

## *Learning to Live with Job Insecurity*

by

Azidin Wan Abdul Kadir

To most people whose income depend on a fixed monthly salary, there is little concern about how the economy is doing. As long as the person has a job with income that is sufficient to maintain a decent standard of living, he or she may not even care about or even know what GDP growth is all about. What is more important is a stable job market. The estimated unemployment rate for Malaysia in 2002 is relatively low. Since the Asian financial crisis, the unemployment rate has actually worsened somewhat from 3.1 per cent in 1998 to 3.6 per cent in 2001. With some recovery in the economy, the government estimates the unemployment rate to improve marginally to 3.5 per cent in 2002. Malaysia still has full employment since the unemployment rate is below 4.0 per cent. The present unemployment rate pales in comparison to the recession in the mid-80's when it reached a record high of 8.8 per cent in 1986. However, after the mid-80s recession, we were blessed with more than 10 years of prosperity. While enjoying a rapid economic growth, unemployment rate dwindled to a mere 2.6 per cent in 1996. During those boom years, there were plenty of jobs around and wages rose rapidly. Even more exciting was the fat bonuses given out by many firms that were doing extremely well at that time. It was a time when job security was almost a sure thing, not just for government servants but also for private sector employees as well.

At present, even though unemployment rate is relatively low, many people have accepted the fact that job security is no longer absolute. Even though there is still full employment in the labour market, the Asian crisis had introduced more uncertainty in so far as employment is concerned. As companies faced steep declines in economic growth, they were forced to undertake drastic measures to make sure that losses were not too painful. After ten years of continuous and rapid expansion during most of the 1990s, corporate behaviour has been challenged to the limits during the crisis. With sliding demand, firms were forced to dispose unprofitable and non-core business activities and also to reduce excess or under-utilised manpower. Not only has the recession led to massive lay-offs, the fear of the rising tide of globalisation is making firms more nervous, aggravating the already intense downsizing or rightsizing of the workforce. Firms have to keep a close watch on unit labour cost, and having more workers than necessary proved to be detrimental to labour productivity and profit.

It is now common to hear people talking about multinationals moving to China, or even to our neighbouring countries. The general perception is that even if some are still staying put for the moment, there is always fear that someday they too may be shifting to China, which, despite having its shortcomings, is offering a hard-to-resist attraction as far as

cheap labour and a large market are concerned. Working in a bank used to be as secure as a government job prior to the crisis. Making a pre-emptive move to prepare for further liberalisation, the government was the driver behind the first round of banking sector consolidation. Banking staffs were given the option of taking up the voluntary separation scheme (VSS). This has resulted in a large number of bank employees being displaced from the job market. Following a steep contraction in exports in 2001, a large number of workers (about 28,801 workers) in the manufacturing sector were retrenched. Global competition, directly or indirectly, is making our job market more competitive and more fluid than ever before. Shorter product life cycle will mean a constantly evolving labour requirement.

One may argue that the exposure to global competition is making the domestic job market more uncertain. Jobs may be lost due to dismal external demand or that factories may move to China or some other places. Furthermore, foreign firms may enter the local market and run over some local businesses. The perception is that the local job market will be in a state of flux and that competition will become fiercer. Although more painful, competition will force us to improve and become more productive and efficient. This will lead to a better standard of living and higher quality of life over the longer term.

Employees who have been retrenched or those who had accepted VSS might have been compensated, but given the somewhat unfavourable labour market, it may take a while for them to secure a new job. They may even run out of money before getting a new job. The only recourse then will have to come from whatever savings they have left, assuming that the saving culture is still practised by most people. Adhering to the general principle of not encouraging any dependency on welfare support, except in extreme cases maybe, we embrace the Asian values of not having any form of unemployment benefit. As long as you are able-bodied, then you have to work to survive. It is now common to have households with both the husband and wife working. It is not just the issue of increasing the overall income of the family, but it is now also a matter of security and a hedge against the increasingly uncertain job market. If one income earner is unemployed, than at least there is a backup to fall back on. Close knitted family ties could also function as an informal social safety net during tough times.

In 2002, the government estimated about 307,000 people entered the labour force. This has contributed to a 3.1 per cent increase in the labour force. It was also reported that more than 50 per cent of the present labour force have only secondary school education. The share of those with tertiary education was estimated to represent 16.6 per cent of the total labour force in 2002. Employment increased by 3.2 per cent in 2002, outpacing the growth in labour force by a small margin, which then resulted in minute reduction in unemployment rate. Looking at it positively, Malaysia is still a fully employed economy.

