



LABOUR MARKET IMPACTS OF REOPENING MALAYSIA'S INTERNATIONAL BORDERS: EARLY INSIGHTS ON TOURISM INDUSTRIES

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Introduction

It has been more than two years since the global community launched the long-term battle against COVID-19. Along the way, countless measures were undertaken to mitigate the escalating waves of virus infections to ensure protection of most vulnerable groups towards risks of deaths. One of the most immediate solutions at the beginning of the pandemic was international border closures which had impacted myriads of business activities and subsequently affected the labour market situations. Tourism industries such as transportation, food & beverages, accommodation and wholesale & retail trade are among the industries which have been directly impacted by border closures. While multiple fiscal stimulus packages have been injected to ease the pressure of containment actions, socio-economic situations in most countries remain challenging amid various restrictions. As of January 2022, the World Health Organization (WHO) has warned against treating the virus as endemic, especially since the Omicron situation has not yet stabilised.

On a brighter note, vaccination efforts kicked-off approximately one year after the news of this pandemic. In line with WHO's strategy to ensure equitable access to COVID-19 vaccines worldwide, more than half of the world's population had been fully vaccinated¹ (WHO, 2022). This news has partly prompted most countries to reopen or relax border restrictions as part of the steps towards living with COVID-19. Therefore, this newsletter will review the outcomes of reopening international borders by selected countries; and assess the possible impact of reopening Malaysia's international borders towards the employment in tourism-industries.

Global Economic and Labour Market Situations

At the beginning of 2022, countries were seen to operate under high uncertainty due to the concern of another COVID-19's wave. However, the continuous increment in the rate of fully vaccinated population has been one of the main determinants for countries to ease their travel ban and completely lift their international borders. These measures alongside the continuous resumption of economic and social activities will ensure recovery of businesses. Thus, the International Monetary Fund (IMF) (2021) perceived that the global economic recovery will continue where the gross domestic product (GDP) is forecasted to expand by 4.4 per cent in 2022 (IMF, 2022).

Nevertheless, Organization for Economic Cooperation and Development (OECD) (2021) observed that the global economic recovery is becoming increasingly imbalanced. Across countries, low-income developing countries and middle-income emerging-market economies experienced slower recovery compared to advanced economies partly due to COVID-19 vaccine scarcity as well as decisions to stop policy assistance and interventions at earlier stage.

¹ Based on statistics retrieved from <https://covid19.who.int/>, 4.54 billion of the global population had completed COVID-19 vaccinations as of 10 April 2022



In the meantime, International Labour Organization (ILO) (2022) projected improvement in the labour market as compared to 2021. However, the situation will likely remain below the pre-pandemic level. Global labour force participation rate (LFPR) is estimated to recover to 59.3 per cent by 2022, around one percentage point lower than in 2019 (ILO, 2022). ILO (2022) also stated that total number of global unemployment is anticipated to fall by 7 million to 207 million in 2022 (2019: 186 million). Concomitant to the view of OECD (2021) on the uneven economic recovery across geographies and sectors, ILO (2022) projected that the labour market will recover in an uneven manner.

Among OECD countries, large decreases in LFPR occurred in Latin America, the United States, Turkey and Israel. By contrast, Japan and several European economies had higher LFPR in the fourth quarter of 2021 than they did just before the pandemic. Even though overall employment has yet to recover fully from the pandemic, there has been signs of labour shortages as skill mix required in the context of the pandemic has changed (ILO, 2021).

Although most economic activities were severely impacted from the global health crisis, tourism sector and the value-chain had suffered the biggest consequences from the movement restriction orders. According to United Nations World Tourism Organization (UNWTO) (2022), tourism being the top three export category after fuels and chemicals, comprised 7 per cent of global trade². Considering 80 per cent of the global tourism involved small businesses, these entities are particularly at risk (UNWTO, 2022). As far as employment is concerned, UNWTO (2022) stated that around 100 million direct tourism jobs are at risk, on top of labour-intensive services industries that owned approximately 144 million jobs worldwide.

