

Topic : Break Labour Market Black Box – The Influence of Social Security Benefit on Productivity Growth

Duration : 01:00 hours

Format : Webinar

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(Zaffrulla Hussein)

Timbalan Pengarah

Telah disemak

Key Metrics Analysis

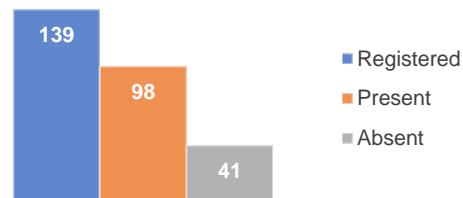
Analysis on the key metrics for a webinar organization such as the number of participants, attentive rate and attendance interest rating informed that the Ultimate Productivity Webinar Series #3 is a success.

Out of the total registered participants of 139, 98 participants (70.5%) are present, while only 41 participants (29.5%) are absent (Figure 1). This outcome imply that the current promotional plan is sufficient in attracting participants.

The webinar session is also proven capable of keeping the participants attentive with the attentive rate is recorded at 92.7%. The attendance interest rating also remains high at 89.4%.

Overall, the major contributing factor towards the success of this webinar is linked to the choice of topic. That is, the topic is relevant to the current developments in the productivity field.

Figure 1 Number of registered participants and attendance.



Webinar Content

1. Introduction

Historically, social security has been important to the socioeconomic, macroeconomic and political development of diverse countries and regions. While, at first, it emerged primarily as a governance mechanism for countering political or economic crises, social security later also helped foster system transformation. Indeed, in many countries it has proven itself a socially effective and economically productive policy tool under “normal” and crisis conditions. For more than a century, well-governed social security reduced social contradictions, enhanced national identity, compensated for market failures and contributed to stabilizing, often even stimulating, economic growth.

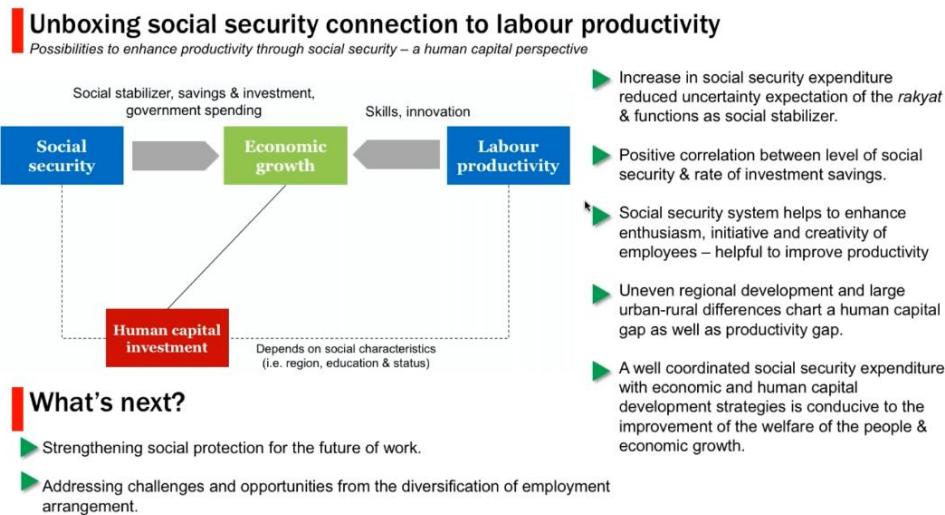
In relation to productivity, social security can have positive direct and indirect productivity effects when well adapted to a country’s societal and economic fabric. Taking pension systems as an example for direct productivity effect, it eases the departure of workers from the labour force, thereby helping to avoid the problem of workers remaining in employment when their productivity has fallen to a low level. From the indirect perspective, the existence of good unemployment benefits creates a feeling of security among the workforce which can greatly facilitate structural change and technological innovations that workers might otherwise perceive as a great threat to their livelihoods.

For the economy as a whole, social security is more than just the dollar amount of its benefit payments. When the beneficiaries spend the dollar amount that they received, the effects ripple through the economy. The effect is most obvious in the case of unemployment benefits, which help to maintain the purchasing power of workers who have lost their jobs particularly during a recession or crisis. Without such benefits, the multiplier effects of the first round of job losses could be followed by the second and third rounds that could cut deep into the community, as well as leaving much of the economy working well below capacity.

