

## JOB SECURITY RISKS DURING PANDEMIC COVID-19 AND UNEMPLOYMENT INSURANCE: A PRELIMINARY REVIEW

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### ABSTRACT

*The unemployment rate increased, and the Malaysian Ringgit against the USD depreciated. As the Government strives to ensure the citizens' well-being, the risk of job loss and the closing of businesses, especially small-medium enterprises, happens. Unemployment insurance is perceived as one of the successful options for individuals. This preliminary paper reviews the needs and application of insurance protection against the job security risk. It has been shown that there are other countries that empirically succeed with the protection scheme. The primary purpose of this article is to nurture awareness about the need for further research on job security risks and the necessity of unemployment insurance or takaful.*

**Keywords:** Job security risk, unemployment insurance/takaful.

### INTRODUCTION

The Covid-19 pandemic has given the labor market a highly persistent negative job loss shock. Hence, an increase in unemployment risk needs to be closely monitored, and precautionary steps must be prepared. Job loss or unemployment depresses a worker's future wages and employment (Jarosch, 2021), resulting in earnings losses of family income and survival. According to Almeida and Santos (2020), the manufacturing and services sectors were severely affected by declining economic activity and constraints on people's movements. Quantitatively, Hipp (2020) found that unemployment assistance can reduce workers' worries about job loss. The role of Government support in reducing economic hardship helps workers' to have positive feelings about their financial security.

Instead of policymakers' and organizations' options to increase confidence in the economic future of society, people need to search for other potential backups, such as the unemployment insurance scheme available in the market. Continuously, the COVID-19 pandemic takes a severe impact on the labor market. The US labor market has seen more than 42 million new claims filed for unemployment insurance claims due to a more significant number of people reported not working in 2020 (Acs & Karpman, 2020). A study by Acs and Karpman (2020) revealed that over 40 percent of families' source of income was affected by the virus's spread. Meanwhile, stay-at-home directives and temporary disclosure of business have affected the hospitality, travel, and non-essential retail sectors. Also, many of the jobs lost have been paid wages lower-than-average wages in the sector. This study makes several contributions to the growing literature on job security and unemployment insurance. This study is novel in that it raises awareness on the need for further research on the job security risks and the need of unemployment insurance or takaful.

### PROBLEM STATEMENT

The covid-19 pandemic has resulted in severe job losses in most developed economies, as governments have imposed 'lockdowns' to avoid spreading the disease. Job loss presents earning losses; thus, job security is immensely important for people. Job loss is associated with human well-being, especially sufficient food (Stefani Milovanska-Farrington, 2022). Insecurity of income may retard social needs. The workers expect the continuity of future jobs within an organization and place them in a secure state (Altinay et al., 2019). According to Estrada (2020), this global pandemic generates favorable conditions to get imaginable inflation and unemployment rates worldwide for 2020 and 2021. Some countries have witnessed a significant rise in unemployment, while others have continued ties between employers and employees, even though they have faced effective economic contractions. It is disclosed that among the nine rich democratic countries with comparable government survey data in April, the United States saw the highest official unemployment measures (Rothwell, 2020). In Western Europe, joblessness is also increasing.

In Malaysia, the number of unemployed persons increased by 17.1 percent to 610,500 in March, compared to 521,000 within the same month in 2019. Based on the Department of Statistics in Malaysia (2020), the unemployment rate in March 2020 increased to 3.9 percent, representing the adverse effect of the movement control order (MCO) on the labor market. The consequences showcased by the pandemic have called for unemployment insurance to take up critical importance in the awakening of the rapid rise in unemployment and expectation of a COVID-19-related recession (Raifman et al., 2020). Equally important to security job risk, the unemployment coverage provided by the insurance/takaful is considered one of the main tools to give the public a good livelihood.

### LITERATURE REVIEW

Job security motivates employees satisfactorily progress at work, and it is important for the organization to predict employee retention. Works of the literature suggested that job security assures the continuity and stabilization of the employees, so that maximized the likelihood of their job remaining (Aman-Ullah et al., 2021). A study by Lopes and Carreira (2022) found that The

COVID-19 crisis is disruptive by changing the unemployment structure, increasing socioeconomic inequalities, and weakening traditional mechanisms of employment protection.