Since the outbreak of COVID-19, economic and social activities have to a great extent resumed under the “new normal”. With a firm decision in reviving the economy through restarting travel, the tourism sector can review the business model and formulate new strategies. The reopening of borders will not only benefit transport and accommodation industries, but will greatly influence demand for food & beverage, retail trade and arts, recreational & entertainment activities. In this regard, there will definitely be more jobs opportunities created in these industries to cater for growing demands as more tourists frequent our country.

Experiences of Selected Countries'

Australia

- Australia's border was initially opened at the **end of November 2021** for **skilled migrants, international students, and working holiday makers (WHM)**³. Following this van Onselen (2022) stated that the country had experienced **the arrivals of over 56,000 international students** and approved a total of **28,000 Working Holiday visas**.
- **On 21 February 2022**, Australia's international border had finally been fully reopened for all incoming and outgoing travellers. With this, the number of tourists is expected to rise and subsequently increase the demand for tourism operators, hence creating job opportunities in the tourism industries. In the meantime, predicament of labour shortages in low-skilled and labour-intensive segments of the industries are expected to be addressed with the goal to bring in at least **200,000 migrant workers by July 2022** as well (van Onselen, 2022).

² Export revenues from international tourism are composed of “travel” (receipts in destinations) and “passenger transport” receipts. Both are credit items in which travel credits cover goods and services account of the balance of payments of countries.

³ Working Holiday Maker (WHM) refers to a program that grants young adults to have a 12-month holiday, during which they can undertake short-term work and study.

New Zealand

- New Zealand has reopened its border **for the fully vaccinated New Zealanders living in its neighbouring country, Australia on 27 February 2022**. This initiative is anticipated to bring in more than 600,000 New Zealanders back home.
- Next, **New Zealanders elsewhere** and **some critical foreign workers** have been granted permission to enter the country on **13 March 2022**.

Canada

- The country's international borders were **reopened for fully vaccinated travellers from all countries on 7 September 2021**.
- Canada had experienced the problem of unmet demand for labour in low-wage occupations since the pandemic erupted up to the third quarter of 2021 (Government of Canada, 2022). Thus, it is perceived that the action will **facilitate the demand for labour** in accommodation, food services and healthcare & social assistance.

Indonesia

- Indonesia started-off by reopening its border for foreign tourists into the island of **Bali** starting from **14 October 2021**. Permission was **granted for visitors from 19 countries** which included South Korea, China, Japan, the United Arab Emirates, and New Zealand (Ward, 2022). Nevertheless, Ward (2022) stated that the island received a mere **45 international visitors in 2021** as opposed to millions in 2019 due to strict border control measures and no direct international flights to the island.
- On that account, Indonesia finally decided to **completely reopened its entire international border on 12 January 2022**. This initiative is undertaken to mitigate the impact of COVID-19 especially on jobs scarcity in tourism sectors. Since then, Strangio (2022) found that **tourist arrivals into the country rose 13.6 per cent as compared to the same month in 2021**. However, it was still far low compared to a gain of at least **a million visitors every month** prior to the pandemic.
- Indonesia expects to receive more than **three million foreign tourists in 2022**. This is anticipated to **revive the tourism sectors and its value-chain** and **create more job opportunities**.

The Philippines

- The Philippines reopened the international borders on **10 February 2022** applicable to **vaccinated travellers from more than 150 countries and territories**.
- The number of arriving passengers increased more than **40 per cent** compared to January 2022. In addition, more than 70 tourist circuits had been approved comprising culinary history, nature, and other theme-based attractions while another 49 new circuits in 13 regions are currently under development (Okutsu and Hoang, 2022). These actions are anticipated to **boost jobs** and subsequently **facilitate regain of income** for employees in the tourism industries.

