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Labour market trends and employment

PERKESO FORECASTS

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KUALA LUMPUR: As an agency under the Human Resources Ministry, the Social Security Organisation (Perkeso) has a wealth of information on private sector employees and employers, which enables it to measure the trends of the labour market.

The wealth of data within the organisation includes data from the five main sectors of agriculture, mining and quarrying, manufacturing, construction and services.

Perkeso sees the opportunity to use the data for forecasts, such as the unemployment rate, to assist policymakers and the public in understanding the labour market outlook.

The effects of economic shocks on employment within the labour market were also measured and represented as risk factors to be incorporated into the forecast for the unemployment rate.

The organisation created a formula to calculate the number of unemployed workers from three data sources, forecasting using monthly data collected since January 2016.

The formula for the Unemployed Equation is $U = T - E + R$, where the total employed (E) is taken from Perkeso's Assist database and consists of data on employers and employees from the five main sectors.

According to Perkeso's Matrix database, there are 1.6 million people employed in the public sector.

The Employed Risk (R) is also calculated from Perkeso's Assist database based on the employment gaps that appear during economic shocks.

As a reference for the total labour force (T), data from the Department of Statistics Malaysia is used. As a result, the formula represents the total unemployed (U).

To calculate the unemployment rate, the total number of unemployed (U) is divided by the total labour force (T) and multiplied by 100.

Perkeso has forecast the employment outlook for the agriculture sector to grow between 5.8 and 6.8 per cent, manufacturing between 4.9 and 5.9 per cent and the services sector between 2.8 and 3.8 per cent, and the construction and mining and quarrying sectors were expected to grow between 0 and one per cent.

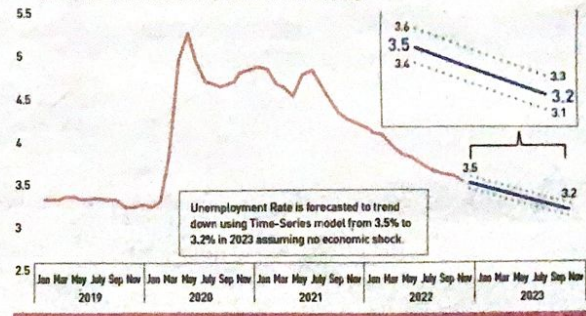
The unemployment rate for 2023 is expected to trend down from 3.5 per cent to 3.2 per cent.

All main economic sectors are forecast to register positive employment growth, with the agriculture sector as the highest contributor between 5.8 and 6.8 per cent," said Human Resources Minister V. Sivakumar recently.



V. Sivakumar

UNEMPLOYMENT RATE% MONTHLY FORECAST WITH UPPER AND LOWER BOUNDS



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IMPACT OF ECONOMIC SHOCKS ON EMPLOYMENT

The Asian Financial Crisis, Tech Bubble Crash, Global Financial Crisis, Climate Change, Pandemic Total Lockdown and Pandemic Partial Lockdown were the economic shocks that caused a significant change in the unemployment rate from 1997 to today.

Economic shocks can be used to conservatively quantify the potential Employed Risk (R) to the Unemployed Equation.

If an economic shock occurs in 2023, the risk factor based on a similar event can be added to the projected unemployment rate.

Malaysian exports, for example, saw a sharp decline during the Global Financial Crisis when the global financial market experienced extreme stress caused by the United States. Subsequently, employment in that period declined, mainly affecting the manufacturing and agriculture sectors, as well as the services sector.

According to Perkeso, while the result of the forecast for the next 12 months without accounting for any economic shock showed a downward trend for the unemployment rate from 3.5 to 3.2 per cent, the estimated impact of a significant event similar to the Global Financial Crisis will cause an approximate 0.9 per cent-point rise in the unemployment rate.

However, because Malaysia is expected to experience sustained labour-market recovery through 2023 with no obvious risk of economic shock, no adjustment to the forecast is required.

Perkeso will engage external labour market experts to improve its forecasting model. The organisation is also planning to periodically publish this report.