Information Management and Business Review (ISSN 2220-3796)
Vol. 18, No. 4(S), pp. 228-236, 2026

The Effect of COVID-19 on the Unemployment Rate in Malaysia

*Fauziana Bt Fauzi Mat Rawi[1], Nur Shuhada Kamarudin[2], Zuraidah Ismail[1]
[1]Department of Economics and Finance, Faculty of Business and Management, UiTM Puncak Alam, Malaysia
[2]Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia, Malaysia
Email: *fauziana@uitm.edu.my
Corresponding Author: Fauziana Bt Fauzi Mat Rawi

Abstract: This conceptual paper examines the impact of the Coronavirus disease 2019 (COVID-19) pandemic on Malaysia's unemployment rate. The pandemic, which began in early 2020, severely disrupted global and domestic economies, causing widespread job losses, especially in sectors that depend on physical interaction. This paper discusses trends, reviews relevant literature, discusses related theories, and identifies key policy responses. It concludes with recommendations for improving labor market resilience and highlights areas for future empirical research.

Keywords: *COVID-19, Unemployment, Labor Market, Malaysia*

1. Introduction and Background

The COVID-19 pandemic, declared a global health emergency by the World Health Organization in March 2020, has had far-reaching consequences on the global economy. In Malaysia, the outbreak disrupted most economic activities, strained healthcare systems, and caused widespread social and financial hardship. The imposition of the Movement Control Orders (MCOs) and other containment measures significantly reduced business operations, consumer spending, and labour market participation. One of the pandemic's most direct and visible impacts was a sharp spike in unemployment. Malaysia's unemployment rate, which had averaged 3.3 percent in 2019, rose sharply to 5.3 percent in May 2020, translating to approximately 826,100 unemployed persons. This is the highest level recorded in over three decades (Department of Statistics Malaysia, 2020). This surge followed the implementation of the MCO, which effectively shut down most of the non-essential economic activities.

When the economy suddenly stopped, tourism, hospitality, and retail were hit hardest. For instance, Malaysia recorded only 4.3 million tourist arrivals in 2020, a drastic decline of 83.4 percent compared to 26.1 million in 2019 (Tourism Malaysia, 2021). The sharp contraction in tourism caused a domino effect on other sectors. The hotel sector reported average occupancy rates falling to 20–25 percent in 2020, compared to 65–70 percent during the pre-pandemic period, forcing many establishments to close temporarily or reduce operations (Malaysian Association of Hotels, 2020).

The aviation industry was also among the hardest hit. Malaysia Airlines and AirAsia collectively grounded most of their fleets during the peak of restrictions, with Malaysia Airports Holdings Berhad reporting a 77 percent drop in passenger traffic in 2020, down to 43 million passengers from 176 million in 2019 (MAHB Annual Report, 2021). The retail sector also contracted by 16.3 percent year-on-year in Q2 2020, its steepest decline in history, reflecting the combined impact of mobility restrictions and weakened consumer demand (Malaysia Retailers Association, 2020).

These disruptions translated into large-scale layoffs and furloughs. By June 2020, the Ministry of Human Resources reported that more than 90,000 workers had lost their jobs due to company closures and downsizing, with SMEs, which make up 98.5 percent of all businesses and employ about 48 percent of the workforce, bearing the brunt of workforce reductions (SME Corp Malaysia, 2020). Small and medium-sized enterprises (SMEs), which comprise approximately 98 percent of Malaysia's businesses, faced particularly acute challenges. Many were forced to shutter temporarily or cut staff due to severe liquidity constraints.

Table 1: Employment by Sector (2019 vs 2020, Annual Averages)

Sector	2019 Share of Employment	2020 Share of Employment	Change
Services	63.7 %	62.2 %	↓ 1.5 %
Manufacturing	16.7 %	16.9 %	↑ 0.2 %
Agriculture	10.6 %	10.1 %	↓ 0.5 %
Construction	8.0 %	9.5 %	↑ 1.5 %
Mining & Quarrying	1.0 %	1.3 %	↑ 0.3 %
Unemployment rate	3.3 %	4.5 %	↑ 1.2 %

Source: Department of Statistics Malaysia. (2023). Labor Force Statistics.