Singapore

- Singapore had initiated the inaugural bilateral **Vaccinated Travel Lanes (VTL)**⁴ with **Brunei and Germany** on **8 September 2021**. Between September 2021 and January 2022, the countries had entered into VTL agreements with **19 countries**⁵ including Malaysia, and issued **79,335 vaccinated travel passes**. On **25 February 2022**, VTL has been extended to flights from six more countries namely Cambodia, Fiji, Maldives, Sri Lanka, Thailand, and Turkey. These allowed the inflow of visitors coming in through Singapore air international borders.
- Beginning **1 April 2022**, Singapore is **opened to fully vaccinated travellers from around the world through all of its air, sea and land borders** under the new Vaccinated Travel Framework taking over the VTL. As reported by The Borneo Post (2022), about 400,000 people crossed the Malaysia-Singapore border in the first week of reopening. On the first day of reopening Singapore-Malaysia land border, about **6,100 people** entered Singapore and another **27,600** departed from it to Malaysia (Bernama, 2022). Opening the border between these two countries will ensure significant direct gain of aviation, tourism and retail industries for both countries.

Malaysia's Narration

Since the implementation of the National Recovery Plan (NRP) in Malaysia, socio-economic circumstances have seen gradual and steady recovery. The most recent Leading Index which indicated the direction of the country's economy remained positive in February 2022 with continuous resumption of economic activities nationwide. Labour force situation during the month strengthened, recording an increase of 2.2 per cent year on year to 16.4 million with the LFPR ascending by 0.6 percentage points to 69.1 per cent in February 2021. The number of employed persons rose by 3.0 per cent to 15.7 million persons. Meanwhile, the number of unemployed persons declined by 13.6 per cent to register 671.8 thousand persons.

Given considerations to vaccination coverage in the country whereby nearly 80 per cent of Malaysia's total population has been fully vaccinated; and in view of the ability of the national health system to manage the COVID-19 crisis, Malaysia has entered the "Transition to Endemic" phase on 1 April 2022. Among others, this phase observed the removals of all restrictions on business operating hours while Muslim's congregation prayers activities are allowed without physical distancing. The transition to the endemic phase is an exit strategy that will allow the nation to return to near-normal life after nearly two years of battling the pandemic. This is anticipated to increase demand for goods and services, hence will increase production and may be able to influence job creation. More importantly, the transition to endemic has also witnessed Malaysia reopening all of the country's international borders.

Malaysia being a major travel destination in Asia had attracted more than 20 million tourist arrivals every year prior to the pandemic. The number of tourist arrivals dipped to 4.3 million in 2020 after registering 26.1 million in 2019. Hence, Immigration Department of Malaysia expected an increase in the number of foreign tourists after the reopening of international border (van Onselen, 2022). In relation to this, Xinhua & Huaxia (2022) stated that Malaysia is targeting over 2 million tourist arrivals within the year after travel restrictions have been lifted.

⁴ Under the VTL scheme, all travellers must be fully-vaccinated, with short-term visitors required to apply for a travel pass to be allowed entry into the country.

⁵ The 19 countries were Australia, Brunei Darussalam, Canada, Denmark, Finland, France, Germany, India, Indonesia, Italy, Malaysia, the Netherlands, the Republic of Korea, Spain, Sweden, Switzerland, the United Kingdom (UK) and the United States of America (USA).

Determining Criteria for Malaysia to Enter into Endemic

In November 2021, Malaysia has announced that moving to endemic phase is no longer impossible. However, **seven criteria** must be fulfilled before the nation shift to the phase namely:

1. Establishment of a single COVID-19 SOPs fit for all, with nine guidelines namely:
 - a. COVID-19 symptoms;
 - b. Entry check and registration;
 - c. Face mask;
 - d. Physical distancing;
 - e. Cleanliness;
 - f. Management of symptomatic individuals, confirmed COVID-19 cases and close contacts;
 - g. Vaccination;
 - h. Personal protective equipment; and
 - i. Staggered working hours and breaks.
2. Heightened Alert System (HAS)
3. National Testing Strategy
4. Test, Report, Isolate, Inform, Seek (TRIIS)
5. An automated Find, Test, Trace, Isolate, Support (FTTIS) system
6. The gradual reopening of national borders
7. Community empowerment ambassadors