2. Discussion with panelists

Question: *Can you share your views on how to break the labour market black box to explain the influence of social security benefits on productivity growth?*

Answer: Review on existing literatures found that the connection between social security benefits and productivity are commonly established through human capital investment. In this case, social security benefits such as training, provide opportunities for labours to improve their skills which eventually resulted in the growth of productivity level. As the consequence, the improvement in labour productivity then contribute towards the economic growth. Nevertheless, the effectiveness of human capital investment in driving productivity growth depends on several social characteristics. It includes the regional characteristic, educational attainment and income level.



From another perspective, the connection between social security benefits and productivity is able to be established through job performance. A case study in Taiwan suggests that social security benefits such as year-end bonuses, dividends, pensions, paid leaves, and compensations are found to bring the greatest impacts on employees' performance. In return, the increase in job performance then led to the improvement in the productivity level. On the other hand, the benefit that least impacting the employees' performance are barbering, hairdressing and laundry services, entertainment equipment activities, foreign travel subsidies, counseling measures, and flexible working time.

Breaking the Labor Market Black Box

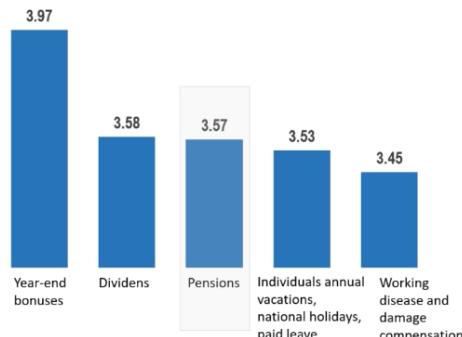
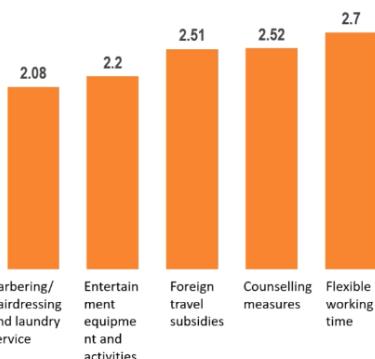
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External factor:
Investment, education....

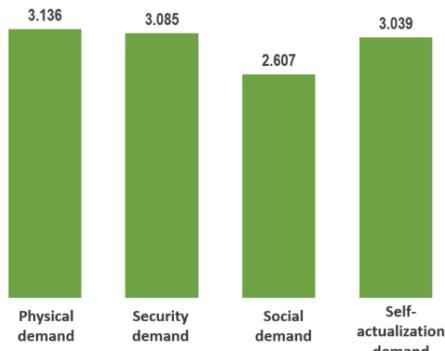


Internal factor:
Job satisfaction, employment benefits....

The Top 5 Benefits with Greatest Impact on
Employees' PerformanceThe 5 Benefits with Least Impact on Employees'
Performance

Jon-Chao Hong, Sung-De Yang, Li-Jung Wang, En-Fu Chiou, Fan-Yin Su, sui-Lan Huang. (1995). Impact of employee benefits on work motivation and productivity,

In addition to these findings, the case study also reveals that the impacts of social security benefits on job performance differs among the type of employees' demand. In general, physical demand is the most important determinant of job performance, followed by security demand, self-actualization demand, and social demand. Interestingly, the ranking of the type of employees' demand differs across gender, marital status, educational level, and age groups.

Relationship between the type of employee and
benefit and impact on job performance

Physical-demand

benefit includes loans, dividends, year-end bonuses, savings subsidies, emergency subsidies, individual annual vacations, national holidays, paid leaves, dormitories and housing benefits, food/drink equipment and meal subsidies, barbering/hairdressing and laundry service

Security-demand

benefit includes day-care service, group dependant insurance (life and medical), pension, occupational disease compensations, child-education benefits, discounted goods supply, medical equipment and subsidies, free commuting vehicles, commuter subsidies.