Table 1 shows the employment by sectors in 2019 and 2020. During COVID-19, the services sector bore the brunt of employment shocks, especially in tourism, retail and hospitality. Manufacturing and agriculture showed resilience, while construction and mining recovered unevenly. Overall unemployment peaked at 5.3 percent in May 2020 before gradually easing to 4.6 percent in 2021.

Table 2: Malaysia's Unemployment During COVID-19

Period	Unemployment Rate	No. of Unemployed Persons	Notes
2019 (pre-pandemic)	3.3%	~510,000	Stable, near full employment.
April 2020	5.0%	~778,800	Start of Movement Control Order (MCO).
May 2020 (peak)	5.3%	~826,100	Highest unemployment in 30+ years
2021 (avg.)	4.6%	~748,800	Recovery slowed by Delta Wave
2022 (avg.)	3.8%	~620,700	Restrictions lifted, labour market rebound.

Sources: Department of Statistics Malaysia. (2023). Labor Force Statistics.

Table 2 shows how the COVID-19 pandemic disrupted Malaysia's labour market. Before the crisis in 2019, the unemployment rate was relatively low at 3.3 percent, reflecting near full employment with about 510,000 unemployed persons. However, the onset of the pandemic and the enforcement of the MCO in April 2020 caused a sudden spike in joblessness, with the unemployment rate rising to 5.0 percent or roughly 778,800 people. This trend worsened in May 2020, when unemployment hit 5.3 percent, which was the highest level in over three decades, leaving more than 826,000 Malaysians jobless. Although conditions gradually improved as restrictions eased, the average unemployment rate in 2021 remained elevated at 4.6 percent due to the economic slowdown and the Delta wave of infections. By 2022, with restrictions lifted and business activity resuming, the unemployment rate fell to 3.8 percent, signalling a significant labour market recovery, though it remained slightly higher than pre-pandemic levels.

In contrast, during the COVID-19 pandemic, Malaysia saw a notable rise in informal sector employment as many workers lost formal jobs due to lockdowns, movement restrictions, and business closures. Beyond outright job losses, underemployment and informal work became increasingly prevalent as individuals sought alternative livelihoods. With limited job security and reduced economic activities, many Malaysians turned to informal work such as online retailing, food delivery, freelancing, and home-based microenterprises to sustain their income. Informal employment increased from 3.05 million persons (20.8%) in 2019 to 3.5 million persons (23.2%) in 2021, representing 23.2 percent of total employment. It reflects a substantial shift of the workforce into informal economic activities (Department of Statistics Malaysia, 2022). The informal sector became a crucial buffer during the crisis, offering short-term livelihood opportunities (World Bank, 2021). Concurrently, skill-related underemployment surged by the end of 2023; about 1.94 million individuals with tertiary education were employed in semi-skilled or low-skilled roles. This is an indicator of persistent structural mismatch in the labour market.

This study aims to conceptually examine the relationship between the COVID-19 pandemic and the unemployment rate in Malaysia. By focusing on the role of key economic variables such as GDP growth, inflation

and the number of COVID-19 cases, this research seeks to quantify the extent to which the pandemic influenced labour market dynamics. The significance of this study lies in its potential to inform policymakers and labour economists about the structural vulnerabilities exposed by the pandemic and the necessary interventions to support labour market resilience in future crises. The Malaysian experience also provides important lessons for other emerging economies navigating the socioeconomic effects of public health emergencies.

2. Literature Review

Past studies show that pandemics and economic crises tend to raise unemployment through demand-side shocks and supply-side constraints. For example, Verick (2021) highlighted global labor losses due to COVID-19, while Foo et al. (2021) noted sector-specific job losses in Malaysia, highlighting that the impact of COVID-19 on employment was not uniform across all sectors. The services sector was hit hardest due to lockdowns and social distancing. Sub-sectors like tourism, hospitality, retail, and F&B saw major declines in employment. Many formal and informal workers were either temporarily laid off or lost their jobs permanently. The manufacturing sector experienced mixed effects. Some industries, like electronics and essential goods, continued operations, while others (textiles, automotive) reduced their workforce due to supply chain disruptions. The construction sector faced project delays and MCOs, leading to temporary unemployment. For the informal sector, many informal workers (street vendors, freelance services) were affected differently. Some could not work because of restrictions, while others shifted to online or home-based activities. Existing literature, such as that by Schotte (2023) and Maji et al. (2022), often emphasizes the role of GDP contraction and public health responses in labor market volatility.