Source: Statement of YB Senior Defence Minister Datuk Seri Hishammuddin Tun Hussein, excerpt from news article entitled "One SOP, nine guidelines in Transition to Endemic Phase – Hishammuddin" by Astro Awani News, date 9 March 2022

As reported by Salim (2022), on 28 March 2022, Malaysian Industrial Development Finance (MIDF) [NLMK1] Research stated that Malaysia's labour market will continue to recover amid a steady rise in job openings following the reopening of international borders. Increase in the number of available jobs will directly benefit the labour supply in term of securing employment and ensuring retention of income. As for the economic sector, labour shortages in selected low-skilled jobs can be addressed following the reopening of borders which will attract inflow of immigrant into the country.

Preliminary Assessment Concerning the Possible Impacts of Borders' Reopening on Employment in Malaysia's Tourism Industries

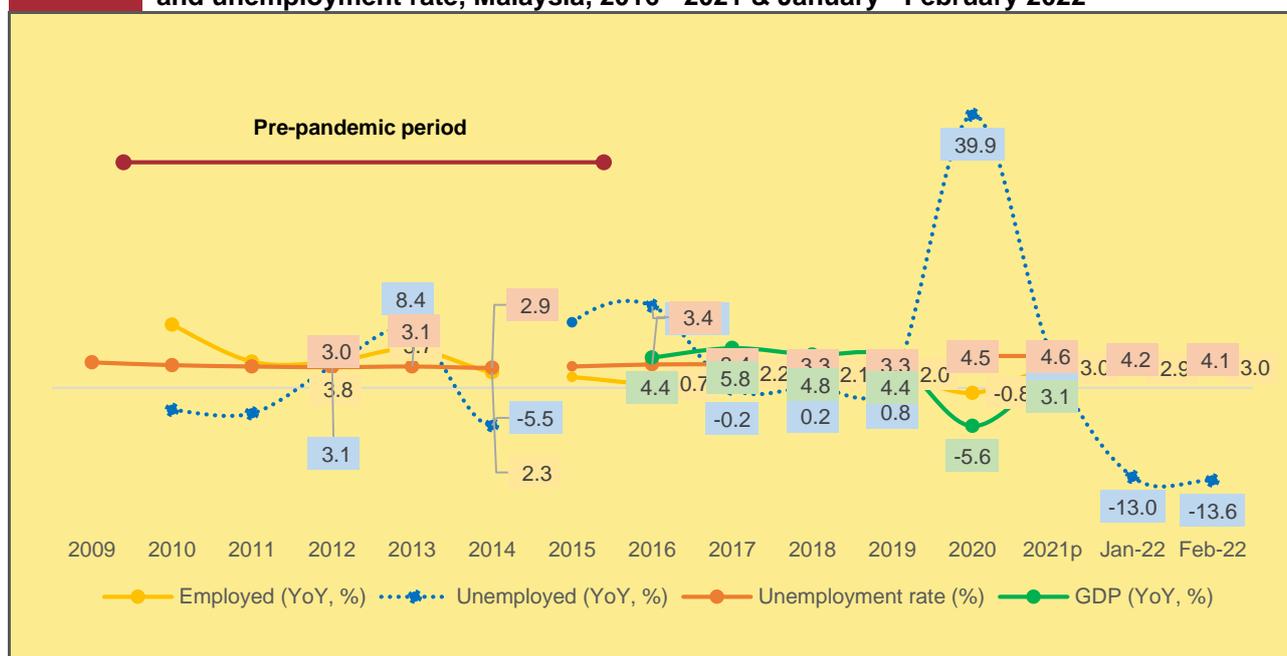
In 2020, the global economy almost came to a standstill following the spread of COVID-19. Malaysia was no exception as the country's economy contracted by 5.6 per cent in 2020 particularly following the restriction imposed to curb the spread of the pandemic. During the year, employment dropped 0.8 per cent to 15.0 million persons. Subsequently, the number of unemployed surged drastically by 39.9 per cent, primarily contributed by a higher number of lay-offs as well as reduction in jobs opportunity. The unemployment rate climbed to 4.5 per cent, recording a rate of more than 4 per cent for the first time since 1993.

