- Large companies estimated their losses to be 1-5 million ringgit, followed by above 5 million ringgit;
- Estimated losses comprised mainly salaries, loss of sales, stock inventory and possible contractual penalties from suppliers as well as customers;
- 71 per cent of 1,120 respondents can only tolerate four weeks of non-operation;
- Export and import activities curtailed because of problems regarding approvals and transport restrictions;
- Supply chain disruptions because of disruptions in imported raw materials and goods or because some manufacturing entities that are part of the supply chain of the essential products are not granted approval to operate as they are deemed non-essential; and
- Among the 60,000 manufacturers in the country, one-month stoppage in operations is estimated to reach about 130 billion ringgit in GDP losses.

Results from the second survey (6 – 10 April):

- 53.7 per cent were from non-essential product sectors and therefore not able to operate during the MCO, while 63.9 per cent of those from essential product sectors had approval to operate. 16 per cent of the respondents had unionized workers;
- More than half reported that revenue had dropped by more than 50 per cent;
- 44 per cent would be able to sustain their business with the current workforce for 3 months, while 34.1 per cent would manage to sustain business for 1 month;
- 30 per cent managed to obtain approval to continue operating while the remaining 70 per cent which comprised some 'essential' product manufacturers were not granted approval;
- Working from home is a challenge for many manufacturers, either because they had work processes that cannot be performed remotely or because they were not prepared with the necessary infrastructure to support employees working from home;
- In the next 3 to 6 months, employers are likely to take the following cost-cutting measures to preserve employment:
 - freezing headcount (67 per cent);
 - instituting unpaid leave (59 per cent);
 - removing some non-contractual allowances and benefits (59 per cent);
 - instituting forced annual leave (59 per cent) and reducing workdays per week (39 per cent);
 - reducing some benefits agreed in collective agreement for unionized companies (34 per cent);
 - reducing hours of work per day (29 per cent);
- 63 per cent indicated that they may have to resort to lay-offs/retrenchments, with 47 per cent having to do so within the next 3 to 6 months and 79 per cent having to retrench up to 30 per cent of employees.

Sources: The Edge Financial Daily (10 April 2020); FMM (20 April, 2020); and Human Resources (22 April, 2020).

Table 8. Impact by industry **



Source: Nur Thuraya Sazali, 30 April 2020, p.4.

**The prevalence of wage recipients is used as a proxy for standard employment, so that the lower the percentage of wage recipients the higher the proportion of workers in non-standard forms of employment in a particular industry.

Table 9. The latest labour force statistics

Labour force ('000)			
March 2020	15 842.9		%
February 2020	15 869.8	m-o-m	-0.2
March 2019	15 556.6	y-o-y	1.8
Employed ('000)			
March 2020	15 232.4		%
February 2020	15 344.5	m-o-m	-0.7
March 2019	15 035.2	y-o-y	1.3
Unemployed ('000)			
March 2020	610.5		%
February 2020	525.2	m-o-m	16.2
March 2019	521.3	y-o-y	17.1
Outside labour force ('000)			
March 2020	7 239.8		%
February 2020	7 224.0	m-o-m	0.2
March 2019	7 169.4	y-o-y	1.0

	Employed	Own-account workers	
	million	million	% of employed
March 2020	15.23	2.81	18.5
February 2020	15.34	2.69	17.5
March 2019	15.04	2.76	18.4

Labour force participation rate	
March 2020:	68.6%
February 2020:	68.7%
March 2019:	68.5%

Unemployment rate**	
March 2020:	3.9%
February 2020:	3.3%
March 2019:	3.4%

Source: DOS, May 2020.

Note: m-o-m: month on month
 y-o-y: year on year

**It should be pointed out that since the MCO only started on 18 March the unemployment rate of 3.9 per cent will more than likely shoot up from April onwards. The DOS Chief Statistician projected that the unemployment rate may go up to 5.5 per cent this year.⁵

⁵ *Malay Mail*, (14 May 2020).

1.2. The Prihatin stimulus package: Review and reactions

The first economic stimulus package of 20 billion ringgit was announced by the previous Government on 27 February 2020. One month later 27 March 2020, the new Government announced the *Prihatin* Rakyat Package of 230 billion ringgit. The *Prihatin* stimulus package with a combined value of 250 billion ringgit is expected to add about 2.8 per cent points to the GDP growth in 2020 (which has been revised by Bank Negara to between -0.2 per cent and 0.5 per cent).⁶ Details of how the package is supposed to be delivered are presented in Appendix 1.

On 6 April 2020, the Prime Minister announced an additional stimulus package aimed at support for SMEs and micro businesses; the details of the package are given in Appendix 2. The 10 billion ringgit SME package is estimated to potentially increase the country's fiscal deficit to -4.7 per cent of GDP.⁷ The ILO has collated the information on the measures Malaysia (and some 187 other countries) have taken to combat the spread of the disease, while ameliorating its pernicious effect on the economy and labour market - available at: <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm#MY>.

As evident from the Appendices and the ILO database, the provisions are very wide ranging, with 'something for everyone'. The provisions can be examined in terms of who is eligible to benefit and whether they are reaching those most in need; the appropriateness of the conditions and criteria for receiving support; the speediness in delivery and adequacy of the amounts or waivers that are specified; whether the distributional effects can be considered fair and effective; and the longer term implications for recovery.

- Firstly, it is important to note that **only about 25 billion ringgit or ten per cent of the first two packages will come from a direct fiscal injection**. A big chunk is in the form of loan moratoriums (100 billion ringgit or 40 per cent) while the other major component is withdrawals from the Employee's

⁶ S. S. Jaafar, 2020.

⁷ Wong, 2020.

Provident Fund (EPF) (40 billion ringgit or 16 per cent). The immediate comment is that while there is nothing fundamentally wrong with each of these components, **the poor and most needy are not likely to have loans from financial institutions nor to have EPF savings**. Much more is needed in terms of a fiscal injection – however, the country already faces serious financial constraints. The World Bank has warned that the country has limited fiscal space to respond to further deterioration of the pandemic or prolonged restrictions on overall economic activities.⁸

- The **flaws in the provision for withdrawals from EPF** have been pointed out.⁹ Under the scheme dubbed '*i-Lestari*', EPF contributors will be allowed to withdraw a portion of their savings from Account 2, up to 500 ringgit per month for 12 months for a total of 6,000 ringgit. A significant proportion of EPF contributors will not be able to benefit from the scheme. Assuming that Account 2 represents about 30 per cent of total savings of an individual, it has been estimated that up to 40 per cent of total contributors have less than 6,000 ringgit in their Account 2; in fact, those in the bottom 10 per cent do not even have 500 ringgit in their Account 2. Furthermore, there are serious longer-term implications since withdrawing funds now means depleting what they will have for retirement or old age or even for productive purposes such as education. A third and major concern is that *i-Lestari* is limited to only those registered and contributing to EPF, namely employees working in the formal sector, meaning that the large numbers of the self-employed, those in the gig economy and those in informal or non-standard jobs will not be able to participate in *i-Lestari*.
- A main component of the package is direct cash transfers to the rakyat, the ***Bantuan Prihatin Nasional*** (BPN), which is expected to cost a massive 10 billion ringgit. Entitlement to the BPN is automatic for all existing beneficiaries of the ***Bantuan Sara Hidup*** (BSH) cost of living aid programme and for qualified Malaysians who completed a tax return in recent years and

⁸ World Bank, 2020, p.19.

⁹ A. Firouz, 2020.

also new beneficiaries who register through the Inland Revenue Board website.¹⁰ The BPN offers a one-off cash pay-out based on income level:

- 1,600 ringgit to households earning up to 4,000 ringgit per month.
 - 1,000 ringgit to households earning from more than 4,000 ringgit to 8,000 ringgit per month.
 - 800 ringgit to singles aged 21 and above earning up to 2,000 ringgit per month.
 - 500 ringgit to singles aged 21 and above earning from more than 2,000 ringgit to 4,000 ringgit per month.
 - 200 ringgit for every student studying at the institutes of higher education
- For the first phase of the BPN, 8.3 million recipients were approved with a total allocation of 9.3 billion ringgit. For new applications and appeals which were opened until 30 April, another 2.3 million recipients were approved with financial implication amounting to another 1.7 billion ringgit.¹¹ This direct income support that is independent of coverage by formal social insurance such as the EPF or Social Security Organization (SOCSO is also known as PERKESO) is especially critical for low-income households and informal workers. The eligibility criteria are progressive and intended to benefit not just the B40 group (whose threshold income is 4,360 ringgit per household per month)¹² but also the M40 group. However, given that Malaysia's Poverty Line Income (PLI) is officially set at 980 ringgit per household per month¹³, it can be questioned whether an allocation to those households with more than 4,000 ringgit per month is warranted or even prudent. Especially since it is a one-off pay-out, priority should be given to the B40 who are very likely to sink into deeper poverty. Furthermore, since the pay-out is to be made in two

¹⁰ The BSH is a yearly financial aid initiative to help the economically disadvantaged. It began in 2012 and is disbursed in three phases through the year. The eligibility criteria have changed over the years and the cash amounts handed out have also increased. It now includes households with a monthly income below 4,000 ringgit, individuals aged 40 and above earning below 2,000 ringgit per month and the disabled aged 18 years and above. See <https://bsh.hasil.gov.my/>; and Hakim Hassan.

¹¹ *Malay Mail*, 14 May 2020.

¹² As specified in the 2020 Budget Speech p.67, <https://www.bnm.gov.my/documents/budget/bs2020.pdf>. See also Kaur.

¹³ There has been growing controversy over the very low PLI. For example, the UN Special Rapporteur on Poverty and Human Rights concluded that the country is vastly undercounting poverty and a World Bank expert estimated that the PLI should be about three times higher. Ravallion (3 September 2019).

instalments, it is critical to ensure that those most in need are at the top of the queue.¹⁴ And since the bulk of the cash payments will have been disbursed by end of May, what happens then? One suggestion worth noting is that **“if further rounds of cash transfers are needed, it will be worthwhile to consider channelling these to the beneficiaries of the BSH program instead of the wider group of beneficiaries that the BPN program covers.** This would ensure that a higher share of transfers goes to the bottom 40 per cent – the group in the most urgent need of support. Transmitting further rounds of cash transfers to BSH recipients would also better complement other measures in the support packages that use EPF and SOCSO and thus already offer some income protection to middle-income households”.¹⁵

- In these difficult and politically unstable times, it is understandable that the ‘Caring for People’ Package attempts to offer ‘something for everyone’ to inject a ‘feel good’ mood. In announcing the package, the Prime Minister made specific mention of everyone who would benefit from fishermen to farmers to market traders to e-hailing drivers, taxi drivers, civil servants, the urban poor and those living in Projek Perumahan Rakyat (PPR), the M40, B40 ... gave a detailed example of how an ordinary Malaysian (Mak Cik Kiah) (an informal street vendor selling fried bananas) would benefit.¹⁶ However, we should caution against giving false hope. For example, it has been carefully explained why the hypothetical example of Mak Cik Kiah who is supposed to “end up with a windfall of over 4,000 ringgit in savings at the end of six months beginning from April” will never be a reality.¹⁷ And there is no specific mechanism for targeting the farmers or the fishermen or the gig workers – other than the one-time cash pay-out which, in any case, they may not know

¹⁴ Gunasegaram, 2020. Highlights the predicament of families: “They have run out of their meagre savings and don’t know when they will get more money. They are waiting for the 1,600 ringgit payment from the government which will be made in two instalments. That first 800 ringgit will be welcome but their immediate cash income has shrunk. Consider their predicament: After paying rental of 500 ringgit, they have a disposable income of 300 ringgit for April. What are they going to do for food? Five people on 10 ringgit a day! And what about other expenses besides food?”

¹⁵ Schmillen, 2020.

¹⁶ For the Prime Minister’s full speech announcing the stimulus package, see <https://www.theedgemarkets.com/article/muhyiddins-speech-prihatin-rakyat-economic-stimulus-package>.

¹⁷ Ramakrishnan; Gunasegaram, 2020.

how to or be able to access. For the many who do not have digital bank accounts and/or access to mobile money transfers, the current restrictions on mobility make it difficult if not impossible for them to collect income support.

- There is the important issue of equity and fairness. The current provisions are biased against the self-employed.¹⁸ The DOS survey highlighted in Table 5 above identifies the self-employed as most severely affected by the MCO, but this group who account for 19 per cent of the total employed (Table 9) and who are mainly in informal and non-standard forms of employment,¹⁹ appears to have essentially fallen between the cracks of the Stimulus Package. Formal sector employees can benefit from the i-Lestari provision and the BPN described above and also from direct fiscal injections through the Employment Retention Programme (ERP), Employment Insurance System (EIS) and Wage Subsidy Programme (WSP) described below. But for the self-employed/own-account who make up the bulk of workers in the informal sector (as described in Part 2 of the paper), the only support would be from the one-off cash payment from the BPN and the annual BSH. And since the self-employed likely would not have registered as businesses, they also would not qualify for support from the SME package.
- The *Prihatin* stimulus package offers **no support for foreign workers**, documented or undocumented (although there is a 25 per cent discount on the foreign worker levy for all companies whose permits end on April 1 to December 2020 – except the levy for housemaids). The WSP described below explicitly excludes migrant workers and expatriates. In fact, the Ministry of Human Resources (MOHR) advised, “if a lay-off is inevitable, foreign employees should be terminated first”.²⁰ Yet, the migrant workers and refugees are certainly among the most vulnerable in terms of both the health risks and the loss of livelihoods. The issue of migrant workers will be taken up in a later section of this paper, but the point here is that the Malaysian economy has been heavily dependent on the migrant workforce – to

¹⁸ A. Firouz, 2020.

¹⁹ The links between self-employment and informality and non-standard forms of work are discussed in Part 2 of this paper.