Economic literature has also explored the channels through which pandemics affect labor markets. According to Coibion et al. (2020), the labor market effects of COVID-19 in the U.S. were unprecedented in their speed and magnitude, driven by both lockdowns and voluntary social distancing. Similar findings have been reported in developing countries, where informality and lack of social safety nets exacerbated the impact. In the ASEAN context, Nguyen et al. (2021) found that labor mobility restrictions, combined with reduced foreign investment and declining exports, contributed to labor market rigidity and rising unemployment. For Malaysia, Tan and Zainal (2021) provided evidence that youth unemployment increased disproportionately, highlighting the pandemic's unequal effects.

Moreover, studies such as those by Baldwin and Weder di Mauro (2020) and the World Bank (2021) have emphasized the importance of government intervention in mitigating the economic fallout. Wage subsidy programs, cash transfers and fiscal stimulus have been partially successful in cushioning the shock but may have limited long-term effects without structural labor reforms. This review underscores the necessity of empirical research that isolates the impact of COVID-19 on unemployment by controlling for macroeconomic indicators. While global and regional studies provide a broad picture, country-specific analyses like this one are essential to understanding the nuances of labor market behavior and informing localized policy responses.

Theories Underpinning

The research on the effect of COVID-19 on the unemployment rate in Malaysia is grounded in several economic theories that explain labor market dynamics in response to macroeconomic shocks. According to Keynesian economics, unemployment increases during economic downturns due to a fall in aggregate demand. The COVID-19 pandemic led to a sharp contraction in demand for goods and services, particularly in sectors such as tourism, retail and hospitality. This demand reduction led firms to cut back on production and lay off workers, increasing cyclical unemployment. The efficiency wage theory suggests that firms may pay wages above the equilibrium level to boost worker productivity and morale. However, during economic crises like the COVID-19 pandemic, firms under financial pressure may reduce labor costs by laying off workers rather than reducing wages. This contributes to unemployment even if wages remain sticky downward. This theory highlights the frictions in the labor market, where matching workers with suitable jobs takes time.

The pandemic increased these frictions due to movement restrictions, changes in job structures and a mismatch between the skills of job seekers and the demand in essential or digital-based sectors. As a result, unemployment can persist even as some sectors begin to recover. The Real Business Cycle (RBC) theory attributes fluctuations in employment and output to real (rather than monetary) shocks, such as technological

changes or supply disruptions. COVID-19 acted as a significant real shock, disrupting supply chains and altering labor productivity. These disruptions affected firms' ability to maintain employment, contributing to a rise in the unemployment rate.

The pandemic may also have induced structural unemployment, which occurs when a mismatch exists between workers' skills and the requirements of new jobs in a changing economy. With increased automation, digitization, and changes in consumer behavior, certain jobs may not return post-pandemic, leaving some workers permanently unemployed unless they retrain or reskill. These theories collectively provide a framework to understand the multifaceted impact of the COVID-19 pandemic on Malaysia's labor market and can guide empirical investigations into how such health crises influence unemployment trends.

Model Specification

$$\mathrm{UNEMP}_{i,t} = \alpha_0 + \alpha_1 ln\mathrm{COVID}_{i,t} + \alpha_2 \mathrm{GDPG}_{i,t} + \alpha_3 \mathrm{INF}_{i,t} + \varepsilon_t \quad (1)$$

The variable UNEMP represents the quarterly unemployment rate expressed as a percentage of the total labor force. The variable COVID refers to the total number of confirmed COVID-19 cases recorded each quarter. This variable is log-transformed to normalize its distribution and reduce potential skewness. The variable GDPG captures the quarterly GDP growth rate expressed in percentage terms, serving as an indicator of overall economic performance. Lastly, the variable INF measures inflation using the Consumer Price Index (CPI), reflecting changes in the general price level across the economy. Unemployment rate data are obtained from DOSM. Information on confirmed COVID-19 cases is sourced from the Ministry of Health Malaysia (MOH). Meanwhile, quarterly GDP growth and inflation data are retrieved from Bank Negara Malaysia (BNM) and DOSM.

