

Study Kuzarbeits model for higher growth, low unemployment

By [Wan Omar Fadhli Wan Mahmud Khairi](#) - June 9, 2021 @ 7:22pm



The vast surge of unemployment among the people has produced many negative social impacts to the communities. - AFP PIC

The outbreak of Covid-19 pandemic starting at Wuhan province, China, in December 2019 till today is indeed among the most disastrous events towards economy in the world history since the Great Depression in 1930s.

In fact, many experts believe that even Global Financial Crisis which had happened more than one decade ago did not result in such severe impact to global economy unlike today.

According to World Bank, after just one year of the pandemic spread at the end of 2020, the world GDP in 2020 immediately turned to negative growth at -4.3 per cent, the number of people in extreme poverty rose rapidly to 88 million people, the total world debt increased sharply to over 355 per cent of world GDP and there were many more numerous impacts in other sectors, like in education, health and social.

In Malaysia, due to the same pandemic crisis, the country also had to undergo many unprecedented events like the fall in domestic demand

which leads to the closure of as much as 32,000 number of companies as being said by Malaysian Employers Federation (MEF) executive director, Shamsuddin Bardan. This in return causes sharp spike in unemployment rate last year to 4.5 per cent from 3.3 per cent in the preceding year.

The vast surge of unemployment among the people has produced many negative social impacts to the communities. While Ministry of Health recorded there is growing number of stress feelings within the households, the Fire and Rescue Department of Malaysia recorded an increase of 20 per cent suicide rate among Malaysians last year to 226 cases.

This is obviously caused by such stressful event of the Covid-19 pandemic and the following economic recessions which has hampered the local economy. When the people did not have any incomes to feed themselves, the feeling of anxiety, hopeless, mental-disorder and low self-esteem will stem even within their own family members.

This will not severely happen if a country has a strong social security net in order to protect their incomes. While economists believe that the up and downs of economy will always come forward as part of normal trends in a business cycle, interestingly, not many countries are frequently prepared to face any economic recessions to protect the workers, including Malaysia.

However, there are several other countries which manage to do some miracles in managing their laid off workers and dying businesses that we can learn from them like including from those who apply social market approach.

As an example, Germany, the current fourth largest country's GDP in the world according to World Bank which has always been notable in term of its social-based market policies had come up with its infamous Kurzarbeit programme since early of 20th century.

The programme intends to train the business entities to not laying off their workers during any economic downturns by asking them to prepare funds contributed by the employers to the workers.

With such programme, during any economic recessions the employers will use the funds to pay some portions of workers' salaries when they are not needed to go to work for a short time, instead being laid off. At the same time, the government will prepare some subsidies to compensate more of the salaries which will at least, make the workers able to survive during the recessions while still keeping their employment contracts intact.

Such programme had able to assist Germany to have a very low spike of unemployment rate in any economic recessions when comparing to its peers like Italy, France and UK. In fact, during the last year economic performances, Germany had only to lose -5.0 per cent contraction in GDP while Malaysia had to undergo with bigger contraction at -5.6 per cent.

In term of comparison in unemployment rate, the richest country in Europe has even lower unemployment rate at only 4.3 per cent as opposed to Malaysia with 4.5 per cent.

Taking into accounts of other developed countries in its region, Germany has even lower unemployment rate compared to Italy (9.3per cent), France (8 per cent), Spain (15.5 per cent) and United Kingdom (4.4 per cent), thanks to the Kurzarbeit policy.

The difference with the normal package stimulus that have been announced in Malaysia like Prihatin, Permai and Pemerkasa, those are just policies simply act as fiscal injections towards the economy as an immediate, short-term response for business entities and workers to endure during an economic turbulence.

Unfortunately, it is not a long-term solution which can always make our labour market being protected and at the same time allowing business owners to keep their valuable employees together. As a consequence, we do not able to enjoy the same excellent economic bounce as what Germany has been enjoying for decades.

Perhaps it is now the time that we can learn the model of social-based market approach from the most successful country in Europe when dealing with any future economic recession.

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