Moving into the year 2021, countries started to grasp and adapt to a new normal in conducting business and social activities. In Malaysia, the gradual lift of economic and social restrictions enabled the affected sectors to breathe again. These included accommodation, schooling, food & beverages and

entertainment & recreation activities. The implementation of NRP since June 2021 has set the motion for Malaysia's strategic exit from the health and economic crises. The permissions to travel across state borders and dine-in activities during NRP had also influenced the country's economic performance. With this positive situation, the country's economy rebounded to 3.1 per cent while the number of employed persons rose by 3.0 per cent in 2021. Meanwhile, the number of unemployed persons increased moderately by 4.3 per cent, registering the unemployment rate at 4.6 per cent.

With the whole nation having shifted to the fourth and final phase of NRP in January, the labour force situation continues to improve. The latest statistics on the labour force in February 2022 observed the number of employed persons increased by 3.0 per cent, registering 15.7 million persons. The number of unemployed persons decreased further by 13.6 per cent with the rate of unemployment at 4.1 per cent [Chart 1]. Although most economic and social activities were allowed to operate, international borders remained sealed.

Chart 1 Annual change in gross domestic product (GDP), employed and unemployed persons; and unemployment rate, Malaysia, 2016 - 2021 & January - February 2022

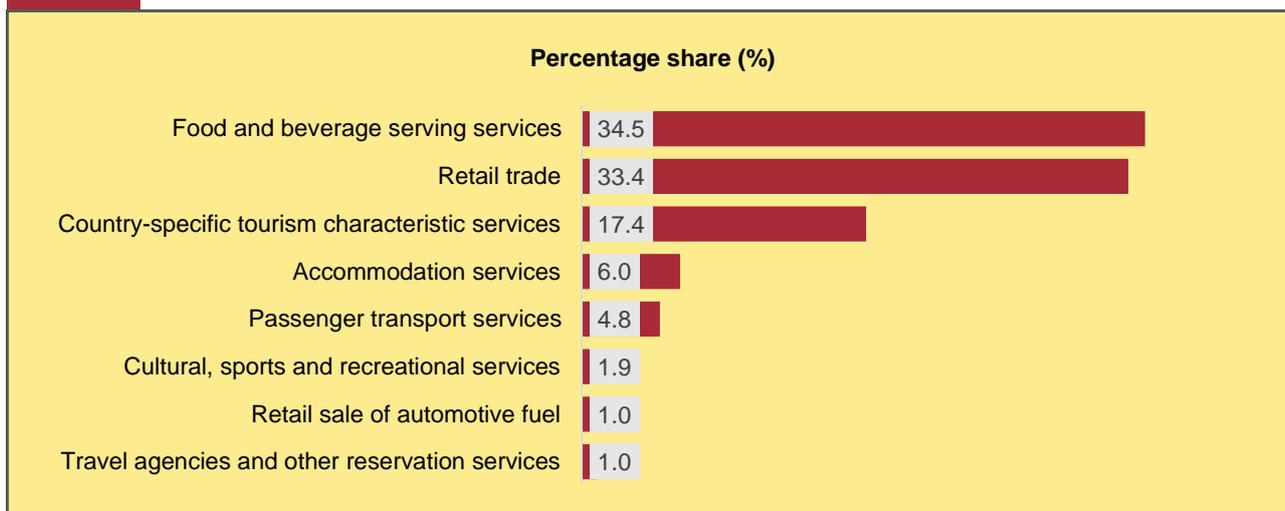


Source: Labour Force Survey, DOSM

Note: 1. p – preliminary; 2. The gross domestic product (GDP) for January and February 2022 will be published in May 2022

Looking at Malaysia's economic structure, more than half is contributed by Services sector of which tourism industries comprised of 14.1 per cent in 2020. Meanwhile, employment in the tourism industries encompassed of 23.1 per cent of total employment, which was equivalent to 3.5 million persons in 2020. The employment in these industries were largely concentrated in Food and beverage services industry (34.5%), followed by Retail trade industry (33.4%) [Chart 2].