Including additional macroeconomic variables such as GDP growth rate and inflation in a study on unemployment is essential because unemployment is influenced by a wide range of economic factors beyond the COVID-19 pandemic itself. Relying solely on COVID-19 as the explanatory variable may cause omitted variable bias, where the model incorrectly attributes all changes in unemployment to the pandemic, even though economic activity and price conditions also play significant roles. By adding GDP growth and inflation, the analysis becomes more comprehensive and produces more accurate and reliable results, as these variables capture broader economic dynamics that interacted with the pandemic in shaping unemployment trends. GDP growth rate is closely related to unemployment because it reflects overall economic performance.

According to Okun's Law, GDP growth and unemployment have an inverse relationship: when economic output increases, firms expand production and hire more workers, lowering unemployment. Conversely, when GDP contracts, as during lockdowns and movement restrictions, business activity slows, hiring freezes occur, and retrenchments increase, resulting in higher unemployment rates. Therefore, including GDP growth in the model helps explain how much economic expansion or contraction contributed to changes in unemployment during and after the pandemic.

Inflation also plays an important role in influencing unemployment, consistent with the short-run Phillips Curve, which suggests a trade-off between inflation and unemployment. Moderate increases in inflation often signal rising demand for goods and services, which encourages firms to boost production and hire more workers, thereby reducing unemployment. On the other hand, very low inflation or deflation typically reflects weak demand, reduced production, and higher unemployment. In some cases, cost-push inflation caused by rising production costs can increase inflation while simultaneously raising unemployment, demonstrating that the relationship can vary depending on the source of inflation. Including inflation in the model helps capture these price-level dynamics and their impact on labor market conditions.

Diagram 1: Okun's Law – Explaining the relationship between GDP growth and unemployment.

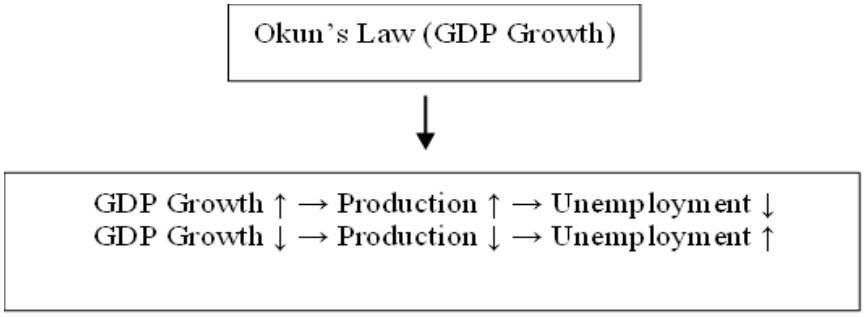


Diagram 2: Philips Curve – Explaining the relationship between inflation and unemployment.

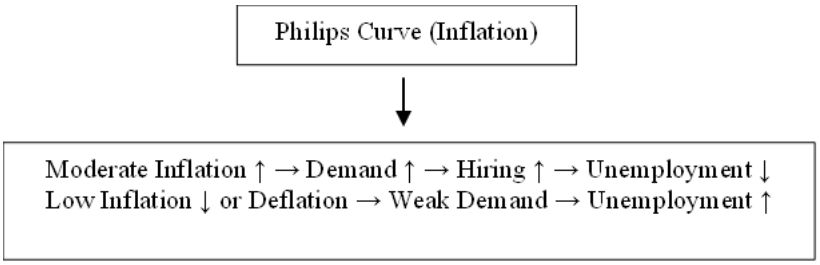
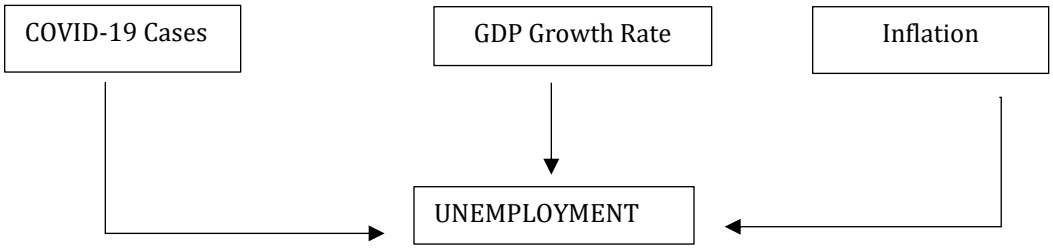