Social-demand

benefit includes entertainment equipment and activities (such as clubs and foreign travel), educational equipment and activities, (lectures, drawing, calligraphy), foreign travel subsidies, counselling measures, maternity and paternity leave

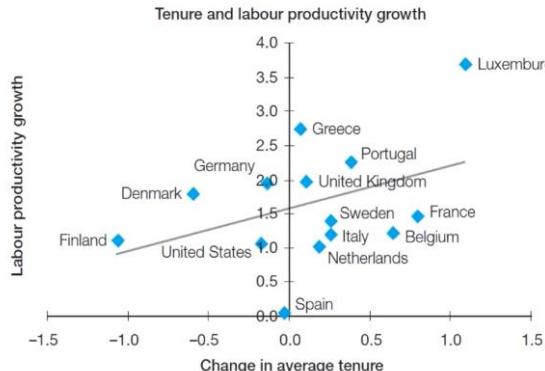
Self-actualization demand

benefit includes opportunity and subsidies for further education/training and flexible working time

Jon-Chao Hong, Sung-De Yang, Li-Jung Wang, En-Fu Chiou, Fan-Yin Su, sui-Lan Huang. (1995). Impact of employee benefits on work motivation and productivity,

In another case study for the European countries, the influence of social security benefits is linked to the productivity growth through employment stability. In this case, the employment stability is proxied by the employment tenure which refers to the length of time workers remain in their jobs. Based on the data between 1992-2002, the study shows the longer the employment tenure, the more productivity growth will be achieved. However, a diminishing productivity trend is observed after the period of 12 years. The factors which influence the diminishing trend include cultural, demographic, economic structure, and labour institution. Taking demographic as an example, the higher percentage share of younger population will shorten the employment tenure. In relation to economic structure and labour institution, the share of informal sectors in the economy and the strength of labour union also determine the employment tenure.

Change in average tenure and labor productivity growth, 1992-2002



Note: Productivity is calculated as output per hour.

How much stability does an economy or firm need in order to optimize productivity?

- Tenure is necessary both for workers' security and firms' productivity
- High employment insecurity is a concern since it reduces consumption, adversely affecting economic growth and productivity

A positive relationship between increases in the average tenure level in an economy and the rate of labor productivity growth

Breaking the Labor Market Black Box

Tenure–productivity–wage profile for 13 European economies, 1992-2002



Economies will reach the point at which the wage bill from tenure exceeds its productivity gains

Potential factors influence short-term or long-term tenures?

- Cultural
- Demographic
- Economic
- Institutions

3. Q&A session

Question 1 by Norherienda Abdul Kadir

There is a recent article that shows almost 50% of top 100 companies in Bursa achieved higher profit in Sep 2020 based on y-o-y comparison. These industries involved unpopular industries in Malaysia. Will the productivity and market interest change post-covid, looking at the future potential and resilience of certain industry during this current economic landscape?

The productivity reports released for the second and third quarter of 2020 indicate the improvement in hourly productivity level. The improvement is observed due to the lifting of the movement control order (MCO) as Malaysia is entering into the recovery period. However, the rate of productivity growth differs across industries and occupations. Looking at the bright side, the outbreak of Covid-19 allows industries, particularly the unpopular industries to experiment with the best measures that can help improve their productivity. For example, firms started to adopt ICT in their business and decrease their dependency on foreign workers.

Question 2 by Mr. Bhupinderjeet Singh

How to support further that longer tenure will increase productivity for various country?

There is no standard answer of whether longer employment tenure will increase productivity for various country. The outcome for the relationship between these aspects depend largely on the practices in the labour market itself. For example, if the hiring and firing system is rigid in a country, then this will lead to a longer tenure. Overall, we must study the whole labour market ecosystem, including the regulations and labour law to get a better overview for the influence of employment tenure on productivity.

How to identify difference of Malaysia culture vs European country?

At present, there is still no study in Malaysia that has attempted to look into this topic and it remains as a black box to be explored.

Question 3 by Mr. Bhupinderjeet Singh

Is the reference in tenure vs productivity based on employment in the same employing firm or same job? I guess to increase productivity the employee needs to move or be moved to another job within the same firm. Long ago the Boeing CEO said that if an employee works more than 3 years on the same job is deadwood.

A shorter employment tenure does not necessarily will bring down nor promoting productivity level in an economy. For the case of Malaysia, we may start looking at this aspect from the industry level before deep diving into firm's level. At present, data availability is the major issue for academicians and researchers to conduct such study.