²⁰ *The Star*, 20 March 2020.

abandon them in a time of crisis is not only inhumane but short-sighted with potentially serious implications and costs not only for health and transmission issues but for the economy post-pandemic. It is also very worrying that anti-immigrant sentiments and xenophobic reactions and cyber-attacks are increasing – not just from the public but from politicians and senior officials. The migrant workers and refugees are being stigmatized as carriers of the virus and are being raided and detained and denied jobs; and there are growing calls to deport the Rohingya refugees who are seen as absorbing the country's increasingly scarce resources.²¹

- For formal sector Malaysian workers who qualify, there is the **Employment Retention Programme (ERP)** by SOCSO where those forced to take unpaid leave are entitled to a monthly 600 ringgit for up to six months, limited to those earning below 4,000 ringgit. It was announced earlier that the ERP was effectively closed on 22 April after it had run out of funds, but on 7 May there was another announcement that funds for the ERP had been doubled from 120 million ringgit to 240 million ringgit and the programme was still open for applications.²² Under the **Employment Insurance System (EIS)** those who have been contributing and are retrenched can receive payment. Since the EIS only started in 2018 it is not likely to have sufficient funds to be able to provide benefits for the growing number of unemployed.²³ The official number of unemployed already totalled more than 610 thousand in March and can be expected to significantly increase from April on, given that the MCO only started on 18 March (see Table 9 above).
- The Government has also introduced a **Wage Subsidy Programme (WSP)** aimed at employers with declining revenues during the MCO. Under the WSP, a subsidy is paid to employers for each local employee earning below 4,000 ringgit per month for three months beginning 1 April 2020. The amount of subsidy per worker per month ranges from 600 ringgit to 1,200 ringgit, depending on the number of local workers under an employer. Employers cannot apply for the wage subsidy for migrant workers or

²¹ Sukumaran, April 2020.

²² Teo, May 2020.

²³ The EIS also does not cover government employees, the self-employed or domestic maids.

expatriates. The programme also specifically excludes the self-employed, including freelancers. To qualify for the WSP, employers must be registered with SOCSO and the Companies Commission of Malaysia (CCM) and, more importantly, employers who choose to receive the assistance are required to retain their employees, not to deduct wages or to require their employees to take at least six months unpaid leave, within three months of receiving the subsidy and three months after.²⁴ As of April 22, the WSP had recorded some 205,342 applications from employers. However, **many employers have indicated that the conditions of the WSP are too onerous to benefit them** - the documentation needed to apply for the subsidy and the verification process are too difficult to fulfil and that by the time they receive the subsidy they might already have had to fold up the business. The Federation of Malaysian Manufacturers (FMM) survey reported that 74 per cent of respondents felt that the wage subsidy was inadequate to retain employees for the next three to six months without pay cuts and retrenchments.²⁵ The Malaysian Employers Federation (MEF) also felt that the total sum allocated for the WSP is insufficient as it amounts to only about 19 per cent of total wages in the formal private sector per month.²⁶ Employers have increasingly called for flexibility to allow employers to negotiate with their employees and their trade unions on acceptable arrangements, such as pay cuts, no paid leave and other flexible working arrangements to avoid full-scale retrenchments and not to contravene labour laws.

- The 10 billion ringgit **Prihatin SME stimulus package** has been much needed. SMEs account for almost 99 per cent of all enterprises in the country, with micro enterprises making up three-quarters of all enterprises.²⁷ The predominance of micro enterprises with less than 5 employees or less than 300,000 ringgit sales turnover per annum²⁸ would clearly need to be taken into account in the measures intended to support enterprises. **Micro**

²⁴ For the full list of eligibility requirements, see Human Resources, 2020.

²⁵ Tan, April 2020.

²⁶ Carvalho and Tang, April 2020.

²⁷ NESDC, 2019, p.158.

²⁸ For the definition of SMEs by size of operation and the criteria for qualifying as an SME, see Appendix 3 of the paper.

enterprises not registered with SOCSO or the CCM – and therefore in the informal economy – do not qualify for assistance. Assistance to SMEs has assumed two main forms – cash flow assistance and cost alleviation measures. In addition to the WSP, the measures to ease the cash flow problems of enterprises include a one-off grant of 3,000 ringgit that does not need to be repaid to qualified micro enterprises; loan moratoriums for six months, a loan facility under a micro credit scheme and a loan guarantee scheme. The cost alleviation measures include reduction in electricity bills and exemptions for six months on rentals in government-owned premises. However, SMEs have highlighted a number of concerns.

The President of the SME Association of Malaysia reported that **“bureaucracy in applying for government aid is proving to be a stumbling block in helping businesses survive”**.²⁹ In addition to arguing that the WSP is insufficient to keep SMEs afloat, he emphasized that actually obtaining assistance was complicated and involved a great deal of bureaucracy - “This is because government’s policies haven’t supported the industry. They only gave wage subsidies but the rest — like getting a loan to sustain your business or reducing the electricity bill to 50 per cent, rental subsidies and many more — there’s so much bureaucracy involved....**the government appeared to focus on procedures at a time when small businesses were drowning**.”³⁰ For example, while the Government has announced Special Relief Facility interest-free loans and grants to help SMEs weather the crisis, applicants not only must provide full documentation but also go through three layers of approvals (the applicant’s bank, the Corporate Development Centre and finally Bank Negara) before being able to get the funds. The reality is that micro and small businesses either do not have their accounts in order or have poor performance records to qualify and, in any case, as some business owners have put it, why would they take loans when they have no business and even interest-free loans are not free, they have to be repaid. Furthermore, obtaining rental waivers from building owners in the private

²⁹ Carvalho and Tang, April 2020.

³⁰ Ibid.

sector would remain difficult, even with the tax deductions the government is offering; and registered money lenders would have no incentive to offer moratoriums on loan repayments for six months.

- The dilemma is that with the MCO and stay-at-home orders, **the stimulus measures cannot sustain economic activities if they cannot resume operations.** The Government has said that **the economy is losing 2.4 billion ringgit each day and some 35 billion ringgit in a month during the MCO/CMCO.** Employers have pointed out that the wage subsidy and other measures, such as the programme to allow them to postpone, restructure or reschedule their mandatory EPF payment for employees or the exemption of employers' contribution to the Human Resource Development Fund (HRDF) or deferment of income tax payment, will not be adequate if the MCO is a protracted one. The Ministry of International Trade and Industry (MITI) has been engaging with various stakeholders including industry associations, SMEs, other relevant ministries and agencies and trade unions including the Ministry of Health and the National Security Council to identify and review the sectors that can be allowed to operate under the MCO, based on the following considerations:³¹ importance in the global value chain and the country's exports; activity of economic sectors with high value-added multiplier; impact on the sustainability of SMEs in the economic sector, particularly in manufacturing and services; and size of workforce involved. The MCO was supposed to last till 12 May, but on 1 May, the Government announced a Conditional MCO (CMCO) relaxing the lockdown and allowing almost all economic sectors and business activities to operate by 4 May. The rationale was that "should the MCO continue until June 2020, the cumulative loss of the national income is estimated to reach 146 billion ringgit or a shortfall of 10.3 of the GDP. This would wipe out the economic success that has been achieved for the last four years".³² However, there are concerns that businesses and the general population are not yet ready or not yet able to strictly observe the government-established Standard Operating Procedures (SOPs) concerning

³¹ MITI, 2020.

³² MITI, 2020.

health and safety. The CMCO could well result in another spike in the number of virus infections and undo all the efforts of the MCO to 'flatten the curve'. On 10 May, the Government announced that the CMCO would be extended to 9 June, with the SOPs remaining in place. On the same day, the MTUC called upon the government to clarify its policy on the mandatory COVID-19 screening for workers following the implementation of the CMCO. It stressed that the screening should be compulsory for all workers – not only focus on foreign workers but also local workers and cost considerations should not prevent employers from ensuring the safety of all their workers.³³

³³ Solhi, 2020.

Part 2: Identifying the most vulnerable

It is clear from Part 1 that better diagnostic statistics and information would contribute to the promise of the *Prihatin* stimulus package to ‘leave no one behind’. The aim of this part of the paper is to strengthen the bases for more effective policies and programmes to target and deliver support to the most vulnerable workers and enterprises, in particular those in the informal economy and non-standard forms of employment.

2.1. Who are the most vulnerable workers?

The sections above have highlighted the vulnerability of the self-employed. Data on the self-employed/own-account workers are critical as a starting point for identifying informality. Own-account work and unpaid family work have been officially classified as vulnerable employment, and it is an acknowledged fact that **the most vulnerable workers are in the informal economy**.³⁴ The defining characteristic of informality³⁵ – in law or practice not covered by work-related social protection, national labour legislation or entitlement to certain employment benefits (such as paid annual or sick leave) – underscores the vulnerability of these workers. Informal workers often have poor access to health-care services and have no income replacement in case of sickness or lockdown. Many have no possibility to work remotely from home. But staying home means losing their jobs, and without income, they starve.

Table 10 from the labour force surveys reveals that **the self-employed/own-account workers** represent some 2.7 million or 18 per cent of the country’s total labour force (and up to 2.81 million by March 2020, as shown in Table 9).³⁶ They are more likely to be concentrated in rural areas when compared to the overall labour force (30 per cent as compared to 20 per cent) and they are also much

³⁴ Under the earlier Millennium Development Goal 1. It is also worth noting that under Agenda 2030 for Sustainable Development Indicator 8.3.1 of SDG 8 on decent work and economic growth there is “the share of informal employment in non-agriculture employment, by sex”.

³⁵ For a detailed definition and explanation of informal employment, informal sector and informal economy, see ILO, 2013 and Bonnet et.al. 2019.

³⁶ A self-employed/own-account worker is defined in the DOS Technical Notes accompanying the Labour Force Surveys as “a person who operates his/her own farm, business or trade without employing any paid workers in the conduct of his/her farm, trade or business”.

more likely to be older (29 per cent of the total self-employed are above 50 years of age, as compared to 16 per cent of the total labour force in this age group). They also appear to work shorter hours than employers or wage employees (often because there are no extra hours for work, rather than by choice). Some of the obvious implications from Table 10 are that the self-employed/own-account workers who make up almost one-fifth of the total workforce are too significant a group to be neglected; their vulnerability is compounded by their greater concentration in rural areas and in the older age group; and their shorter hours of work make them more vulnerable to time-related under-employment and working poverty - factors that should be taken into account in support measures.

Table 10. Employed persons by status in employment 2018 and 2019

Status in employment	2018		2019	
	'000	%	'000	%
Total:	14 776.0	100.0	15 073.4	100.0
Employer	547.2	3.7	552.9	3.7
Employee	10 700.4	72.4	11 218.3	74.4
Self-employed/own-account	2 859.2	19.4	2 724.2	18.1
Unpaid family worker	669.1	4.5	578.1	3.8
By sex:				
Male	9 041.8	61.2	9 202.4	61.1
Employer	448.2	5.0	450.9	4.9
Employee	6 616.6	73.2	6 857.3	74.5
Self-employed/own-account	1 740.4	19.2	1 684.3	18.3
Unpaid family worker	236.6	2.6	210.0	2.3
Female	5 734.2	38.8	5 871.0	38.9
Employer	99.0	1.7	102.0	1.7
Employee	4 083.8	71.2	4 360.9	74.3
Self-employed/own-account	1 118.8	19.5	1 039.9	17.7
Unpaid family worker	432.6	7.5	368.2	6.3
By strata:				
Urban	11 639.6	78.8	12 007.3	79.7
Employer	488.3	4.2	496.5	4.1
Employee	8 767.7	75.3	9 263.2	77.1
Self-employed/own-account	1 992.0	17.1	1 908.9	15.9
Unpaid family worker	391.6	3.4	338.7	2.8
Rural	3 136.4	21.2	3 066.2	20.3
Employer	58.9	1.9	56.4	1.8
Employee	1 932.8	61.6	1 955.1	77.0
Self-employed/own-account	867.2	27.7	815.2	16.5
Unpaid family worker	277.5	8.8	239.4	4.7
By age:				

15-24 years	2 395.2	16.2	2 514.8	16.7
Employer	11.7	0.5	12.9	0.5
Employee	1,947.5	81.3	2 031.0	80.8
Self-employed/own-account	255.6	10.7	312.7	12.4
Unpaid family worker	180.4	7.5	158.2	6.3
25-49 years	9 988.9	67.6	10 151.9	67.3
Employer	355.7	3.5	354.7	3.5
Employee	7 507.5	75.2	7 869.5	77.5
Self-employed/own-account	1 775.8	17.8	1 627.5	16.0
Unpaid family worker	349.8	3.5	300.3	3.0
50-64 years	2 391.9	16.2	2 406.7	16.0
Employer	179.8	7.5	185.3	7.7
Employee	1 245.4	52.1	1 317.8	54.7
Self-employed/own-account	827.8	34.6	784.0	32.6
Unpaid family worker	138.9	5.8	119.6	5.0
By hours worked:	Mean	Median	Mean	Median
Total	45.0	48.0	45.1	48.0
Employer	47.4	48.0	47.0	48.0
Employee	46.7	48.0	46.5	48.0
Self-employed	39.3	40.0	40.0	40.0
Unpaid family worker	39.4	40.0	40.1	40.0

Source: DOS, May 2019 and DOS, April 2020).

Table 11. Employment in the informal sector 2017

	Total employment*		Employment in informal sector*	
	'000	%	'000	%
Total	12 818.4	100.0	1 363.6	100.0
Status in employment:				
Employer	533.2	4.2	29.7	2.2
Employee	9 939.1	77.5	278.2	20.4
Own-account worker	1 955.8	15.3	945.9	69.4
Unpaid family worker	390.4	3.0	109.7	8.0
Employment by sex:				
Male	7 636.5	59.6	839.2	61.5
Female	5 181.9	40.4	524.4	38.5
Employment by industry:				
Manufacturing	2 509.1	19.6	234.8	17.2
Construction	1 256.0	9.8	272.7	20.0
Services	5 981.2	46.7	848.2	62.1
Wholesale and retail trade, repairs	2 481.1	19.4	279.9	20.5
Transportation and storage	657.4	5.1	49.1	3.6
Accommodation, food & beverage	1 320.2	10.3	218.2	16.0
Administrative and support	675.9	5.3	82.2	6.0
Human health & social work	586.9	4.6	113.4	8.3
Other service activities	259.7	2.0	105.4	7.7
Others	3 072.1	24.0	8.0	0.7
Employment by occupation:				

Managers and professionals	2 440.6	19.0	26.3	1.9
Technicians and associated professionals	1 512.6	11.8	40.7	3.0
Service and sales workers	3 193.0	24.9	622.3	45.6
Craft and related trade workers	1 501.2	11.7	481.0	35.3
Elementary occupations	1 245.3	9.7	142.7	10.5
Others	2 925.8	22.8	50.6	3.7
Employment by age:				
15-24	2 084.4	16.0	200.1	14.7
25-34	4 534.3	35.4	315.9	23.2
35-44	3 097.3	24.2	343.8	25.2
45-54	2 218.2	17.3	315.1	23.2
55-64	920.2	7.2	188.8	13.8
Employment by type of workplace:				
At home			581.4	42.6
Factory/office/workshop/shop/kiosk/etc.			110.7	8.1
Market or street stalls			247.1	18.1
No fixed location			424.3	31.1

*Excluding employment in the agricultural sector.