Diagram 3: Conceptual Framework



3. Methodology

The future study is suggested to employ a quantitative empirical research design using quarterly time-series data to investigate the relationship between the COVID-19 pandemic and the unemployment rate in Malaysia. The dataset covers Q1 2015 to Q4 2023. The Autoregressive Distributed Lag (ARDL) model is selected as the primary analytical technique due to its suitability for variables with mixed orders of integration, specifically I (0) and I (1). The bounds test verifies whether a long-run cointegration relationship exists among the variables. For the Error Correction Model (ECM), if cointegration is confirmed, the ECM is estimated to capture short-run adjustments and the speed of convergence toward equilibrium.

For the diagnostic Tests, Residual diagnostics (serial correlation, heteroscedasticity, normality) and stability tests (CUSUM and CUSUMSQ) are conducted to validate the model. This methodological framework enables a robust investigation of how the COVID-19 pandemic influenced unemployment trends in Malaysia, while controlling for macroeconomic conditions. The ARDL approach ensures that both the immediate and persistent effects of the pandemic are adequately captured.

Cointegration Test

The following unrestricted error correction (EC) regressions will be estimated, considering each of the variables in turn as a dependent variable:

$$\Delta UNEMP_{it} = \alpha_0 + \sum_{p=1}^{n} b_{pUNEMP}\Delta UNEMP_{i,t-p} + \sum_{p=1}^{n} c_{pUNMEP}\Delta lnCOVID_{i,t-p} + \sum_{p=1}^{n} d_{pUNEMP}\Delta GDPG_{i,t-p} + \sum_{p=1}^{n} e_{pUNEMP}\Delta INF_{i,t-p+} \lambda_{1UNEMP}UNMP_{i,t-1} + \lambda_{2UNEMP}\, lnCOVID_{i,t-1} + \lambda_{3UNEMP}GDPG_{i,t-1} + \lambda_{4UNEMP}\, INF_{i,t-1} + \varepsilon_{1t}$$
(2a)

$$\Delta lnCOVID_{it} = \alpha_0 + \sum_{p=1}^{n} b_{plnCOVID}\Delta lnCOVID_{i,t-p} + \sum_{p=1}^{n} c_{plnCOVID}\Delta UNEMP_{i,t-p} + \sum_{p=1}^{n} d_{plnCOVID}\Delta GDPG_{i,t-p} + \sum_{p=1}^{n} e_{plnCOVID}\Delta INF_{i,t-p+} \lambda_{1lnCOVID}UNMP_{i,t-1} + \lambda_{2lnCOVID}\, lnCOVID_{i,t-1} + \lambda_{3lnCOVID}GDPG_{i,t-1} + \lambda_{4lnCOVID}\, INF_{i,t-1} + \varepsilon_{1t}$$
(2b)

$$\Delta GDPG_{it} = \alpha_0 + \sum_{p=1}^{n} b_{pGDPG}GDPG_{i,t-p} + \sum_{p=1}^{n} c_{pGDPG}\Delta lnCOVID_{i,t-p} + \sum_{p=1}^{n} d_{pGDPG}\Delta \mathrm{UNEMP}_{i,t-p} + \sum_{p=1}^{n} e_{pGDPG}\Delta INF_{i,t-p+} \lambda_{1GDPG}UNMP_{i,t-1} + \lambda_{2GDPG}\, lnCOVID_{i,t-1} + \lambda_{3GDPG}GDPG_{i,t-1} + \lambda_{4GDPG}\, INF_{i,t-1} + \varepsilon_{1t}$$
(2c)

$$\Delta INF_{it} = \alpha_0 + \sum_{p=1}^{n} b_{pINF}\Delta INF_{i,t-p} + \sum_{p=1}^{n} c_{pINF}\Delta GDPG_{i,t-p} + \sum_{p=1}^{n} d_{pINF}\Delta lnCOVID_{i,t-p} + \sum_{p=1}^{n} e_{pINF}\Delta UNEMP_{i,t-p+} \lambda_{1INF}UNMP_{i,t-1} + \lambda_{2INF}\, lnCOVID_{i,t-1} + \lambda_{3INF}GDPG_{i,t-1} + \lambda_{4INF}\, INF_{i,t-1} + \varepsilon_{1t}$$
(2d)