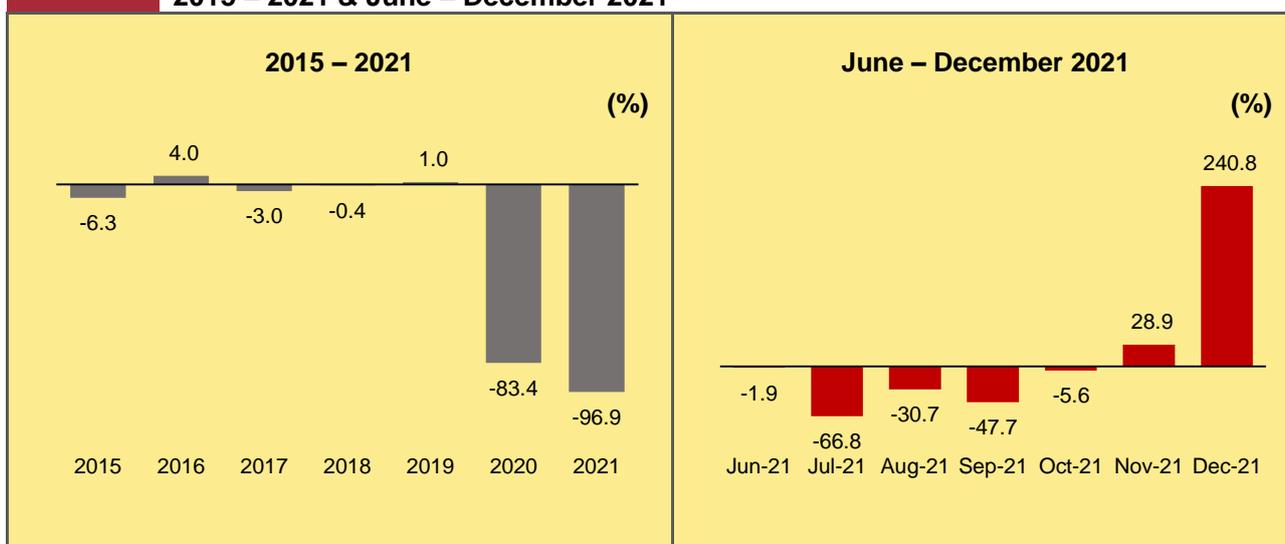
Chart 2 Share of employment in tourism industries, Malaysia, 2020



Source: Tourism Satellite Account 2020, DOSM

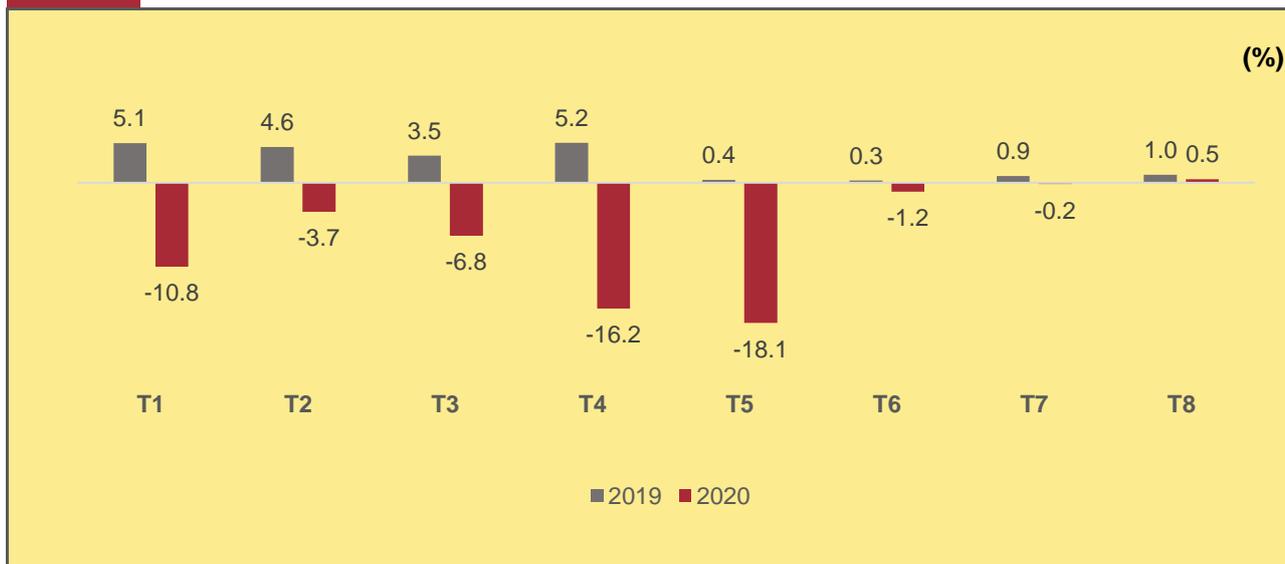
As the economy came to a halt in 2020, tourism industries experienced the first time fall since the compilation of Tourism Satellite Account in 2005. According to the statistics of tourist arrival, the number of tourists in 2020 went down sharply by 83.4 per cent to record 4.3 million tourists as against 26.1 million tourists in 2019 [Chart 3]. During the year, gross value added of tourism industries declined by 17.1 per cent with all industries recording double-digit declines. Similarly, employment in tourism industries decreased by 2.9 per cent in 2020 compared to a growth of 2.6 recorded in the previous year. Employment numbers in three sub-sectors recorded double-digit decreases namely Cultural, sports and recreational services; Travel agencies and other reservation services; and Accommodation services [Chart 4].