Source: DOS, July 2018.

Currently available information on informality in Malaysia is hampered by a narrow conceptual basis but even so, Table 11 from the informal sector workforce survey shows that in 2017, 1.36 million persons were employed in the non-agriculture informal sector, representing 10.6 per cent of total non-agricultural employment (and 9.4 per cent of total employment).³⁷ Employment in the informal sector has been fast expanding, at a rate of 4.5 per cent per annum between 2011 and 2017 as compared to 2.3 per cent growth in total employment in the same period.³⁸ The data in Table 11 confirm that almost 70 per cent of all workers in the informal sector are own-account or self-employed (in contrast to only 15 per cent of the total employed in non-agriculture and 18 per cent of the total employed in the country).

Table 11 also draws attention to another important group of informal sector workers – the **unpaid family workers** who account for eight per cent of total informal sector workers.³⁹ All unpaid family workers are classified as having an informal job. Only about two per cent of informal sector workers are categorized as employers, meaning that they hire workers but their enterprise is not registered. The remaining category of employees are those working for a wage or salary in unregistered informal sector enterprises. The table sheds additional light on the characteristics of informal sector workers. Age is a distinguishing feature, with informal sector workers more heavily represented in the older age groups than the overall workforce. By place of work, one implication is that it is harder to reach out to informal sector workers because they tend to be home-

³⁷ The informal sector workforce survey conducted biannually by DOS only covered employment in the informal sector (which is an enterprise-based concept) and does not include informal employment (which is a job-based concept defined in terms of the employment relationship and protections associated with a worker's job). The survey excludes the agricultural sector and also government employees. The enterprise-based concept used by DOS is "The informal sector comprises informal enterprises outside of agriculture that meet the following criteria: (i) all or at least one goods or services produced are meant for sale or barter transactions; (ii) the enterprise is not registered with the Companies Commission of Malaysia or any other professional bodies, including the Local Authority, and (iii) the size in terms of employment is less than ten persons and is not registered under specific form of national legislation", DOS, 2018, p.91. However, the latest questionnaire for the Informal Sector Survey 2019 includes a couple of questions under a section termed "informal employment" to be answered by those defined as working outside the "informal sector". This is an important revision and the new data on contractual status and entitlement to social security and labour rights should provide more realistic qualitative and quantitative information on informality. Unfortunately, the Informal Sector Survey 2019 data are currently not yet available.

³⁸ S. A. Tumin, 2020, p.3.

³⁹ Defined as a person who works without pay or wages on a farm, business or trade operated by another member of the family.

based or itinerant with no fixed location of work. By sex, male and urban workers dominate the informal sector, but among female and non-agricultural workers, a higher proportion are informal workers. ILO monitoring data confirm that among informal economy workers significantly impacted by the crisis, **women are overrepresented in high-risk sectors.**⁴⁰ The data in Table 11 on informal workers by industry can be compared to the information in Table 12 (and also to the earlier Table 10) to confirm that **informal workers are concentrated in the hardest hit sectors** – in particular wholesale and retail trade, manufacturing, accommodation and food services.

⁴⁰ ILO, 2020, p.7.

Table 12. Impact of the crisis on the hardest hit sectors

Economic sector	Impact
Wholesale and retail trade, repair of motor vehicles and motorcycles	High
Manufacturing	High
Accommodation and food services	High
Real estate, business and administrative activities	High
Arts, entertainment and recreation and other services	Medium - High
Transport, storage and communication	Medium - High
Construction	Medium
Financial and insurance services	Medium
Mining and quarrying	Medium
Agriculture, forestry and fishing	Medium - Low
Human health and social work activities	Low
Education	Low
Utilities	Low
Public administration and defence, compulsory social security	Low

Source: ILO, April 2020, p.6-7.

The ILO has prepared global estimates that suggest that almost 1.6 billion informal economy workers or 76 per cent of informal employment worldwide are significantly impacted by the restricted movement or lockdown measures and/or working in the hardest-hit sectors and that over 95 per cent are working in small units of less than 10 workers.⁴¹ We can draw upon these estimates to elaborate on **why and how workers and business owners in the informal economy are the most vulnerable:**

- Firstly, for most informal workers stopping work or working remotely from home is not an option. It means losing their livelihoods. “To die from hunger or from the virus” is the all too real dilemma faced by many of those earning a living in the informal economy;
- The proportion of informal workers hit by the crisis is so high for two main reasons. One is that the sectors in which they are most largely represented are also the heaviest hit sectors; and second, the majority of those in the informal economy are own-account workers and in enterprises of less than ten workers which are more vulnerable to shocks;

⁴¹ ILO, 2020.

- Among informal economy workers significantly impacted by the crisis, women are over-represented in high risk sectors: 42 per cent work in those sectors compared to 32 per cent of men;
- The impact of the crisis and the related MCO measures differ depending on the sector. The largest sectors and sub-sectors in the informal economy are often those directly impacted by COVID-19 and associated measures to ensure physical distancing;
- The informal economy is dominated by micro-economic units, including own-account workers more vulnerable to shocks. The impact has been particularly devastating for the unregistered own-account workers and informal workers in the small-scale economic units;
- Income losses for informal economy workers are likely to be massive. The estimates show that, in the absence of income support measures, earnings are expected to decline in the first month of the crisis by 60 per cent globally. And with further increases in income inequality among workers, an even greater proportion of informal economy workers will be left behind and relative poverty will increase.

That **different groups in the informal economy face different risks, have been differently affected and therefore need different types of measures** was highlighted in a WIEGO rapid assessment.⁴² The rapid assessment of the impact of COVID-19 on informal workers was conducted by WIEGO between 23 March and 8 April 2020 in Africa, Asia and Latin America.⁴³ One of the most important groups of informal workers are those who are home-based (as confirmed in Table 11) and who tend to be heavily female face a new kind of isolation - those who produce goods and services for local markets or as subcontracted workers for national and global supply chains have not had orders or sales for weeks, even months.

⁴² WIEGO is a global network of membership-based organizations, researchers and statisticians and development practitioners focused on securing livelihoods for the working poor, especially women, in the informal economy. See <https://www.wiego.org/about-us>. [accessed 1 May 2020].

⁴³ WIEGO, 2020. The rapid assessment included interviews with 21 national or local member-based organizations (MBOs), five regional and global networks of informal workers organizations, as well as a research institute and an NGO that works closely with informal workers. See <https://www.wiego.org/covid19crisis> [accessed 1 May 2020].

Home-based workers at the bottom end of supply chains have been seriously affected by the cancelling of contracts such as from international garment brands; the decline in demand for handmade products and handicrafts catering for the tourist industry or export market; the inability to buy raw materials and/or the increase in price of the materials for production; and the inability to collect payment for previous orders. For this group, the lifting of restrictions on physical movement will not restore their livelihoods until and unless the supply chain disruptions are fixed.

For the group of **informal street vendors and market traders**, physical distancing is nearly impossible in crowded public spaces, and those selling products other than food have not been able to operate. Diminished sales and loss of stock of perishable goods have led to rising debts. Strict enforcement of stay-at-home orders have resulted in reported cases of police brutality, confiscation of goods or hefty fines, and temporary or permanent loss of trading spaces. Permission to resume economic activities for street vendors and market traders selling food and other essential items may see them being able to recover faster than the home-based sub-contracted workers in supply chains.

Domestic workers can be considered frontline care workers at risk because their work requires them to be in others' homes and to come in close contact with the virus. But they lack protection from infection and from employers who may demand they do more work for no more pay or to stay away and earn nothing. Live-in domestic workers find that their workloads have increased because children are not in school and employers are working from home.

To better assess the vulnerability of workers or the precariousness of their jobs, it is important to note that **new business models with non-standard employment relationships, importantly, the platform and gig economy, have exacerbated informality, with growing numbers lacking social protection.** The current coverage of informal workers by the DOS does not include the large and growing group of workers whose employment arrangements deviate from the standard employment relationship understood as work that is full-time, indefinite, as well as part of a subordinate relationship

between an employee and employer, and covered by legal regulations and employment-based social protection.⁴⁴ Non-standard employment includes:

- Temporary employment (fixed-term contracts, including project or task-based contracts, seasonal work, casual work including daily work).
- Part-time and on-call work, including zero-hour contracts.
- Multi-party employment relationships (also known as ‘dispatch’, ‘brokerage’ and ‘labour hire’ and includes temporary agency work and subcontracted labour).
- Disguised employment or dependent self-employment where workers perform services for a business under a civil or commercial contract but depend on one or a few clients for their income and receive direct instructions on how the work is to be carried out.

‘Non-standard’ employment is commonly linked in Malaysia to ‘gig’ work where workers perform several so-called ‘gigs’ rather than rely on full-time employment with a sole employer. Mobile internet connectivity and various digital platforms have greatly expanded such jobs. Digital labour platforms include both web-based platforms, where work is outsourced through an open call to a geographically dispersed crowd (‘crowd work’), and location-based applications (apps) which allocate work to individuals in a specific geographical area, typically to perform local, service-oriented tasks such as transportation, delivery and home services.⁴⁵ Long before the pandemic there had already been growing interest in the gig economy in Malaysia. In 2013, Malaysian trade unions and employers’ organizations had participated in an ASEAN-wide research out of concern “over the growing trend of precarious and other forms of non-standard work arrangements. These trends in the world of work have brought about numerous implications to the lives of working people with regard to access to social security, workplace entitlements and benefits, career progression and development, as well as decisions in the private sphere”.⁴⁶ More recent information confirm the rise of the gig economy and increasing attention on the part of the Government. The Government introduced voluntary

⁴⁴ ILO, 2016, p.7-8.

⁴⁵ Berg et.al. 2018.

⁴⁶ Serrano, 2014.

and flexible savings schemes such as the I-Saraan and the Self-Employment Social Security Scheme for such workers, and in October 2019, it announced that the gig economy would be included in the 12th Malaysia Plan 2021-2025. The Malaysian Digital Economy Corporation (MDEC) reported that 2.2 million workers had already registered, and the numbers were rising.⁴⁷

A major attraction of gig work is the ability to choose when, where and how to work. And especially for young people struggling to find their first jobs, a digital labour platform is an attractive option. But **the impact of the pandemic and partial lockdown has been vastly different for the different groups of gig workers**. The food delivery service workers have seen an increase in demand for their services, while the e-hailing and taxi drivers, who are specifically mentioned in the *Prihatin* stimulus package, have lost customers with the stay-at-home orders. The temporary, part-time, daily, casual workers, especially those engaged in on-site or manual work, have lost jobs and incomes. More and more people have resorted to online selling but those who get the bulk of their merchandise products from China have been severely affected by the lockdown and the supply disruptions. Many e-commerce businesses are operating in a context of increasing competition but shrinking consumer demand. On the digital labour platforms, the freelance professionals and other skilled individuals offering their services in software development and technology, creative and multimedia work, journalism, translation, data entry and analyses, legal consultation and other forms of 'crowd work' can continue physical distancing, stay-at-home work. E-teachers will likely benefit from the growing trend of e-learning, especially with the closure of educational institutions.

For everyone, however, the reality is that non-standard employment carries several challenges, difficulties, and hardships, especially for those for whom such work is involuntary because they could not find regular employment. Apart from not having or only having limited access to social and labour protection, the major downsides of non-standard work are the precariousness and vulnerability linked to uncertainty of securing the next work assignment, irregularity of income, lack of economic security, lack of health insurance and

⁴⁷ Ng, 2020.

retirement savings and work- related stress due to job insecurity and unstable incomes. It is difficult for these workers to secure a loan or a mortgage because the credit systems do not treat them in the same light as regular workers. As a recent media article entitled “Gig economy Malaysia: Empowerment or exploitation?” puts it: “These workers need voices. Right now, they aren’t protected by the Labour Court or Industrial Court if there is any dispute. Some of them cannot even contribute to SOCSO. Which is why regulations by the government must be in place”.⁴⁸

ILO Brief:

- *ILO Brief COVID-19 crisis and the informal economy: Immediate responses and policy challenges.*
- *Technical note: Short-term policy responses to COVID-19 in the world of work - special focus on state level and informal sector.*

⁴⁸ N. Aziz, 2020.

2.2. The characteristics that exacerbate vulnerability

In addition to labour market characteristics, other personal characteristics, including gender, age, migrant status, location and disability, can aggravate vulnerability to both health and economic impacts and should be taken into account, including in measures to 'build back better' and promote equality, inclusiveness and non-discrimination. The sections below deal only with the first three characteristics, however it is important to say something about the remaining two.

Location matters: Those living in vulnerable settings (the *Projek Perumahan Rakyat* PPR low-cost housing projects), migrant worksites and communal housing, refugee camps, Orang Asli settlements, prisons and detention centres, drug treatment and rehabilitation centres, care facilities including 'old folks homes' and fragile locations such as slums and informal settlements) are especially susceptible - because they are almost certainly in the B40 group and already underserved by social services; because of lack of space and amenities they are not able to practice social distancing, handwashing or quarantine; and because in some cases they are isolated and cut off from information and services. The **immigration detention centres have been particularly 'high-risk' areas**, with recent surges in infections in the overcrowded centres due to the crackdowns on undocumented migrants.

Persons with disabilities are exposed to a double whammy: Some 453,000 persons with disabilities were registered with the Department of Social Welfare in 2017.⁴⁹ Additional considerations are needed to ensure, for example, that public health information and communication is available to them in accessible formats; they are provided accessible, inclusive quality health services and other facilities; those who are marginalized or isolated are not left without essential goods, support and human contact (because of disruption of home- and community-based social services, including personal care assistance and rehabilitation services); and providers of support and care services for persons with disability are themselves supported.⁵⁰

⁴⁹ DOS, 2018.

⁵⁰ See for example, European Disability Forum, March 2020 and WHO, March 2020.

