



EMPLOYMENT OUTLOOK 2021

Common Job Loss Reasons



Employment Information Analysis Services
(EIAS)

EMPLOYMENT OUTLOOK

COMMON JOB LOSS REASONS

INTRODUCTION

Established under the 2017 Employment Insurance System (EIS) Act, the EIS, which is a division within the Social Security Organization (SOCSO), provides social security protections to Insured Persons who experience job loss during their employment period. Under Section 30 (1) of the EIS Act, Insured Persons who lose their employment for any reason are eligible to claim EIS benefits, with the exception of the following:

- (a) Voluntary resignation;
- (b) Expiry of a fixed-term contract of service;
- (c) Termination of the contract of service without any further terms and conditions, by mutual consent of the employer and the Insured Person;
- (d) Completion of the work specified in the terms of the contract of service;
- (e) Retirement; or
- (f) Misconduct.

While the number of job loss recorded in 2019 remained relatively constant throughout the year, there was a sharp rise in Q1 and Q2 2020 due to the various Movement Control Orders imposed which restricting the non-essential industries from opening their businesses physically to control the spread of Covid-19. During that period, many employers, unable to shoulder fixed costs without any income, were forced to retrench their workers in a bid to cut losses. Many of these workers applied to the EIS for assistance.

FINDINGS

As shown in Figure 1, from January 2019 to June 2021, the EIS processed loss of employment (LOE) benefits applications from 181,837 affected workers.

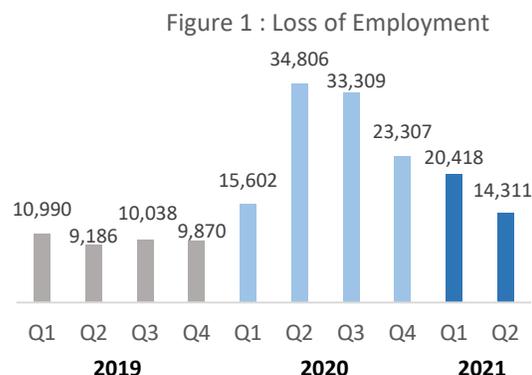
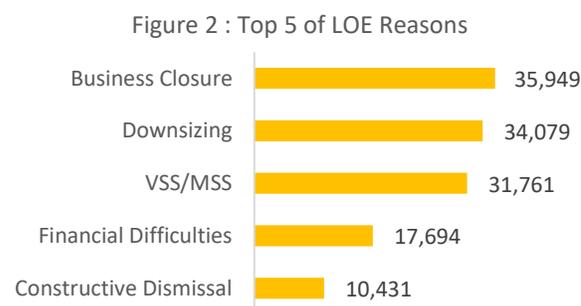
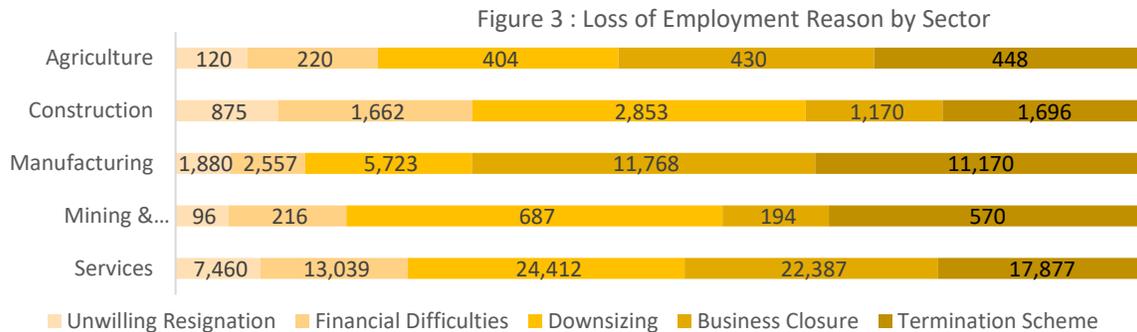


Figure 2 shows the 5 most common job loss reasons, namely, i) business closure, ii) downsizing, iii) voluntary and mutual separation schemes (VSS/MSS), iv) company financial difficulties, and v) constructive dismissal.