Chart 3 Annual change in the number of international tourist arrivals, 2015 – 2021 & June – December 2021



Source: Tourist Arrivals, MyTourism Data

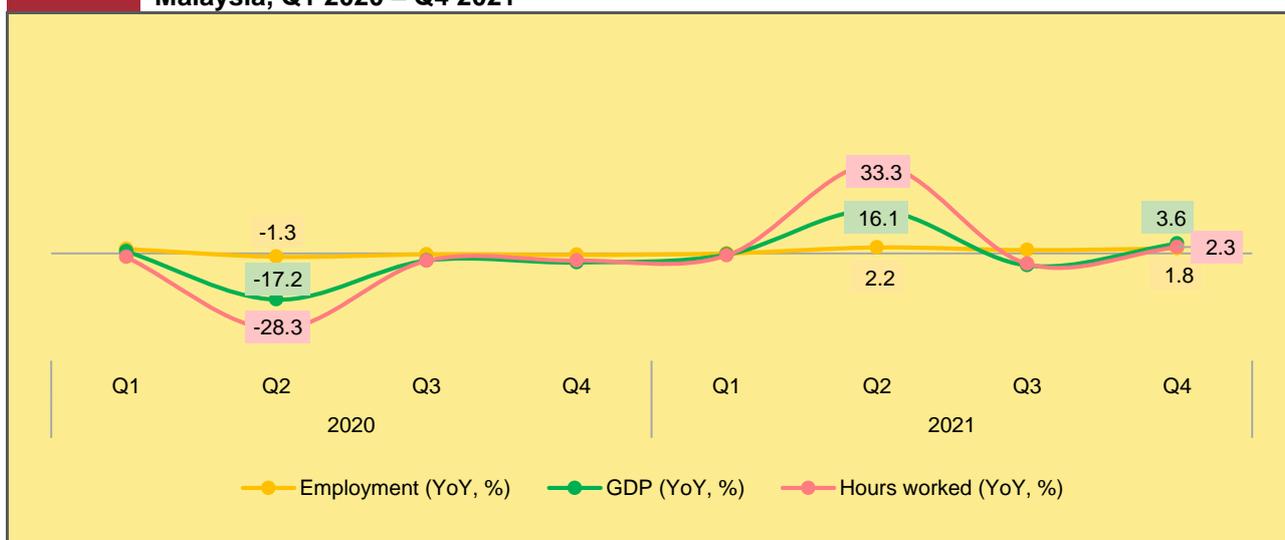
Chart 4 Annual change of employment in tourism industries, Malaysia, 2019 - 2020