The F-test tests for the existence of long-run relationships. When long-run relationships exist, the F-test indicates which variable to normalize. The null hypothesis for no cointegration amongst the variables in Equation 2 is:

$(H_o : \lambda_1 = \lambda_2 = \lambda_3 = \lambda_4 = 0)$

Against the alternative hypothesis

$(H_1 = \lambda_1 \neq \lambda_2 \neq \lambda_3 \neq \lambda_4 \neq 0)$

Long - run and Short-run Elasticities

Having found a long-run relationship (cointegration), Equation (1) is estimated using the following ARDL (*m, n, p, q*) model:

$$\mathrm{UNEMP}_{it} = \alpha_0 + \sum_{p=1}^{m} \alpha_1 \mathrm{UNEMP}_{i,t-p} + \sum_{p=1}^{n} \alpha_2\, lnCOVID_{i,t-p} + \sum_{p=1}^{p} \alpha_3 GDPG_{i,t-p} + \sum_{p=1}^{q} \alpha_4 INF_{i,t-p} + \omega_t \quad (3)$$

All variables are as previously defined. The orders of the lags in the ARDL model are selected using either the Akaike Information Criterion (AIC) or the Schwarz Bayesian Criterion (SBC), and the selected model is then estimated using ordinary least squares. In the presence of cointegration, short-run elasticities can also be derived by constructing an error correction model of the following form:

$$\Delta \mathrm{UNEMP}_{i,t} = \beta_0 + \sum_{p=1}^{n} \beta_1 \Delta \mathrm{UNEMP}_{i,t-p} + \sum_{p=1}^{n} \beta_2\, \Delta lnCOVID_{i,t-p} + \sum_{p=1}^{n} \beta_3 \Delta GDPG_{i,t-p} + \sum_{p=1}^{n} \beta_4 \Delta INF_{i,t-p} + \psi \mathrm{ECM}_{i,t-1} + \vartheta_t \quad (4)$$

Where ECM_t is the error correction term defined as

$$\mathrm{ECM}_{i,t} = UNEMP_{i,t} - \alpha_0 - \sum_{p=1}^{m} \alpha_1 \mathrm{UNEMP}_{i,t-p} - \sum_{p=1}^{n} \alpha_2\, lnCOVID_{i,t-p} - \sum_{p=1}^{p} \alpha_3 GDPG_{i,t-p} - \sum_{p=1}^{q} \alpha_4 INF_{i,t-p} \quad (5)$$

Here, Δ is the first difference operator; β_s are the coefficients relating to the short-run dynamics of the model's convergence to equilibrium, and ψ measures the speed of adjustment.

4. Expected Results

Based on theoretical frameworks and prior empirical studies, this research anticipates several key outcomes regarding the relationship between the COVID-19 pandemic and Malaysia's unemployment rate.

Positive Relationship Between COVID-19 Cases and Unemployment
The analysis is expected to reveal a positive and statistically significant relationship between the number of COVID-19 cases and the unemployment rate. This aligns with global trends observed during the pandemic, where rising infection rates led to strict containment measures, including lockdowns, travel restrictions, and business closures. These disruptions reduced business operations and labour demand, especially in contact-intensive sectors like tourism, retail, transportation, and food services; sectors that employ a significant portion of Malaysia's workforce. The effect may be particularly acute in urban centers and among low-income, informal, and contract workers.

Negative Impact of GDP Growth on Unemployment
A negative correlation between GDP growth and unemployment is anticipated, consistent with Okun's Law, which postulates that higher economic growth leads to job creation and lower unemployment. During periods of GDP contraction such as the severe economic downturn experienced in Malaysia in 2020, companies reduce output, investment, and labour. Conversely, as GDP begins to recover due to policy stimulus and economic reopening, unemployment is expected to decrease. This suggests that the GDP growth rate will mediate the relationship between the pandemic and employment conditions.