While business closure was the most common reason across all main industries, downsizing is the highest reason for job losses in Services based industries as shown in Figure 3.



Job Loss Exploration

i. Business Closure

Business closure refers to the company which has completely ceased operating. Since 2019, a total of 35,949 workers faced job losses due to business closures, with most of them (11,768) employed in the manufacturing industries.

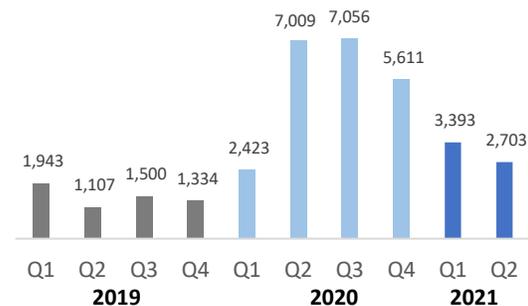
Figure 4: LOE Reason-Business Closure



ii. Downsizing

Downsizing was the second most frequent job loss reason, affecting 34,079 workers in total. In Q2 and Q3 2020, the number of workers cited downsizing as the main reason for their loss of employment. Comparing to Q1 and Q2 2019, the figures rose sharply as employers nationwide sought to cut operational costs by reducing the size of the workforce.

Figure 5 : LOE Reason - Downsizing



iii. Voluntary and Mutual Separation Schemes

Voluntary and mutual separation schemes, known as VSS and MSS respectively for short, are common dismissal methods where workers are compensated in exchange for resigning from the company. In a VSS, the employer dictates the compensation terms; while in an MSS, the compensation terms are mutually agreed upon by the employer and the employee.

31,761 workers reported being dismissed via a VSS or an MSS, with 17,529 of these dismissals occurring in 2020 alone. Of the VSS / MSS-caused dismissals in 2020, 56% occurred in the services industries, followed by manufacturing (34%) and construction (7%).

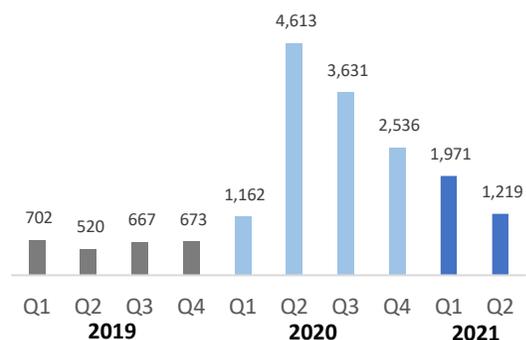
Figure 6 : LOE Reason - Voluntary and Mutual Separation Schemes



iv. Company Financial Difficulties

10% of workers indicated that they were dismissed due to company financial difficulties. This LOE reason peaked in Q2 2020 before steadily declining onwards, suggesting that employers' finances may have improved as lockdown measures were gradually lifted and introduction of Government Stimulus Packages such as Wage Subsidy Programme.

Figure 7 : LOE Reason - Company Financial Difficulties



v. Constructive Dismissal

Constructive dismissal, which accounts for about 6% of dismissals, refers to situation where workers are advised or forced to resign by their employers. Of the 6,569 workers being dismissed in 2020, 73% were from the Services industries, with the majority working in Wholesale and Retail sector.

Figure 8 : LOE Reason - Constructive Dismissal



CONCLUSION

Assessing the main job loss reasons are important to support better formulation and improvisation of existing labour market policies. Informed labour market planning will enhance sustainability of business operation of employers and thus reduce job loss risks. This important information should be regularly updated to the relevant stakeholders as a continuous aid for a more comprehensive and targeted human capital initiatives planning.

DISCLAIMER: This publication is intended to disseminate key statistics across states using EIS administrative data and is correct at the time of published date. Hence, EIS will not be liable due to any manipulation or abuse of this information by the users other than its original intention.

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