However, one may also be tempted to view this negatively, by saying that the 2001 unemployment rate of 3.6 per cent was at a nine-year high, as against the previous high of 3.7 per cent in 1992. Already facing a severe shortage of workers prior to the crisis, the impact on unemployment rate was not too bad, increasing only to 3.4 per cent in 1999, from 2.7 per cent in 1997. According to government estimates, in 2002, the job growth was highest in the manufacturing sector, increasing by 4.8 per cent as the sector was lifted by the recovery in export demand. Jobs in the services sector, which has the largest employment share of 50.2 per cent, grew by 3.7 per cent, slowing down from a 5.8 per cent rise in 2001. Within the services sector, employment was growing faster than the overall average job growth (of 3.2 per cent) in the electricity, gas and water sub-sector (6.5%) and in the finance, insurance, real estates and business services (6.1%).

The persistent, though still low, unemployment rate has partially been attributed to the business cycle. The downturn in the US economy and the faltering global demand for electronics had affected exports and weakened the Malaysian economy in 2001. In 2002, with a moderate external recovery, the economy was making a turn for the better. Argued on that basis, the upturn in the global cycle will help invigorate the local labour market. However, there are structural concerns as well. For one, there still exist some mismatch between market demand and supply, where demand for IT and technical graduates is greater than social science graduates. It is the government's on-going efforts to reengineer the structure of new graduates so that about 60 per cent are in technical or scientific fields while another 40 per cent come from the arts and humanities. This is in line with the planned transformation towards a knowledge-based economy.

One idea, although not new, that is put forward as a way to face the increasing insecurity in employment is to treat skills and job experiences as though there are financial investments. Just as in finance, diversifying your portfolio of skills and experiences will put you at an advantage in facing the less secure job market. This is like hedging against a possible drop in demand for any particular skill. This could also mean that you are able to shift to new job function without much difficulty. The diversity and versatility that people have will make them more marketable in a variety of positions. Moreover, the employer will welcome a worker who can handle multi-tasking with one's added flexibility. Of course this sounds easier said than done, but it is not impossible for a person to acquire multiple skills of high demand.

Unfortunately, this view has put some bad light on the conventional thinking, that a specialised long-term job may breed a long-term dependency, equipping the person with only a narrow set of skills. Once your skills are no longer required, then it would be very difficult to seek other employment. Having a listing of work experiences is seen to be more desirable than sticking to the same job for a long period of time. Of course, one

cannot expect lifetime employment in any firm nowadays anyway, except maybe in a government job. This view also suggests that fresh graduates who can demonstrate the ability to function in a variety of activities, not just academic, will stand a better chance for employment in the continuously shifting job market. A new entrant into the job market is now expected to have a number of basic skills such as computer skills, communication and writing skills, in addition to the paper qualifications that he or she has. To assist unemployed graduates and displaced workers, the government has allocated a sum of RM137 million to train them in a number of useful skills including IT, communications and language. Up to year-end 2002, about 20,000 people have gone through such training.

One way to diversify one's skill and to become more adaptable to changing labour market conditions is through instilling a culture of continuous learning, a view we have heard many times. Only through life-long learning would one be able to keep abreast with new developments in various fields. Getting a formal education could be costly even for working adults, but informal updating of one's knowledge can still be helpful. There are now many educational programmes catering to the working adults. Learning new things or a new field altogether could allow a worker to shift to an entirely new profession. We have seen doctors and lawyers venturing into businesses which are very different from their scope of specialisation. With strong enough determination, it is not impossible, although it could be tough and very challenging, to change from one profession into another. Young graduates or non-graduates are also encouraged to enter into business as an alternative to looking for a salaried job. It will be difficult of course, especially during these trying times, but it could offer one solution to those who couldn't find work.

As the force of globalisation and liberalisation intensify, competition in the labour market will become fiercer. Malaysian workers are not only competing against each other, they are indirectly competing against other workers worldwide. What's more, with IT becoming more entangled in our everyday living, new skills will have to be learned and re-learned. Some jobs will become redundant and some skills will become outdated. Life-long continuous learning can be one solution. Although the change towards a more knowledge-based economy is crucial for future competitiveness of the nation, the average worker may see this as an increasing threat to his job security. He or she will have to compete with younger, multi-talented and more IT-savvy workers. Unless such person acquires new skills urgently, he or she may no longer be relevant to the job market.

The writer is a Senior Research Officer with the Malaysian Institute of Economic Research (MIER).