2.2.1. Gender

On the top of the list is **the socioeconomic impact on women and the longer-term repercussions for gender equality**. Gender inequality is a major problem Malaysia has yet to effectively tackle. According to the World Economic Forum (WEF) Global Gender Gap Index (GGGI) for 2020, Malaysia ranks 97 out of 153 countries for economic participation and opportunity (index score of 0.639), lower than all the other ASEAN countries except Myanmar.⁵¹ Emerging evidence on the impact of COVID-19 suggests that **women's economic and productive lives will be affected disproportionately and differently from men**.⁵² In previous economic crises, men tended to be the biggest losers because of their concentration in cyclical industries such as manufacturing and construction, while women tended to lose less because they dominate in less cyclical services such as healthcare and education. This time around, with the unprecedented health and socioeconomic crisis, it is different, with the potential for disproportionate damage to women's jobs and incomes. On the one hand, women are on the frontline in essential healthcare services as nurses and other medical personnel putting their own lives very much at risk. On the other hand, the stay-at home and physical distancing measures are threatening to shatter several female-dominated industries, including retail, accommodation and food and beverage service activities, air travel, tourism and the garment manufacturing supply chains. Both Table 10 and the ILO global estimates on the informal economy discussed above confirm that a higher proportion of women are in these high-risk sectors as compared to men.

Of course, men are also losing jobs especially as the economic impact widens across sectors and industries. Although we do not yet know the distribution of job and business losses by sex, what we do know from empirical evidence is that women are more vulnerable than men to any sharp loss of income. Already in the Malaysian labour market, gender pay gaps are evident across almost all occupations;⁵³ and women are much more likely than men to be in informal, non-standard employment as own-account workers and especially as unpaid

⁵¹ WEF, 2019, Table 2.

⁵² United Nations; Alon et.al; Queisser et.al. 2020.

⁵³ KRI, 2018-a, p.108-110.

family workers – with no access to paid or sick leave mechanisms, and less protected by conventional social protection mechanisms and other forms of income smoothing. Women’s incomes are, on average, lower than men’s, their poverty rates are higher, they have less savings – therefore, their capacity to absorb the current economic knockout is less than that of men. Women who are single parents and female-headed households tend to be hit hardest. Furthermore, the socioeconomic effects are likely to outlast the actual pandemic.⁵⁴ Workers who lose jobs now forgo returns to experience and are likely to have less secure employment in the future. Already, an earlier survey found that 93 per cent of Malaysian women on a career break considered re-entering the workforce but 63 per cent cited difficulties to return.⁵⁵ The consequences are not just limited to those who lose jobs, but also those, in particular young women, who are about to enter the labour market for the first time.

A fundamental reason why the crisis is disproportionately affecting women is that they hold greater care and domestic responsibilities than men.

Under the current crisis, children out of school, intensified care needs of older persons and ill family members, additional household members to feed, stoppage of domestic work agency service, have all piled on additional unpaid work on women. The additional care responsibilities also make it much more difficult if not impossible for women to find alternative employment or income sources, following lay-offs or pay cuts. “In the context of the pandemic, the increased demand for care work is deepening already existing inequalities in the gender division of labour. The less visible parts of the care economy are coming under increasing strain but remain unaccounted for in the economic response”.⁵⁶

Women’s rights groups in Malaysia have reported a substantial **spike in domestic violence and abuse**.⁵⁷ The stay-at-home orders and increased economic and social stresses combined with conditions in crowded homes, substance abuse, limited access

⁵⁴ Alon et.al 2020, p.13.

⁵⁵ TalentCorp-ACCA, 2013, p.6.

⁵⁶ United Nations, 2020, p.13.

⁵⁷ Sukumaran, 2020.

to services and reduced peer support are exacerbating the conditions for violence and abuse. For example, the government welfare hotline experienced a huge jump in calls and the Women's Aid Organization (WAO) of Malaysia reported a 44 per cent increase in calls and enquiries between February and March. The WAO points out that isolation and concerns over health and finances during this crisis aggravate an abuser's desire to exert control and power, while the victims are at greater risk because they are trapped in the house all day with the abuser and are less able to seek help. Those women who have lost their jobs or suffered serious income losses are likely to become fully financially dependent on their abusers. The current crisis also impacts survivors who have left their abusers. According to the WAO, 30 per cent of former residents from its domestic violence shelter were unable to work due to the MCO while 25 per cent were still looking for jobs. Not only is domestic violence on the rise; support has been less forthcoming. Judicial, police and health services that normally are the first responders for women are overwhelmed, have shifted priorities, or are otherwise unable to help. Civil society groups are affected by lockdown or reallocation of resources. Some domestic violence shelters are full; others have had to close or have been repurposed as health centres. And, unfortunately, the Government appears to have been insensitive, as evident in a series of public service announcements and infographics issued by the Ministry of Women and Family advising women to "dress up and wear make-up when working from home, refrain from sarcasm if they need help with household chores, avoid nagging their husbands and, instead, use a high-pitched, sweet voice like the blue robot cat Doraemon, a popular Japanese anime character, to keep the peace at home". The announcements were taken down after being widely mocked nationally and internationally, but the real serious issue is that the Ministry was victim-blaming and trivializing domestic violence. The WAO and other women's rights groups have called for urgent emergency measures to respond to domestic violence amid the crisis.⁵⁸

⁵⁸ For example, the WAO has identified six urgent actions: (i) issue clear SOPs for responding to domestic violence during the MCO; (ii) ensure that survivors can obtain Interim Protection Orders and Emergency Protection Orders; (iii) publicize support pathways for survivors; (iv) improve the availability of temporary shelters and make them an essential service; (v) ensure that financial aid reaches domestic violence survivors; and (vi) allocate sufficient resources to ensure an effective emergency response, WAO, 2020.

The Government's approach to domestic violence cited above is a cringe-worthy example, but it certainly underscores **the importance of gender sensitivity in policy responses**. In the short term, this means applying an intentional gender lens to the design of the economic stimulus measures to ensure that vulnerable women are protected and to achieve equality in access to the various support measures. Taking a longer-term perspective, there is a golden opportunity to rectify long-standing inequalities and build a more just, equal and inclusive society. Men staying at home under the MCO should, hopefully, have learnt to share some care responsibilities or at least become more aware of the unequal burden that is currently shouldered by the women in the home. Also, businesses and employers may now be much more open to adopt flexible working arrangements which would improve work-life balance, especially for women. In the 'new normal' post-pandemic, we can change social norms and work arrangements and "drive transformative change for equality by addressing the care economy, paid and unpaid".⁵⁹ In the longer term, it would also require the government "having in place a well-functioning system of gender mainstreaming, relying on ready access to gender-disaggregated evidence in all sectors and capacities".⁶⁰

Policy Briefs:

- *ILO Policy Brief on COVID-19 Pillar 3: Protecting workers in the workplace.*
- *UN Policy Brief: The impact of COVID-19 on women.*

2.2.2. Age

Although all age groups are at risk of contracting COVID-19, **the elderly face significant risk of developing severe illness and die** if they contract the disease due to physiological changes that come with ageing and potential underlying health conditions. The data for Malaysia confirm that those above 60 and those with chronic illnesses comprise the bulk of COVID-19 fatalities, while global data indicate that the fatality rate for people over 80 years is five times

⁵⁹ United Nations, 2020, p.3.

⁶⁰ Queisser et.al. 2020.

the world average. Apart from the natural ageing concerns, the elderly face additional health and socioeconomic risks. Stay-at-home and isolation measures can disproportionately affect the elderly who live alone and whose only social contact is at work or outside the home, such as at day care venues, community centres and places of worship. Those who are already lonely, isolated or secluded could be placed at additional risk, along with those who do not have close family or friends or do not have digital connectivity and rely on the support of voluntary services or social care. The social disconnection can put older adults at greater risk of depression, anxiety and other mental health issues. There can also be physical health consequences if they are not able to have access to food, other essential supplies and vital medications. The effects will be felt greatest for the elderly among the more marginalized communities. There are also reports of elderly care centres and 'old folks homes' neglecting the residents because the care givers are not available, or they have run out of support funds.

There are indications that **older workers may be more likely to be subject to age discrimination during this crisis**. In making decisions to retrench workers to cope with the crisis, employers may target older workers who often have higher salaries or they may be concerned that older employees may trigger additional costs in terms of insurance or paid time off because of their greater susceptibility to infection or employers may hold stereotypical views that older workers may not function well in remote work settings that require technological skills. And the harsh reality is that older workers who lose their jobs will have an exceedingly difficult time finding a new job and getting back on their feet. The likelihood of sinking into poverty is great without official or family support.

In the immediate term, **there should be an explicit age perspective in both the health and economic support measures**. "Support for older people, their families and their caregivers is an essential part of the countries' comprehensive response to the pandemic. During times of isolation and quarantine, older people need safe access to nutritious food, basic supplies, money, medicine to support their physical health, and social care. Dissemination of accurate information is critical to ensuring that older people have clear messages and

resources on how to stay physically and mentally healthy during the pandemic and what to do if they should fall ill”.⁶¹ Looking ahead, there is an opportunity to push for Malaysia to do much more to implement the National Older Persons Policy⁶² and National Health Policy for Older Persons⁶³ - especially as the projections indicate that from 2020 the Malaysian population will age and age rapidly.⁶⁴

At the other end of the age spectrum, children and youth may be less susceptible to the virus infection but they are certainly not immune to the socioeconomic impacts. In the first place, they have been affected by the closure of all educational institutions. The nationwide closures and the uncertainty of the duration of the closures can be expected to impose severe and far-reaching consequences in terms of “interrupting learning, compromising nutrition, and elevating drop-out rates. In particular, **the closures are disproportionately impacting disadvantaged and underprivileged children and youth** who have fewer educational opportunities outside of school, a lack of access to remote learning tools and the internet and rely on free or discounted school meals for healthy nutrition.

The closure of schools combined with increased hardship among poor families may also increase the risk of child labour. Although there is no national child labour survey, various studies and empirical evidence indicate that child labour was already happening in certain pockets of both rural and urban areas of the country, particularly in Sabah and Sarawak.⁶⁵

With protracted closures, it will become a challenge to ensure that students return to school once reopened”.⁶⁶ “While there are claims that learning activities have taken place as usual during the MCO through distance learning

⁶¹ WHO, 2020; *UN News*, 1 May 2020.

⁶² <http://fh.moh.gov.my/v3/index.php/component/jdownloads/send/23-sektor-kesihatan-warga-emas/469-dasar-warga-emas?Itemid=0>

⁶³ <http://fh.moh.gov.my/v3/index.php/component/jdownloads/send/23-sektor-kesihatan-warga-emas/470-dasar-kesihatan-warga-emas-negara?Itemid=0> [accessed 1 May 2020].

⁶⁴ DOS, Population projection 2010-2040, https://www.dosm.gov.my/v1/index.php?r=column/cdatavisualization&menu_id=WjJMQ1F0N3RXclNGNWpI ODBDRmh2UT09&bul_id=aDNJSnBKRTNYSGhvcU5wamlLUFB5UT09 [accessed 1 May 2020].

⁶⁵ MOHR; ILO, 2019.

⁶⁶ UNDESA, 2020, p.3.

utilizing information technology (e-learning), the reality is quite different: Inadequate equipment, unconducive environments and lack of familiarity with digital technologies and e-learning among teachers, students and parents make teaching and learning during the pandemic challenging".⁶⁷ Malaysian educators have reported on the problems they are encountering, including their limited experience in preparing e-learning materials for remote learning by their students; the lack of resources and facilities for streaming the lessons; and challenges in terms of students' discipline and willingness to learn without personal supervision.⁶⁸ The Ministry of Education is introducing Kelas@Rumah (class at home) on a free television network. But educators have called for more to be done, including **scaling up digital and other forms of remote learning; providing affordable computers and internet data packages for underprivileged students and monetary and food aid to students who depend on free school meals; taking into account children with disabilities or special needs** who may not be able to access distance learning; and making available necessary supports to ensure that all students return once schools reopen.

The transition from school-to-work has been a difficult process long before the pandemic.⁶⁹ Malaysian youth face serious challenges entering and progressing in the labour market. In 2019, the unemployment rate was 14.4 per cent for youth aged 15-19 years, 9.5 per cent for those aged 20-24 years and 3.8 per cent for those aged 25-29 years as compared to the overall rate of 3.3 per cent (and higher rates for females than males).⁷⁰ And even before entering the labour market, young graduates were already saddled with debts. A recent survey found a staggering 88 per cent default rate for student loans due to financial insecurity, and that the defaults were disproportionately among the B40 group.⁷¹ Of those who are employed, a survey on the school-to-work transition of young Malaysians revealed that more and more are going into temporary, part-time, casual employment and own-account work in the gig/informal

⁶⁷ H. A. Hamid; J. R. Khalidi, 2020.

⁶⁸ Arumugam, 2020.

⁶⁹ KRI, 2018.

⁷⁰ DOS, 2020, Table A5.1.

⁷¹ Welsh; Cheng, 2020, p.5.

economy. The survey also found that some 82 per cent of the young self-employed and about half of those in non-standard employment reported that they are not covered by any form of employment-related social protection. Furthermore, at least 90 per cent of all the young self-employed claimed that they had never received any assistance or support from the Government and do not know where they could get support.⁷² **For the 5.6 million youth (aged 15-29 years) in the labour force**⁷³ **who are already disadvantaged compared to the overall workforce, the crisis would have amplified their vulnerabilities** – they are often the first to lose jobs and in particular those with young families would be least able to withstand the drop in their incomes due to their lack of financial buffers and debt burden. They would also be without health or income support because of their concentration in informal employment.

The *Prihatin* Stimulus Package offers little relief to young workers – a postponement of student loan (PTPTN) repayments, a one-off payment of 200 ringgit for each student in post-secondary education, and inclusion in the BPN handout for those above 21 years and earning below 4,000 ringgit per month (and nothing for those below 21 who are out of school and unemployed). Furthermore, the MEF has warned that the job market will be bleak for fresh graduates after the MCO is lifted; job opportunities will be “close to zero” as employers are implementing a number of cost-cutting measures and not hiring.⁷⁴

We know that delays in finding initial employment and long spells of unemployment have long-term repercussions on career prospects, lifetime income and social mobility and perpetuate an intergenerational cycle of poverty. We also have historical evidence from around the world of the imminent dangers posed by a generation of young people scarred by joblessness, increasingly distrustful of the economic and political system, increasingly frustrated and susceptible to the temptations of crime, drugs and religious fundamentalism.