Source: Tourism Satellite Account 2020, DOSM
 Note: T1 - Accommodation services; T2 - Food and beverage serving services; T3 - Passenger transport services; T4 - Travel agencies and other reservation services; T5 - Cultural, sports and recreational services; T6 - Retail sale of automotive fuel; T7 - Retail trade; T8 - Country-specific tourism characteristic services

In 2021, the number of tourist arrivals remained low amid continuous closure of international borders. In spite of this, domestic tourism activities had started to improve in line of the transition of most states to the next phases of the NRP towards the end of 2021. As of the fourth quarter of 2021, the economy rebounded 3.6 per cent while employment grew 1.8 per cent [Chart 5]. Concomitant to the resumption of social and economic activity, the effort to revive Malaysia's tourism sector was initiated through domestic tourism activities. Domestic travel bubble programme was implemented in September 2021 with Langkawi Island as the pilot project. This programme is estimated to benefit nearly 50 thousand employed persons in Langkawi. For the record, employment in the district decreased 4.7 per cent in 2020 while unemployment surged by 84.2 per cent, bringing the unemployment rate to nearly double at 6.9 per cent.

Chart 5 Annual change in employment, gross domestic product and hours worked by sector, Malaysia, Q1 2020 – Q4 2021



Source: Labour Productivity, DOSM

The first international tourism bubble started in November 2021 through Langkawi International Travel Bubble (LITB). Three months into LITB, the programme attracted 5,686 tourists and generated a revenue of RM28 million⁶. With the initiative to bring back tourists into this legendary island, it is foreseen that the tourism activities will be more vibrant and subsequently will create more job opportunities. Malaysia has definitely a lot to offer in terms of beautiful archipelagos, mountain tops and reservoirs; attractive and iconic buildings; heritage sites; and exquisite delicacies. In this regard, total reopening of international borders coupled with increasing domestic tourism activities is anticipated to lift the national tourism landscape to its former glory; hence will also attribute to accelerating economic growth, boost the labour market landscape and subsequently ensure the nation's well-being and livelihood.

Way Forward

Evidently the COVID-19 public health crisis has altered many things as people and businesses adapt to a new normal. There were particular businesses that did not sustain and subsequently had to lay-off employees after two years of international border closures and restrictions of multiple activities within the local vicinity. As we move forward, the long-awaited reopening of borders which bring a ray of hope towards the tourism-related industries in Malaysia also comes with its own sets of challenges. In term of accommodation industry, after having to shut down operation following non-existence demand, businesses have to invest in operation cost in restarting which include renovation and upgrading as well as rehiring of employees. Accordingly, businesses must opt for the most cost-effective solution in order to ensure the ability to cater to escalating demand. Besides, there could also be shortages of human resources since those who had previously lost their jobs in tourism industries might have moved to another available jobs. Transportation industry may also face challenges in retaining operation cost with the rising global fuel prices. Further to this, tourism operators may face slower demand with higher fuel prices causing people to rethink plan for travels⁷. Apart from that, while reopening the international borders is anticipated to increase international tourist arrivals, the sentiment and confidence on COVID-19 health situation may compromise the numbers.

In the meantime, the changing demand and the lessons learnt since the pandemic may also provide opportunity for tourism sector to gain its recovery momentum. As many tourism operators are medium and small businesses, riding on and partnering with large businesses may ease the operation cost while also help to increase revenue. A more sustainable and resilience business model for tourism-related industries including leveraging on technology and crowd-sourcing model can be considered. Thus, continuous reskilling and upskilling of employees in the tourism industries should also be taken into account as we revive the potential of tourism in our country.

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⁶ <https://www.thestar.com.my/news/nation/2022/02/26/langkawi-international-travel-bubble-generated-rm28mil-in-revenue-so-far-says-pm>

⁷ <https://www.forbes.com/sites/christopherelliott/2022/03/12/this-is-how-rising-energy-prices-will-affect-your-next-vacation/?sh=343ff39e5fd5>

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