Mixed Effects of Inflation
The impact of inflation on unemployment during the pandemic is expected to be ambiguous. Under normal macroeconomic conditions, the Phillips Curve would suggest an inverse relationship: inflation rises when unemployment falls, and vice versa. However, the COVID-19 crisis introduced stagflationary pressures, with both unemployment and inflation rising due to simultaneous demand and supply shocks. Supply chain disruptions, rising commodity prices, and currency depreciation may have contributed to inflation, while weak demand and labour dislocation increased joblessness. Therefore, the direction and strength of this relationship may vary across the short-run and long-run models.

Short-Run Shocks and Long-Run Adjustment
The ARDL model is expected to differentiate between short-term disruptions and long-term trends in the labour market. In the short run, sudden increases in COVID-19 cases are anticipated to produce immediate spikes in unemployment due to abrupt business closures and worker displacement. In the long run, however, as economic activities normalize and recovery policies take effect, the labour market may gradually adjust, potentially stabilizing the unemployment rate. Moreover, the model is expected to include a statistically significant Error Correction Term (ECT), indicating that deviations from long-run equilibrium are corrected over time. A negative and significant ECT coefficient would confirm that the unemployment rate tends to revert to its long-term path after a shock, such as a pandemic wave.

Sectoral and Demographic Vulnerabilities
Although not captured directly in a macro-level ARDL model, it is anticipated, based on the broader literature that the pandemic's impact on unemployment is not evenly distributed across sectors and demographics. Youth, women, and lower-income groups are likely to have experienced disproportionately higher unemployment. Future research could expand on this by incorporating disaggregated or micro-level data.

5. Implications of Expected Results

The expected outcomes of this study carry several implications for policy and future research. Policymakers need to develop resilient labour market strategies, including job protection programs, upskilling initiatives, and social protection for vulnerable workers. The results may support integrating health indicators into macroeconomic forecasting and employment policy frameworks. Long-term recovery will depend not only on economic growth but also on labour market reforms and digital transformation to absorb displaced workers. By identifying the direct and indirect effects of the COVID-19 crisis on employment in Malaysia, this study will

contribute to a deeper understanding of pandemic-induced economic disruptions and offer evidence-based recommendations for improving labour market resilience in future crises.

Policy Implications

Enhancing labour market resilience requires a multidimensional approach that integrates human capital development, technological adaptation, and institutional reforms. Strengthening active labour market policies (ALMPs) remains central in this regard, particularly through initiatives such as reskilling programs and more efficient job-matching mechanisms. As industries evolve due to globalization and technological progress, workers must continuously upgrade their competencies to remain employable. Structured training programs, combined with evidence-based job placement systems, can help minimize mismatches between labour supply and demand, thereby improving overall labour market efficiency.

Digitalization is another pillar of resilience. The COVID-19 pandemic demonstrated the critical role of digital and remote work infrastructure in sustaining economic activities during large-scale disruptions. Expanding broadband coverage, improving digital platforms, and fostering digital literacy are therefore essential to ensuring inclusive participation in the labour force. Furthermore, integrating remote work arrangements into mainstream labour market structures can increase flexibility, reduce geographic inequalities, and enhance productivity.

Equally vital is the expansion of social protection frameworks to encompass informal sector workers, who frequently lack access to health coverage, unemployment benefits, and retirement security. Given the significant share of informal employment in many economies, excluding this group undermines both equity and resilience. Broadening social protection not only mitigates vulnerability during economic shocks but also promotes more inclusive growth trajectories.

Lastly, sector-specific pandemic contingency plans are essential for industries highly exposed to crises, such as tourism, hospitality, and retail. Tailored interventions, including wage subsidies, liquidity support, and flexible work arrangements, can safeguard employment while supporting firm survival. Incorporating lessons from past disruptions ensures future responses are faster, more targeted, and more effective. Taken together, these measures form the foundation of a resilient labour market capable of withstanding future shocks.

Conclusion

This paper tries to establish a positive link between COVID-19 and the unemployment rate in Malaysia, emphasizing the role of macroeconomic mediators like GDP and inflation. The expected findings support the need for robust and inclusive labour market policies to mitigate the adverse effects of future crises. COVID-19 is expected to influence Malaysia's unemployment rate both directly and via GDP contraction. The pandemic created a dual shock, reducing labour demand and disrupting labour supply. Sectoral effects were uneven, with services and informal jobs most affected.

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