⁷² KRI, 2018, Chapter 5.

⁷³ DOS, 2020, Table A2.1.

⁷⁴ H. A. Hisamudin, 2020.

The youth today are the future of the country. The options ahead for the Government are: neglect the youth problems that have been compounded by the crisis and not only waste its most valuable human resource but also risk serious social and political instability OR recognize and recruit young people in the fight against the virus and the recovery following the outbreak, thereby harnessing and enhancing the potential of youth. In the current crisis, there are growing examples from various governments **giving a voice to youth and working with them in the roll-out of health and non-health interventions in response to COVID-19**, including developing health messages that can resonate with young people; getting youth volunteers to shop for and deliver supplies to the elderly or at-risk people; and even setting up social enterprises run by youth.⁷⁵ In the longer term, **addressing youth unemployment and under-employment issues must be a priority**, with attention given to reform of the education and training system to enhance youth employability; improving labour market information and employment services to facilitate the school-to-work transition; providing supports for more effective and secure participation in digital labour platforms; and promoting youth entrepreneurship and supporting and mentoring youth in SMEs.⁷⁶

⁷⁵ UNDESA, 2020, p.5-6.

⁷⁶ KRI, 2018, Chapter 7 expands on these measures.

2.2.3. Migrant status

COVID-19 does not discriminate between nationals and foreign workers. But in Malaysia, **it is the foreign workers,**⁷⁷ and in particular the **undocumented migrants who are in the frontlines of COVID-19 infection and socioeconomic impacts.**⁷⁸ According to the Malaysian budget for 2020, as of end 2018, there were officially 2.2 million documented foreign workers or 15 per cent of the national labour force of 15 million – and many more foreigners with undocumented status. There have been heated discussions about the number of undocumented foreign workers in the country, but an estimation effort by the World Bank put the total number of foreign workers at between 3 million - 3.3 million in 2017 and among these, the number of undocumented foreign workers was between 1.2 million – 1.5 million.⁷⁹

In terms of health risks, migrant workers are especially vulnerable because they do not receive reliable information on how to protect themselves; cannot afford to buy masks; and, because they live in overcrowded communal or worksite housing without running water, they cannot practice social distancing or constant washing of their hands or isolating those who get sick.⁸⁰ They may also resist testing or even treatment for fear of arrests and deportation. The Government had initially announced that migrant workers and Rohingya refugees “should come forward and should not be afraid. We are not focused on

⁷⁷ The term “foreign workers” refers to foreign individuals who lawfully entered Malaysia for a low-skilled job under the Visit Pass (Temporary Employment, VP(TE)) system. By design, they secure their jobs before entering Malaysia. The VP(TE) includes domestic helpers. Foreign workers typically have lower levels of education than the average Malaysian and tend to engage in manual or elementary occupations. They expect to earn at least the minimum wage, which was increased to 1,100 ringgit per month (approximately US\$266) in January 2019. The “foreign worker” designation excludes high-skilled foreigners (classified as ‘expatriates’) who reside in Malaysia under the Employment Pass and their dependents under the Dependent Pass or Long-Term Social Visit Pass,

⁷⁸ Irregular foreign workers can be broadly grouped into four categories, as follows: 1. Illegal entries who failed to produce a valid official passport, travel document, or entry permit upon request, that is, entering Malaysia in violation of the formal immigration controls. 2. Persons not authorized to work who entered the country lawfully but are not allowed to work. This group includes those who (i) failed to pass a required foreign worker medical test in Malaysia, (ii) have a Visit Pass but changed employers while being in Malaysia, or (iii) have a tourist/student visa but engage in employment activities. 3. Overstayers who do not leave the country after the expiry date or cancellation of their VP(TE). 4. Refugees and asylum seekers who have no legal status in Malaysia but seek employment.

⁷⁹ World Bank, 2019.

⁸⁰ “We have information that there are 20 or more people living in a single unit. Those who work the day shift will go out while night-shift workers return home but during the enhanced MCO, all will be home.” This was in two apartment blocks in Kuala Lumpur tenanted mainly by foreign workers that were placed under Enhanced MCO and a complete lockdown after 15 new cases were tested positive for the virus and potentially impacting some 6,000 residents in the area, Zolkepli et al. 2020.

(checking their) documents, but our focus is on checking if they are positive for Covid-19".⁸¹ Non-citizens were supposed to be subject to the same conditions as for citizens for screening and testing. However, the policy has shifted, supposedly because of a sharp increase in the number of positive COVID-19 cases among the migrant workers. Recently, the authorities arrested some 586 undocumented migrants in an immigration raid in Kuala Lumpur, including children and Rohingya refugees, and paraded them through the streets to a detention centre.⁸² Another shift in policy came with the announcement made on 4 May 2020 that all foreign workers must undergo compulsory COVID-19 testing, regardless of the sector they work in, and employers will have to foot the bill. It can also be pointed out that migrant workers have been contributing to SOCSO under their employment contract but are now not entitled to the SOCSO-financed benefits.

In terms of the socioeconomic impact, an increasing number of reports highlight their dire circumstances.⁸³ Job losses among the migrant workers have been massive. The closure of several large garment and textile companies in global supply chains have seriously impacted the predominantly migrant workforce. Travel restrictions have trapped the migrant workers in Malaysia with few options to return to their native countries. As of mid-April, common violations of migrant workers' labour rights reported by the Malaysian Trades Union Congress (MTUC) include: unfair termination; unpaid wages; employers requiring workers to continue working in jobs that are nonessential; and uncertainty about employment status due to limited contact with employers. Daily-waged migrant workers, both documented and undocumented are among the hardest hit due to the temporary halt in most job sectors. Many of these migrant workers have run out of money and need to rely on food aid. Among the workers in essential sectors, such as in factories manufacturing rubber gloves, the concerns are that health and safety regulations are not being observed. Aside from occupational safety and health concerns, several alleged

⁸¹ According to the Minister of Defence, as reported by Arumugam in *The New Straits Times* (22 March 2020).

⁸² *The Guardian* (2 May 2020).

⁸³ ILO; Liew; Choong; Rajendra; M. N. Asadullah and M. Rahman, 2020.

labour violations have been reported in the rubber gloves manufacturing sector related to non-compliance to social distancing, excessive working hours, forced labour and bad living conditions.⁸⁴

A rapid assessment conducted among civil society organizations (CSOs) and community leaders who are responding to the socioeconomic impacts on the migrant groups identified the following vulnerabilities: permanent or temporary loss of jobs and income; forced by their employers to take unpaid or sick leave; being laid off or retrenched without benefits; being dismissed without notice; and occupational safety and health issues.⁸⁵ The assessment also found high levels of stress among the migrant workers, especially among women who do not have income to feed their families. Live-in migrant domestic workers are now working much longer hours as their employers and children are present at home but they are not being paid for the overtime work. The majority of the migrants are now dependent on aid or donations to survive. Almost two-thirds of the respondents indicated that they did not have enough food supplies to last them for the coming week; and four-fifths would not be able to pay their rents when next due.

The health and economic risks faced by migrants, both legal and irregular, has been intensifying in the context of rising anti-immigrant sentiments, xenophobia and cyber-attacks – not only from the public but also politicians and senior officials. It is imperative to counter such discrimination. Now is the time in this terrible crisis for our humanity to shine through, for us to recognize that we are all going through hardships, some much more than others, and that all foreign workers, documented or undocumented, have human rights. A growing number of worker organizations, CSOs, religious groups and individuals and UN and government agencies are stepping up to provide food, essential supplies and financial assistance to the migrant communities in dire circumstances.⁸⁶ Several are urging the government to announce a moratorium on raids by enforcement agencies on migrant communities and a temporary

⁸⁴ Thomas, 2020.

⁸⁵ United Nations Malaysia, 2020, p.9-10.

⁸⁶ The ILO is currently providing direct support through the Migrant Worker Resource Centres (MRCs) that are operated by the MTUC, Tenaganita and PSWS.

amnesty during the COVID-19 crisis. The move is meant to ensure undocumented migrants have safe channels to seek help without fear of arrest, detention or deportation.⁸⁷

The ILO Regional Office for Asia and the Pacific has proposed a set of recommendations to protect the health and labour rights of migrant workers in Malaysia.⁸⁸ Very importantly, now should not be the time for employers to use the 'opportunity' of the crisis to violate the rights of their migrant workers. Any employment adjustments, such as unavoidable retrenchments or cuts in hours of work or pay should still observe labour law and it is for the authorities to enforce such observance and also ensure that migrant workers have access to legal remedies for unfair treatment.⁸⁹ Any arrangements to send foreign workers back to their home countries should be on the basis of bilateral and multilateral cooperation to ensure their protection and safe return and to facilitate their reintegration into home labour markets.

There is no denying that foreign workers have made significant contributions to the labour market and economic growth by filling the shortages in low-skilled, labour-intensive sectors. Employers have insisted that they need these workers because Malaysians are not ready to take up the 'dirty, difficult and dangerous' jobs. But long before the pandemic, experts have been pointing out that the employment of foreign workers has resulted in a cheap labour policy that has constrained the adoption of technology and capped productivity growth.⁹⁰ The Locals@Work programme announced in the Malaysia budget 2020 aims at incentivizing a shift away from low-skilled foreign workers dependency. Under the hiring cost equalization programme, a wage incentive is to be provided for Malaysians who are hired to replace foreign workers at either 350 ringgit or 500 ringgit per month, depending on the sectors, for a duration of two years, and corresponding hiring incentive for employers up to 250 ringgit per month for two years.⁹¹ There are also incentives to promote the adoption of automation

⁸⁷ United Nations Malaysia, 2020, p.4.

⁸⁸ ILO, 2020.

⁸⁹ The ILO has developed briefs and resource tools to assist employers and governments to adopt gender-sensitive, right-based policies and programmes for migrant workers in the current COVID crisis.

⁹⁰ Ang et.al. 2018.

⁹¹ Human Resources Online, 2019.

and higher value-added technology in line with the Industrial Revolution 4.0 (IR4).

The impact and implications of COVID-19 have certainly made a review of the country's foreign labour policy even more necessary and urgent. The Government has announced that it will revisit the foreign worker policy in light of the problems faced by the migrants themselves and to control their numbers to open up more jobs for locals. But it is important that current adjustments should not jeopardize the recovery of economic activities. A short-term gain (getting rid of migrant workers to adjust to the crisis) should not lead to a long-term pain (when economic activities resume, how will they be able to adjust if they have previously been heavily dependent on foreign labour for both production and consumption?). The review should be based on a careful and realistic assessment of factors such as the needs of specific sectors, the competitive potential for substituting locals and technology for the foreign workers, the ability of SMEs to adapt as compared to large enterprises, and a timeframe for doing so. The review should not focus merely on reducing the numbers; there should be consideration for improving the conditions for the recruitment of foreign workers and controlling abuses by agents and measures to more effectively protect all foreign workers. One lesson from the current crisis is the importance of extending access to health services and protection coverage to migrant workers. The ILO suggests that "migrant workers should be integrated into risk pooling mechanisms, in line with nationals, to ensure social insurance and universality of coverage and solidarity in financing. Sickness-related benefits can help to protect both migrant workers and their host communities".⁹²

ILO Brief:

- *Policy Brief: Protecting migrant workers during the COVID-19 pandemic.*
- *COVID-19: Impact on migrant workers and country response in Malaysia.*

⁹² ILO, 2020, p.3.

Part 3: Policy considerations and guidance

To address the socioeconomic impacts of COVID-19 and the MCO/CMCO, we need to:

- **Take immediate action to protect health, jobs and incomes;**
- **Facilitate the transition to recovery in the medium to longer term;**
and
- **Build back better and be better prepared in the longer term.**

In the immediate term, protecting jobs and workers has to be at the core of the crisis response. **Social protection** will have to be the central element of the immediate stimulus package. Immediate action is needed to ensure that people can effectively access health care while supporting job and income security for those most affected. **Fiscal and monetary policies** will be key to counter the declines in aggregate demand and the deleterious impacts on the labour market.⁹³ **Employment retention** measures will be important.

Once the spread of the virus has been contained and the MCO restrictions are lifted, a demand-led employment strategy for the medium to longer term recovery of jobs and incomes will be needed. **In the recovery phase, the policy focus should shift from employment retention to employment promotion.**

Active labour market policies should play an important role to assist the labour force to adjust and adapt to changes in labour market demand in different sectors of the economy. The recovery phase will highlight the scope and limits of existing productive development strategies – bringing the potential of green economy solutions, e-commerce, the digital economy and the paid care economy into sharper focus.⁹⁴ These potentials should be identified and developed in the longer term.

To build back better in the longer term and be better prepared for any future health and economic shocks of this nature, we need to build an economy that is stronger, greener and more resilient and a society that is inclusive and ‘leaves no

⁹³ This paper does not discuss fiscal and monetary policies but they are obviously crucial. For guidance on fiscal and monetary policies, see ILO, 7 May 2020; and UN, April 2020, Part IV.

⁹⁴ UN, 2020, p.39.

one behind'. It will involve **support for new strategic sectors and business models**. It will also require attention to **addressing underlying structural and institutional weaknesses**, including improving the data monitoring system, simplifying bureaucratic processes, promoting social dialogue and addressing inequality and discrimination.

Certain key considerations cut across all policies, whether for the immediate, medium or longer term:

- **Addressing the needs of the most vulnerable should be the priority, with informal and non-standard workers at the centre of policy efforts.** They need to be at the centre of policy efforts in the immediate term because they have been the most vulnerable and in the longer term because self-employment and 'non-standard' employment relationships increasingly represent the future of work. **Policies should be gender sensitive and responsive and take account of other factors that have contributed to exclusion.** Pre-existing inequalities and discrimination have exacerbated the vulnerabilities of women and girls to the impacts of COVID-19. The characteristics of certain population groups, importantly, the elderly, foreign workers and persons with disabilities, have put them at greater risk. **Harnessing the potentials of youth and addressing youth unemployment and underemployment should be prioritized.**
- **Cooperation and coordination are key.** At the national level, dialogue and coordination between federal and state authorities is key to the effective implementation of response measures. The Government will need to put in place or adjust institutional mechanisms and arrangements to coordinate the responses of all relevant ministries and agencies at federal, state and local levels to avoid dispersion issues, working at cross purposes, missed opportunities to build synergies or poor timing. At the multilateral and regional level, collaboration will be critical not only to exchange information on COVID-19 and prevent cross-border transmission but also on broader issues such as debt management, technology innovation and transfer and crisis preparedness.

- **Social dialogue needs to play a central role in developing and implementing policies** for at least three main reasons. First, through information-sharing between the tripartite constituents, the quality of policy design and strategies for crisis response and recovery can be enhanced. Dialogue also builds ownership and commitment to these policies, helping rapid and more effective implementation; and third, social dialogue helps create the trust that is needed to overcome differences and enhance social cohesion and resilience as the country seeks to rebuild. Employers' and workers' organizations are on the frontlines of the crisis and should engage actively with the government to coordinate tripartite responses with strong commitment from all three parties.
- **Recognizing and working with trade unions and civil society groups.** In these difficult times the Government agencies face various difficulties reaching out to the most vulnerable (but often the most invisible) groups. On the other hand, there are many stirring examples of how trade unions, CSOs, religious organizations, community leaders and groups, corporate sponsors, youth groups, lawyers, etc. are providing assistance and support to these groups. It is important that the authorities do not place unnecessary obstacles to hinder the work of these groups. They could also partner with reliable relevant organizations to deliver services and supplies to the vulnerable groups.

Policy Briefs:

- *The ILO's Policy Framework to respond to the COVID-19 crisis.*
- *A UN Framework for the immediate socioeconomic response to COVID-19.*
- *ILO Policy Brief on COVID-19 Pillar 1: Stimulating the economy and employment.*
- *ILO Policy Brief on COVID-19 Pillar 2: Supporting enterprises, jobs, and incomes.*
- *ILO Policy Brief on COVID-19 Pillar 3: Protecting workers in the workplace.*
- *ILO Policy Brief on COVID 19 Pillar 4: The need for social dialogue in addressing the COVID-19 crisis.*

3.1. Protecting the most vulnerable: Social protection

The most urgent need in the current context of the pandemic is to ensure that people can effectively access health care and to provide support for those whose jobs and incomes have been severely affected. Therefore, **the core element of an immediate stimulus package is social protection** – which is coordinated with economic, labour market and employment policies and supported by effective fiscal and monetary policies within an integrated, holistic and sequenced approach (as reflected in the ILO Policy Framework in Appendix 4). Funds going to social protection in the immediate response represent an investment rather than an additional cost - it increases resilience and domestic consumption; prevents poverty, unemployment and informality from intensifying; and acts as a powerful economic and social stabilizer that can contribute to a more sustainable recovery.

Social protection as part of an immediate coordinated response to COVID-19 should aim to:

- 1. Protect those affected by the health pandemic (through improving access to affordable health care and providing sickness benefits).**
- 2. Protect those who have lost jobs and incomes (through unemployment benefits and various types of income support).**
- 3. Target the needs of those who are especially vulnerable.**

We can examine the social protection measures that Malaysia has undertaken or that it can learn from other countries (particularly in the Asia-Pacific region):

1. To protect those affected by COVID-19 through:

- **Improving access to affordable health care:** Measures to enhance the availability, accessibility, acceptability and quality of healthcare for all include:
 - Channelling additional financial resources into the health system. Under the Stimulus Package, Malaysia has announced allocations amounting to at least 1.5 billion ringgit to upgrade facilities and equipment, and also a special allowance for doctors, nurses and medical personnel on the frontlines;

- Integrating prevention, testing and treatment measures within healthcare benefit packages (as being done in China under a new policy on comprehensive healthcare reform);
 - Enhancing financial protection against healthcare expenses, safeguarding and extending coverage of existing social health protection mechanisms and ensuring the universality and continuity of such coverage. (Thailand has granted access to its Universal Coverage for Emergency Patients to COVID-19 patients so that both nationals and foreign residents can seek treatment at their nearest private or state hospitals free of charge. In Viet Nam, quarantining, testing and treatment of positive cases is funded out of the government budget. In Malaysia, the Government covers the bills of PUIs (persons under investigation) and infected persons treated in government hospitals).
- **Providing sickness benefits and ensuring income security during sick leave:** The self-employed, workers in non-standard employment and foreign workers who are without sickness benefits or paid sick leave entitlement pose a serious health threat to themselves and others as they may be forced to go to work while sick or may be reluctant to self-isolate. There may also be situations involving lengthy waiting periods for payment of sickness benefits or paid sick leave entitlements. To close this protection gap, several governments have taken measures to extend publicly funded sickness benefits to workers who otherwise are not entitled to paid sick leave. The measures include:
 - Extending cash sickness benefits financed from general taxation to persons who are in quarantine or diagnosed with the virus (Japan);
 - Eliminating the waiting periods for payment of the sickness benefits (Australia has eliminated the ordinary one-week waiting period for income support, including sickness allowance);
 - Offering a health insurance package (such as provided by the Philippine Health Insurance Corporation) that covers testing, referral and an isolation package that provides financial support for persons in quarantine).

2. To address the socioeconomic impacts of COVID-19 and the MCO through:

- **Employment protection:** Preventing job losses and supporting those who lost their jobs. Addressing the devastating employment impacts of the pandemic and MCO will be critical. The job market picture is grim. Already DOS figures for March indicate 610.5 thousand unemployed and an unemployment rate of 3.9 per cent – the highest recorded in ten years. And the numbers will escalate from April on, given that the MCO only started on March 18. Unfortunately, the current measures under the *Prihatin* stimulus package – the ERP, the EIS and the WSP - are not adequate for the unemployed nor for preventing retrenchments, as assessed in Section 1.2.
- **Providing income support through social assistance, cash transfers and other support:** Such measures are critical given the rising levels of poverty and economic distress. “Cash disbursements to low- and middle-income groups have been identified as an effective response to ensure continued consumption, as these households have a high propensity to use a large portion of transfers on goods and basic necessities, and this has an income multiplier effect. As macroeconomic stabilisers, cash transfers are particularly effective since they can take effect with less delay than other discretionary fiscal measures. They have an inbuilt counter-cyclical impact that can act as an automatic stabiliser”.⁹⁵ As described above, the *Prihatin* stimulus package provides a direct one-time cash transfer through the BPN. The Government has also increased the BSN by 100 ringgit to be credited into registered bank accounts as well as an additional 50 ringgit in e-cash. The *Prihatin* stimulus package also includes a number of other more targeted measures, such as the direct cash transfer to e-hailing taxi drivers, retired civil servants and higher education students and social assistance in the form of rental exemption for PPR residents, discounts for electricity bills and food deliveries and subsidies for the needy. Sadly, these measures have been judged to be inadequate or ineffectively targeted. Examples from other countries include:

⁹⁵ ILO, 2020, p.8-9.

- Direct online payments to poor and daily wage workers who lose work due to the COVID-19 impact (targeting vegetable vendors, construction workers, rickshaw pullers, temporary staff in shops in the state of Uttar Pradesh in India);
- A financial assistance programme for low-income workers, the self-employed, part-time workers and freelancers who are not benefitting from existing financial aid schemes. The aid is to be paid in the form of a mobile voucher or pre-paid card (Seoul, Republic of Korea);
- Affordable food programmes to help low income households buy staple foods (Indonesia);
- Delivery of food items or meals to children from low-income households affected by school closures (India).

3. To target the needs of those who are especially vulnerable through:

- **Taking into account the risks and constraints faced by informal and non-standard workers and also the self-employed in micro and small enterprises.** The sections above already identified the reasons why the self-employed/own-account workers, temporary/part-time/casual workers and the freelancers in the gig economy have been most severely impacted by the crisis and underscored the importance of ensuring adequate social protection coverage for workers in all forms of employment that is adapted to their circumstances. One useful recommendation would be to eliminate the bureaucratic processes and delays that are preventing these vulnerable groups from accessing the benefits they urgently need.
- **Old age, survivor and disability benefits:** Given the particular vulnerability of older persons and persons with disability, ensuring income security for those affected is important and can be achieved by:
 - Advancing the payment of old age and disability benefits and/or increasing their level to guarantee at least that they do not fall below the PLI (Hong Kong, China), the welfare support package includes an extra month allowance of the Old Age Allowance, Old Age Living Allowance or Disability Allowance which are non-means tested schemes. Malaysia's BSN

scheme covers the elderly and persons with disability but does not provide benefits above the normal; and

- Ensuring effective access to health care, adequate disability and other social protection benefits for persons with disability.

- **Family leave and care policies:** With the closure of schools, universities, childcare and elder care services impacting not just those directly affected but also their families and caregivers, attention can be given to family leave and care policies – which are especially important for workers who cannot work from home and also in terms of the gender implications for the burden of unpaid care work. In addition, workers may have to provide care for infected family members. Measures that have been adopted in other countries include:

- A subsidy to compensate enterprises that introduce family leave for workers affected by school closures to ensure the continued payment of salaries (Japan);
- Vouchers to low-income households as children shift from day care institutions to home care. The package also gives parent employees up to five days of childcare leave together with a cash allowance per day (Republic of Korea);
- Expanded access to income support payments to persons required to take care of someone affected by COVID-19 (Australia).

In addition to the social protection measures for immediate action and to ensure their effectiveness it is essential to **adapt and strengthen administrative procedures and delivery mechanisms**. The crisis has spotlighted the importance of effective administrative procedures and delivery mechanisms in the social protection system. Some of the bureaucratic barriers and other obstacles to people being able to access intended benefits were highlighted in the review in Section 1.2. To overcome these, some possible measures include:

- Waiving requirements for in-person visits and encouraging persons to apply online – this would also support physical distancing protocols. (Malaysia has tried to increase the use of online platforms for social security

services to avoid physical contact for claim approval, payment, and related services);

- Simplifying and streamlining the application process for benefits, including providing helplines or actual staff personnel to explain and fill in forms – this is particularly important for low-income, less-educated informal workers and older workers;
- Ensuring straightforward administrative responses to speed up the treatment of applications or the processing of claims and subsequent disbursement of benefits.

Social protection should not merely be a stopgap response. Experience from previous crises shows that the first signs of recovery are often accompanied by calls for austerity and fiscal consolidation that can undermine the progress made. However, it is imperative to “sustain the social protection measures and social spending when the immediate health crisis subsides in order to ensure that people are protected against adverse economic and social consequences that might materialize over time, as well as any future crises. Furthermore, as crisis-response measures have included the temporary suspension or reduction of social insurance contributions and taxes, appropriate measures will need to be taken to ensure the financial sustainability of social protection systems while guaranteeing the adequacy of their benefits”.⁹⁶

Preparing for the future: The COVID-19 crisis has certainly served to expose the gaps in the social protection system. The Government should take this opportunity to strengthen the system with **the aim of establishing a social protection floor with universal access and basic protection for all.** The ILO explains that “the comparative advantage of a universal social protection system is that it is automatically primed to protect all those affected by a shock. Social protection transfers can be scaled up quickly and with relative administrative ease. In complex, fast moving and unpredictable crises like COVID-19, universalism is preferable to targeted approaches. This is especially true where

⁹⁶ Ibid.

targeting capacity is more limited, and a large proportion of the population is vulnerable".⁹⁷

ILO Briefs and guidance notes:

- *Social protection responses to the COVID-19 crisis: Country responses and policy considerations.*
- *Social protection responses to the COVID-19 crisis: Country responses in Asia and the Pacific.*
- *ILO Brief COVID-19 crisis and the informal economy: Immediate responses and policy challenges.*
- *Disability inclusive social protection response to the COVID-19 crisis.*

⁹⁷ ILO, 2020, p.6.

3.2. Protecting jobs: Employment retention and creation

3.2.1. Immediate action: Employment retention

Employment retention measures are intended to provide incentives for employers to keep workers despite a temporary closure or lack of activity in the enterprise. The main objective is to keep workers on the payroll so as to be ready to restart operations immediately after MCO restrictions are lifted. These measures have been widely used in European countries, helping to preserve the employment relationship and facilitate the recovery phase. Importantly, they also help to maintain earnings of workers. However, in a country like Malaysia with significant proportions of self-employed workers and informal enterprises, the employment retention measures under the *Prihatin* stimulus package have tended to be less applicable or effective. The various types of employment retention measures and the issues associated with them include:

- **Wage subsidy programmes:** As described above, a WSP is conditional on employers guaranteeing that they will retain their employees, not deduct wages or require them to take at least six months unpaid leave within three months of receiving the subsidy and three months after. These are conditions that many employers have complained they are unable to meet. Furthermore, the amount of subsidy is insufficient to cover the full wages of the workers to be retained.
- **Financing of the employment retention measures:** Under the *Prihatin* stimulus package, the WSP, ERP and unemployment benefits under the EIS are supposed to be financed out of SOCSO funds. Draining SOCSO funds can have serious longer-term implications, for instance to cover employment related injuries or unemployment insurance at previous levels of benefits. Already, the ERP had earlier announced that it had run out of funds, and although there is an injection of new funds it is not clear whether this is further drawing down SOCSO funds or from the government budget. The EIS only started in 2018 (with both employers and employees contributing 0.2 per cent of the employee's monthly salary, and exempting government

employees, the self-employed and domestic workers) cannot be expected to have sufficient funds to meet the escalating needs.

- Employers have called for flexibility to make their own adjustments to retain workers, of course in consultation with the workers and their trade unions. Work-sharing can be a useful measure. **Work-sharing is a reduction of work time that spreads a reduced volume of work over the same number of workers to avoid lay-offs.** Work-sharing is particularly relevant in the virus-related aspect of the crisis as it reduces the density of people in the same space. In the context of the crisis and to ensure inclusiveness and equity, the key issues to be addressed include: who are the specific workers to 'work share'; what is the extent of the reduction in working hours and the extent of the corresponding wage decreases; what will be the distribution of reduced hours of work in the longer term; how long will the agreement be in place; and what levels of employment will be maintained. Very importantly, any work-sharing arrangement has to be negotiated between the employer and the workers through their representatives or trade unions.
- Another employment retention measure that employers have increasingly resorted to is to institute **pay cuts**. The amount of the pay cut is commonly determined by length of service, current pay level and how essential the job tasks are considered to be. It is important that the reduction in earnings do not result in serious hardships especially for the low-wage workers. (In Austria, for example, a recently agreed measure means that the lowest paid workers will receive 90 per cent of their normal wages; middle earners will receive 85 per cent and higher earners receive 80 per cent).

3.2.2. The recovery phase: Employment creation

For the longer-term recovery of jobs and incomes, **a demand-led employment strategy is called for** – “including supporting employment creation in strategic sectors, restoring the conducive business environment and reinvigorating productivity growth, diversifying the economy and spurring structural

transformation, making the best use of technological advancement”.⁹⁸ It will be crucial for the Government to step in to boost demand, production and employment – because consumers are likely to be more cautious about spending and firms have already indicated that they are looking to cut costs.

Investment in Public Employment Programmes (PEP) can be particularly effective in both the immediate and recovery phase – it can provide work and income to large numbers of unemployed and informal workers who are without social protection. PEPs are commonly related to employment-intensive approaches to public investments in infrastructure. To generate jobs and increase incomes, the lessons from the experience of countries coming out of crisis situations and the decades-long successes of the ILO’s Employment-Intensive Programme (EIIP) spotlight the value of **employment-intensive approaches to public investments in infrastructure**. Such approaches are valuable for dealing with the COVID-19 crisis:

- **Short-term emergency public works schemes provide immediate job opportunities.** Emergency schemes advocated by the ILO are a more sophisticated form of cash for work, where labour productivity and the quantity and quality of work play a significant role. The ILO has decades of experience in working with governments on the planning and implementation of such schemes. The crucial factor is that they must be up and running in a short time to respond to negative impacts on employment and income during or after a crisis. Decent work remains a main concern in these schemes and the aftermath of a crisis is no exception. The activities are labour-intensive and relatively easy to design and implement. In the current crisis, such public works could involve improving existing health facilities and shelters, providing access to clean water and sanitation and providing other social infrastructure and services. Emergency employment programmes are generally implemented in the short-term but they can transition into longer-term recovery support.

⁹⁸ ILO, 2020.

- **Over the longer-term, employment-intensive investment approaches for public works programmes can be an effective means of ‘recovering better’** through combining goals of decent employment and income generation, maintaining or improving local infrastructure and rehabilitating the environment and targeting regions or groups in vulnerable situations. The ILO has identified a list of infrastructure projects and activities where, by modestly moving away from equipment-based work methods to more labour-based methods, many additional jobs could be created.⁹⁹
- Another reason for advocating employment-intensive public works programmes is that they contribute to efforts to ‘recover better’ by **promoting local economic development**. Employment-intensive employment approaches make optimal and flexible use of local labour and locally available materials, skills and capacities. Small-scale contractors and local communities are involved in the implementation, which ensures that the bulk of funds remain locally. ILO experience has shown that up to 70 per cent of the amounts invested remains and circulates in the local economy, thus creating an additional multiplier effect.
- **Investing in public works programmes can play a decisive role in the recovery of the construction sector which has been badly hit by the crisis.** From a recovery perspective, the construction sector has important advantages as it is relatively labour-intensive, can be targeted at geographical areas that have been hard hit economically, can absorb workers from other sectors relatively easily and often can involve a large share of local inputs. Employment-intensive public works programmes are also attractive in that they offer more opportunities to small and medium-sized contractors who can play an important role in the development and maintenance of public infrastructure.

Active Labour Market Policies (ALMPs) are key to preserving and promoting employment. The Economic Stimulus Package should complement cash-based measures such as the ERP, EIS and WSP with programmes to facilitate the re-

⁹⁹ ILO, 2020.

employment of workers who have lost their jobs or incomes. The Malaysian Employers Federation (MEF) has called for the establishment of a redeployment and job placement committee comprising relevant government departments, trade associations, employers' organizations and trade unions to urgently coordinate manpower management for the redeployment of local and foreign workers in view of the alarming increase in the number of retrenched workers. The committee should also look into programmes to provide for new training opportunities for workers. In the short run, online courses can help develop workers' core skills and employability skills aiming at better adaptability and quicker transitions once normal operations resume. In the recovery phase, reduced working hours may be combined with training leaves, targeted work-based learning, and online courses to ensure appropriate and efficient training investments. Such training programmes can be organized in many different ways, including on-line learning platforms, work-based learning, multi-channelled career guidance, and digitally supported recognition of prior learning.¹⁰⁰ Strengthening of employment services is critical – weak employment services have long been identified as an important reason for the supply-demand mismatch in the Malaysian labour market.¹⁰¹ ALMP can also offer job-search assistance and intermediation support for workers and employers to ensure rapid recruitment of workers in expanding sectors during the pandemic (such as in the production of protective equipment and supplies), as well as support the relocation of workers to expanding production units in companies in the medium to longer term. The Employment Insurance Scheme under SOCSO is looking to greatly expand and strengthen its active labour policies and programmes beyond its role of collecting and giving out unemployment benefits.

ILO Briefs and guidance notes

- *ILO Policy Brief on COVID-19 Pillar 1: Stimulating the economy and employment.*

¹⁰⁰ ILO, 2020.

¹⁰¹ KRI, 2018, p.253-255.

- *ILO Policy Brief on COVID-19 Pillar 2: Supporting enterprises, jobs and incomes.*
- *EIIP Guidance COVID-19 – Job creating through employment-intensive public works programmes.*
- *Adjusting EIIP guidance labour practices in employment-intensive works in response to COVID-19.*
- *ILO Policy Brief on distance and online learning during the time of COVID-19.*

3.3. Supporting SMEs and micro enterprises

The dedicated *Prihatin* SME stimulus package is acknowledgement of the significance of SMEs to the country's economy and workforce. As described in Section 1.2, the two main types of support under the package are cash flow assistance and cost alleviation measures. In addition, short-term relief is offered through temporarily modifying the payment of social security contributions and tax payments by enterprises. To alleviate liquidity constraints on enterprises, the EPF has introduced the Employer COVID-19 Assistance Programme (e-CAP) to allow eligible SMEs the flexibility to choose to apply for a deferment and restructuring of the employer's share of contributions, which can then be settled over a maximum period of three months. EPF has also announced a reduction in the minimum employee's contribution from 11 per cent to seven per cent for the period of 1 April to 31 December 2020. Measures introduced by other governments include:

- In China, provinces were allowed to exempt SMEs and micro enterprises from employer's contributions to three social insurance schemes (pension, unemployment and employment injury) for up to five months. Larger enterprises can reduce their contribution by 50 per cent for up to three months.
- Viet Nam has suspended payment of social insurance premiums into the retirement and survivorship funds for a maximum of 12 months and without late payment interest charges.

While the measures regarding social security contributions and tax payments can provide important short-term relief for affected enterprises, it is essential that they are temporary and do not undermine the financial sustainability of the social security institutions and government budget, especially at a time when the social protection system needs to increase expenditures to meet the increased demands. It is also important to assure that the suspension of contributions will not affect future entitlements.

The ILO has compiled a range of policy options to support enterprises through the different phases of the COVID-19 pandemic and recovery. The ILO's policy guidance emphasizes the importance of considering differences between formal and informal enterprises and between micro, small, medium-sized and large enterprises. In the Malaysian context, **the fact that informal enterprises are not registered either with SOCSO or CCM cuts off their eligibility to various benefits. The gradation of benefits and the criteria for eligibility could improve access for the micro and small operators.** It might also be worth mentioning that when dealing with SMEs and especially with micro enterprises, information dissemination is crucial – **support measures are no use if the intended beneficiaries are not aware and do not know how to access them.**

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During the pandemic and MCO/CMCO phases, the focus should be on **supporting business continuity** to save as many jobs as possible and to provide the basis for a smoother and quicker recovery by preventing permanent business closures:

- **Cash assistance and cost alleviation measures are essential components of a response package but need to be appropriately designed and delivered. Speed is essential,** bureaucratic delays should be addressed and rapid payment channels including digital services should be facilitated. Getting cash to enterprises to quickly pay their bills and wages and repay their loans is essential.
- **Support to enterprises to transform production of goods or services to help respond to the pandemic.** Some multinationals and large domestic companies have begun to shift production, such as to produce gloves, masks and other medical equipment. But the Government can support smaller enterprises to shift to do likewise or to provide services for the front liners. Government assistance can be in the form of information on business

¹⁰² For example, a survey found that young Malaysian self-employed were not aware of the incentives and supports for SMEs available through the SME Corporation Malaysia and other government agencies. KRI, 2018, p.252.

opportunities, assistance to defray the costs of shifting production and even opening up access to public procurement and distribution networks.

- **Support to adapt to new market circumstances, including virtual markets** – such support could be particularly important for micro and small enterprises. Some of the measures that have been identified include: facilitating access to ICT tools and platforms that enterprises can use to source locally and maintain communications with customers; providing web-based training on digital marketing and service delivery to increase online capacities; and supporting both vendors and customers to use digital channels for paying wages and/or for goods.
- **Introduction of legislation to provide enterprises temporary relief from legal actions arising from the inability to perform obligations in specified contracts.** The disruption of business operations may mean that enterprises may not be able to meet their contractual obligations or are unable to fulfil business transactions. Singapore, for example, has introduced the COVID-19 (Temporary Measures) Act 2020 to **provide protection for enterprises from court action or receivership** for a period of six months. The temporary relief does not take effect automatically, the company has to make an application which will be assessed. In addition, both parties also have to consider the viability and way they will fulfil the relevant contractual obligation after the expiry of the relief period.

With the opening up of almost all economic activities under the CMCO, enterprises will need support to reinitiate operations and to gradually restore and reinvigorate productivity growth:

- **First and foremost, support to ensure that they are able to fully observe the health and safety SOPs for business operations:** For example, SMEs have indicated that they may not be able to bear the cost of screening for all employees. In addition, there are also costs related to refurbishing business premises, purchasing health and safety equipment and training of staff on the new SOPs. The Government could consider a grant, tax exemption or other financial arrangement to assist enterprises with these costs. It might

also consider publicly funded training programmes for the workers in these enterprises to familiarize them with the SOPs.

- **Easing access to credit and other financial services:** Since they have been without revenue under the MCO, SMEs will need access to financial services, such as access to credit and loans to enable them to cover their cash flow problems; subsidized leasing arrangements to purchase productive assets and make needed investments; and a digital payment system to deal with customers. Some countries have strengthened support for microfinance institutions to enable them to fund the small operators. Very importantly, these services need to come with appropriate eligibility conditions and simplified bureaucratic procedures.
- As described in Section 3.2.2. above, **in this phase, it will be crucial for the Government to step in to boost demand, production and employment.** In addition to the PEP and employment-intensive public works programmes described above, other measures can include government procurement with preference given to SMEs and tax incentives to stimulate local sourcing by multinationals. There could also be campaigns developed, for example with youth and media groups, to restore consumer preference for in-person rather than online transactions to support shops, restaurants and other service providers.
- **Measures to support enterprises need to differentiate not only based on size but, importantly, on sectoral variations.** Different sectors of the economy have been differently affected by COVID-19 and the MCO depending on the impacts on their access to markets, demand, imports and access to the raw materials and intermediate goods required for production, with direct consequences on the level of activity and consequent job or income. As shown in Table 12 earlier, the heavily impacted sectors include the wholesale/retail trade sector with many informal workers employed in the sector as street vendors. The manufacturing sector, equally hard hit, accounts for the second highest proportion of informal employment outside agriculture. Despite the agricultural sector being considered low to medium risk, those in informal agricultural work have been seriously affected as they

have been unable to sell their products at urban markets. The tourism sector, which has been a mainstay of the economy and among the most dynamic and fastest growing sectors, has to be a priority – especially since it supports so many other activities: accommodation and food services, travel, handicrafts and entertainment. The ILO has captured the impact of the crisis in several economic and social sectors and industries and prepared individual briefs including government responses and recommendations for addressing the sectoral impacts.

- **Making use of social dialogue** to promote smooth and effective returns to work. Workplace cooperation through mechanisms of communication and information sharing will be important for workers and employers to address the myriad of safety and health, working conditions, and working time arrangements that will be associated with the gradual return to work. It will be essential for workers and employers to fully understand and adhere to the risk mitigation and COVID-19 prevention measures that will be introduced in each workplace. Trade unions and employer and business organizations can play a critical role in communicating these measures not only to their members, but also to workers and employers more generally, including in the informal economy. Collective bargaining between workers, employers and their representatives, which is the key tool for setting terms and conditions of work and employment (including wages), must also be used to address the economic and productivity consequences of the crisis and the recovery.
- **Labour inspection will be important.** Compliance with new and existing legislation, as well as return to work policies will be vital to re-starting the economy, protecting workers, and preventing a resurgence of the pandemic. The labour inspectors throughout the country have in recent years substantially increased their capacity to identify and address violations, including by moving towards a more strategic approach to ensuring compliance. They will also play a key role in ensuring that post COVID return to work protocols are adhered to, particularly through the use of their advisory and enforcement functions as appropriate.

ILO Briefs:

- *Interventions to support enterprises during the COVID-19 pandemic and recovery.*
- *COVID-19 and the World of Work sectoral impact, responses and recommendations (with individual briefs on specific social and economic sectors and industries).*

3.4. 'Building back better'

"We need to turn the recovery into a real opportunity to do things right for the future".¹⁰³ Recovering and building back better means not returning to 'business as usual' but seizing the opportunity to build an economy that is stronger, greener and more resilient and a society that 'leaves no one behind'. It also means working towards achieving the Sustainable Development Goals under Malaysia's commitment to the 2030 Agenda for Sustainable Development. Some of the key aspects for Malaysia can be identified as:

- **Aligning the economy and the environment:** Now is the perfect time to incentivize strategic sectors based on green technology and renewable energy. Analysis by some of the world's leading economists of possible COVID-19 recovery packages show that green projects create more jobs, deliver higher short-term returns per dollar spent and lead to increased long-term cost savings by comparison with traditional fiscal stimulus.¹⁰⁴ The building sector has been identified as holding the potential to stimulate the economy while at the same time moving the whole construction sector to a new greener and more sustainable state. The World Economic Forum encourages countries to give attention to public investment in technologically advanced, sustainable and resilient infrastructure that can pave the way for an inclusive post-COVID economic recovery.¹⁰⁵
- **Making the business environment more agile and responsive:** The physical distancing and lockdowns have devastated many economic sectors but have also created new business opportunities and new business models – including online transactions for an ever-growing range of products and services. To 'build back better' the Government should simplify and expedite procedures for such new enterprises to register and for existing enterprises to alter their business proposition. One useful measure would be to waive registration fees and minimum capital requirements and fast-tracking

¹⁰³ The UN Secretary-General in his International Mother Earth Day Message, <https://www.un.org/en/un-coronavirus-communications-team/un-urges-countries-%E2%80%98build-back-better%E2%80%99> [accessed 1 May 2020].

¹⁰⁴ University of Oxford, 2020.

¹⁰⁵ WEF, 2020.

procedures to register and issue licences to operate, including through online platforms. These measures may be particularly important for young workers who may be technologically savvy and innovative – developing youth entrepreneurship is certainly one of the country's priorities.

- **Investing in the digital economy:** The crisis has certainly accelerated an already growing trend toward digitalization in an increasing number of sectors and activities. The digital economy has generated a range of new business models. To build back better means embracing these new business models and creating the facilitating environment for the digital economy to thrive – including improving the ICT infrastructure (for extended coverage, speed, reliability and security), adapting legal frameworks and preparing the workforce for a future of work that is a digital one. At the same time, it will be important to address the associated risks. For example, while digital technologies help in tracking contacts during the crisis there are also privacy and data protection concerns. Digital payment systems increasingly will be the norm but have to be backed by enhanced security mechanisms.
- Building back better certainly means **investing in enhancing employability and resilience of the workforce** considering changes in the economy and society in the wake of the crisis. The guidance above had highlighted the importance of active labour market policies, including **training and retraining schemes to upskill and reskill workers** for the new forms of work; and a strong labour market information system and efficient employment services to smoothly shift workers to new sectors and forms of work. Such ALMPs would need to be designed to target specific groups of the disadvantaged and excluded and should be designed with active inputs from employers' and workers' organizations.
- **With the aim of 'leaving no one behind' policies to build back better must promote inclusion and address discrimination and inequality.** Informal workers and gig workers must be registered and, counted so that they do not fall through the cracks in terms of entitlement to different benefits. The promotion of gender equality is now more urgent than ever, given women's greater vulnerability to loss of jobs and incomes, increases in their unpaid

care responsibilities and the growing incidence of domestic violence in the wake of COVID-19. The welfare of migrants, legal or undocumented, and of refugees has to be a major consideration of any review of the country's foreign worker policy. It will be crucial to tap the potential of youth – as partners in the current fight against the virus and as the foundations of the economy and society in the future. It will also be important to strengthen Malaysia's National Older Persons Policy with implementable measures, considering that the country is ageing and fast reaching a demographic cliff.

- **Building back better should involve building upon the community spirit shown during the pandemic.** There are increasing examples of the work of trade unions, CSOs, NGOs, religious organizations, social media platforms, the public helping the less fortunate, both Malaysians and non-Malaysians.¹⁰⁶ This is the timely opportunity to promote and strengthen unity rather than divisiveness, to bring us together for our common fight and our common future; to promote tolerance and understanding and to fight discrimination and xenophobia.
- **An economy that is more resilient and better prepared for future health and economic shocks has to rely on efficient and effective data gathering and information systems.** We can explore the mechanisms used in other countries to register and track the population, especially the most vulnerable, so that there is both a health alert system as well as more efficient delivery of benefits to reach the actual intended beneficiaries. A much improved and up-to-date labour market information system is critical. The current difficulties of identifying the most vulnerable workers that need support in this crisis can be traced to the limited definitions and coverage used in the official statistical system (the limited definition of informality currently used in labour force statistics is a clear example). We should also regularly assess economic structural vulnerabilities to major shocks – being

¹⁰⁶ For example, the Kita Jaga Kita Melawan COVID-19 (Malaysians Helping Malaysians Fight COVID-19, <https://kitajagakita.com/>) is a 'one-stop shop' for Malaysian civil society COVID-19 efforts – it provides a platform that matches people who want to help with those who need help. The list of initiatives is impressive – help to vulnerable groups, SMEs, front liners, Orang Asli, vulnerable mothers, support for those unable to cover their rents, etc.

able to identify the vulnerable sectors and industries taking into account supply chain patterns and the degree of market dependence in terms of imports and exports, the reliance on migrant labour, the business models adopted, etc. would improve preparedness and enable pre-emptive measures.

- **Last, but certainly, not least, building back better means addressing current institutional barriers and cumbersome bureaucratic mechanisms and processes** that require excessive documentation, block access to registration and entitlement to support or that result in long queues, delays in receiving payments, etc. The review in Section 1.2 had highlighted several of the complaints of both employers and workers. **It also means reviewing legislation** – revising, updating or enacting new legislation to ensure a conducive legal framework.

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Appendix 1

Stimulus package measures announced by Prime Minister Tan Sri Muhyiddin Yassin

- PM adds 230 billion ringgit allocation to the stimulus package, after late-February's 20 billion ringgit announcement. This brings the total to 250 billion ringgit.
- 1 billion ringgit additional allocation for Ministry of Health for purchase of equipment.
- 8 million ringgit fund to cover Covid-19 testing costs of up to RM300 for all insurance policy and takaful holders.
- Deferment of insurance premium payment for those affected by the Covid-19 outbreak.
- 10 billion ringgit allocation for one-off payment to support both B40 and M40 households.
- One-off 1,600 ringgit financial assistance for four million households earning 4,000 ringgit per month and below.
- One-off RM1,000 financial assistance for 1.1 million households earning between 4,000 ringgit and 8,000 ringgit per month.
- One-off 800 ringgit financial assistance for unmarried individuals earning 2,000 ringgit per month and below.
- One-off 500 ringgit financial assistance for 400,000 unmarried individuals earning between 2,001 ringgit and 4,000 ringgit per month.
- 530 million ringgit allocation to provide 15-50 per cent discounts on electricity bills for usage of up to 600kw for six months from April:
 - 50 per cent discount for usage of below 200kw, 25 per cent for usage of between 201-300kw and 15 per cent discount for usage of 301-600kw.
- One-off payment of 500 ringgit for Grade 56 and below civil servants, including contract workers, in April.
- 100 million ringgit allocation to set up storage and distribution food centres.

- Special fund of 64.4 million ringgit for farmers and fishermen associations that are able to produce food between three and six months, to ensure food security.
- Free internet for all users starting April 1 until end of MCO, with 600 million ringgit allocation.
- Additional 400 million ringgit investment to ensure efficiency of telecommunication infrastructure.
- Govt to subsidize 600 ringgit per month for workers earning below 4,000 ringgit for three months, at companies whose income has halved since Jan 1.
- One-off financial assistance of 500 ringgit for 120,000 e-hailing drivers, totaling 60 million ringgit.
- 110 million ringgit allocation for 80,000 workers involved in sanitation and food supply in schools, higher education institutions, public training institutions and other agencies.
- Additional 4.5 billion ringgit for SMEs, micro entrepreneurs comprising an additional allocation for special relief facility (3 billion ringgit), additional allocation to improve access to financing for SMEs (1 billion ringgit), additional funds for micro credit schemes (500 million ringgit).
- Deferment of income tax payment for SMEs for three months starting 1 April.
- Exemption of HRDF levies for all sectors for six months, starting 1 April.
- Interest income of banks will only be taxed after the moratorium period.
- Moratorium on loans to be expanded to include loans from TEKUN, MARA and cooperatives as well as government agencies that grant loans to SMEs, starting 1 April.
- All projects under Budget 2020 to proceed, including East Coast Rail Link, MRT2, and the National Fiberisation and Connectivity Plan (NFCP).
- Government to focus on domestic investments — all projects valued at RM2b, as stipulated under the previous package, will be carried out from April.
- Projects to be executed include infrastructure projects at FELDA settlements and others (RM600 million), the repair and upgrade of schools in Sabah and

Sarawak (350 million ringgit) and repairs for housing for the poor (150 million ringgit).

- All ministries to review their budgets, so costs can be reduced amid the current challenging climate.
- The country is at war with invisible forces, says PM. "Although this was not the government that you voted for, this government cares for you."
- Increase in special allowance for medical personnel to 600 ringgit from 400 ringgit starting 1 April until the outbreak ends.
- 200 ringgit allowance for members of the police, military, customs, immigration, RELA and civil defence forces that are involved in enforcement of the MCO.
- 3.2 billion ringgit under Bantuan Sara Hidup will be paid in July 2020.
- Higher education students to receive one-off financial assistance of 200 ringgit in May.
- 25 million ringgit allocation for vulnerable groups for food, health and shelter assistance.
- Deferment of repayment for Skills Development Fund Corporation borrowers from 1 April to Sept 30, 2020.
- Covid-19 patients can claim 50 ringgit per day under MySalam for a maximum of 14 days.
- Up to 1,500 ringgit of pre-retirement funds can be withdrawn from Account B of private retirement schemes, without any tax penalty between April and December 2020.
- Six-month rental exemption for those staying at People's Housing Projects, with 3 million ringgit in costs to be borne by the government.
- Six-month payment exemption for those with rent-to-own units from April to September 2020, totalling 5.7 million ringgit in costs.
- Six-month payment exemption by Dewan Bandaraya Kuala Lumpur for those staying in public housing.

- Six-month rental exemption for all premises owned by the Federal Government, including school canteens, kindergartens, cafeteria, convenience stores and others.
- 500 ringgit one-off assistance for retired civil servants in April.

The Ministry of Finance will implement the PRIHATIN package through the Unit for the Implementation and Coordination of National Agencies on the Economic Stimulus Package (Laksana).

Source: *The Edge Markets*, Highlights of Malaysia's economic stimulus package, <https://www.theedgemarkets.com/second-stimulus-package>.

Appendix 2

Highlights of the additional *Prihatin* SME economic stimulus package

- The salary subsidy for SMEs under the *Prihatin* stimulus package has been expanded to 13.8 billion ringgit from 5.9 billion ringgit, with additional measures for all SME sizes (from under 75 employees to over 200 employees).
 - For companies that employ more than 200 people, the number of workers who will be eligible for the subsidy is increased from 100 previously, to 200.
 - For companies that employ between 76-200 employees, the company will receive a wage subsidy of 800 ringgit for each worker.
 - For companies that employ between 1-76 employees, the company will receive a wage subsidy of 1,200 ringgit for each worker.

The aid comes with a condition that employers must retain their staff for at least six months.
- Special grant of 3,000 ringgit each for eligible micro businesses registered with the Inland Revenue Board amounting to 2.1 billion ringgit for 700,000 micro businesses. These SMEs must register with the Inland Revenue Board (IRB) to access this facility. The government will obtain a list of eligible SMEs from the Local Authorities and Companies Commission of Malaysia (SSM).
- The government will be abolishing the 2 per cent interest rate for the 500 million ringgit Micro Credit Scheme under Bank Simpanan Nasional.
- The micro loan scheme for micro businesses extended to TEKUN Nasional with a maximum loan limit of 10,000 ringgit per company at no interest. For this purpose, a sum of 200 million ringgit will be provided. Applicants can only choose from one of these schemes.
- Financial services providers registered under the Moneylenders Act 1951 to provide six-month moratorium for SME loans from April 2020.
- IMSME.com.my, a one-stop portal for SMEs applying for loans under *Prihatin*, has been set up by Credit Guarantee Corp with support from Bank Negara.
- Landlords urged to provide a rental discount of 30 per cent to SMEs during MCO and three months after MCO, to receive tax break for April-June period.

- Foreign worker levy cut by 25 per cent for those with permits ending Dec 31, 2020, but discount not applicable for domestic helpers.
- SMEs can apply for an extension to provide statutory documents to SSM (within 30 days after last day of MCO), extension to submit FYE Sept/Dec 2019 financial statement (within three months after last day of MCO).
- Employers advised to approach Human Resource Department to discuss employee contract terms, such as salary cuts, no paid leave during MCO.
- Government will consider initiatives to stimulate startup ecosystem, seen as enablers for Industrial Revolution 4.0.

Source: *The Star*, Muhyiddin unveils 10 billion stimulus package for SMEs (updated), <https://www.thestar.com.my/news/nation/2020/04/06/muhyiddin-unveils-rm10bil-special-stimulus-package>.

Appendix 3

Official national SME definition

The official definition of SMEs adopted in 2013 distinguishes between enterprises in the manufacturing sector and those in services and other sectors.

A detailed definition by category namely micro, small, and medium is as follows:

Size	Micro		Small		Medium	
	Sales Turnover	Employees	Sales Turnover	Employees	Sales Turnover	Employees
Manufacturing	< RM300,000	< 5 employees	RM300,000 to < 15 Million	5 to < 75 employees	RM15 Million to ≤ 50 Million	75 to ≤ 200 employees
Services & Others			RM300,000 to < 3 Million	5 to < 30 employees	RM3 Million to ≤ 20 Million	30 to ≤ 75 employees

Under the definition, all SMEs must be entities registered with the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia) or other equivalent bodies.

It excludes:

- Entities that are public listed on the main board; and
- Subsidiaries of:
 - Public-listed companies on the main board;
 - Multinational corporations (MNCs);
 - Government-linked companies (GLCs);
 - Syarikat Menteri Kewangan Diperbadankan (MKDs); and
 - State-owned enterprises.

A business can qualify as an SME if it meets either one of the two specified criteria, namely sales turnover or full-time employees, whichever is lower.

If a business fulfills either one criterion across the different sizes of operation, then the smaller size will be applicable. For example, if a firm's sales turnover falls under microenterprise but employment falls under small, the business will be deemed as a microenterprise.

Source: Official national SME definition, <https://www.smeinfo.com.my/official-national-sme-definition>.

Appendix 4

The ILO policy framework to fight COVID-19 based on International Labour Standards

Pillar 1	Pillar 2	Pillar 3	Pillar 4
Stimulating the economy and employment <ul style="list-style-type: none">• Active fiscal policy• Accommodative monetary policy• Lending and financial support to specific sectors, including the health sector	Supporting enterprises, jobs and incomes <ul style="list-style-type: none">• Extend social protection for all• Implement employment retention measures• Provide financial/tax and other relief for enterprises	Protecting workers in the workplace <ul style="list-style-type: none">• Strengthen OSH measures• Adapt work arrangements (e.g. teleworking)• Prevent discrimination and exclusion• Provide health access for all• Expand access to paid leave	Relying on social dialogue for solutions <ul style="list-style-type: none">• Strengthen the capacity and resilience of employers' and workers' organizations• Strengthen the capacity of governments• Strengthen social dialogue, collective bargaining and labour relations institutions and processes

Source: ILO, 2020.