The COVID-19 pandemic created a worldwide economic and labor crisis, which would bring an increase in global unemployment by almost 25 million (International Labour Organization, 2020). The Coronavirus Disease 2019 (COVID-19) has impactfully well-extended beyond morbidity and mortality the society. It also has led to a sharp rise in unemployment rates due to business closures and reductions in economic activities (Raifman et al., 2020). This study disclosed that receiving unemployment insurance benefits during the period of unemployment was associated with large reductions in food insecurity for society. Simon & Khambule (2022) revealed that losing the main household income due to the lockdown in South Africa had stringent at level 5. Investigating the consequences of job insecurity among hotel employees during the COVID-19 pandemic, Karatepe et al., (2022) found that demonstrate that job insecurity exacerbates job tension. Consequently, employees' trust in the organization eroded and affects their performance to be at work.

Operationally defined as the varieties of expectations towards future job continuity, job security can be measured based on the ability of work tenureship, the existence of the job, and the security of the task or job given (Altinay et al., 2019). The Bureau of Labor Statistics reported that from February to October 2020, more than 22 million Americans lost their lives, which recorded an increase in the unemployment rate from 3.5% to 6.9% within the period. In April, it reached a peak of 14.7% (Stefani Milovanska-Farrington, 2022). The transition period from unemployment to re-employment puts the employee at the hazard of lay-off. In the US, the unemployment insurance provided by the state covered up to 26 weeks of unemployment; however, 46 weeks became the normal trend (Chodorow-Reich John Coglianesi et al., 2020). The gap is a risk to unemployed people and shows the need for additional coverage is importantly needed.

Berg and Salerno (2008) stated that some compensation schemes related to unemployment include unemployment insurance, severance pay, unemployment insurance savings accounts, unemployment assistance, and work programs. Unemployment insurance is an important element in social protection to promote the growth and sustainability of the economy. In developed countries, unemployment insurance is provided, which entitles workers to unemployment benefits according to predetermined eligibility conditions. Asenjo and Pignatti (2019) and Vodopivec (2009) supported that the purpose of the unemployment insurance scheme is to cater risk of job loss among working individuals from both emerging and advanced economies. In addition, for countries with good unemployment schemes and income support, the policy prioritizes new jobs are created (or old jobs recreated) quickly as regular business resumes. Then, ensure that workers do not lose their skills or attachment to the labor market. At the same time, they wait for this to happen (Tetlow et al., 2020).

Empirically examining the relationships between job seeker perceptions of unemployment insurance and mental health during unemployment, Wanberg et al., (2020) discovered that the benefits provided by the unemployment insurance scheme have lowered psychological pressure and financial strain and subsequently produced higher mental health. A study by Duman, (2010) reported that in the USA, the demands for social insurance are explained by the occupational unemployment rate along with income. About 72 countries worldwide, including all OECD countries, have some form of unemployment insurance designed to financially support unemployed individuals while searching for a job (Carter et al., 2013).

Significant differences between the types of programs offered still reflect the same system and structure in terms of eligibility, coverage, and benefits for unemployment insurance. It also states that unemployment insurance or employment insurance schemes play an important role for laid-off workers. It provides financial aid to the employees and assists with job searching and career counseling (Chen & Guat, 2019). It is proposed under the National Social Security Organization (SOCISO) administration, and both employer and employee will pay half of the contribution to the scheme. Carter et al., (2013) supported that although under the employment insurance scheme, more emphasis may be put on employment support programs, fundamental principles applying to the design and implementation of unemployment benefits remain.

Unemployment or employment insurance can also be seen as a product that is valued subjectively by its consumer. Since there are limited studies conducted in this area, the researchers must rely on other related studies to analyze the factors that contribute to the acceptance of employment insurance. For example, Hofsted (1995) pointed out that the level of insurance within an economy depends on the national culture and the willingness of individuals to use insurance to deal with risk. Findings from the study of Rajkumar and Kannan (2014) found that product features, accessibility, low premium amount, advertising, proper redressal of complaints, and better claim settlement are some of the factors that drastically influence the choice of insurance companies. Ciumas & Cola (2015) discovered that the demand for insurance policies is influenced by psychological and social factors. The past study also found that attitude, subjective norm, and amount of information (AOI) are influential predictors of Islamic insurance acceptance (Ab Rahim & Amin, 2011). This study is in line with Raza et al., (2019). The findings show that the adoption of Islamic insurance in Pakistan is strongly influenced by attitudes, subjective norms, and control of the behavior of the local community. Among other factors found to influence positively and significantly on takaful participation are compatibility, relative advantage, and awareness.

There are three variables that are positively influenced the intention of purchase (or) continuity of the health insurance policy. These variables are the health insurance product itself, the level of service offered by the health insurance provider and the public perception of the health insurance (Krishnaswamy et al., 2017). Brahmana et al., (2018) adopt the planned behavior theory as the framework for exploring Indonesians' insurance purchase intention behavior. The results showed that perceived risk and perceived usefulness play important roles in the attitude toward purchasing health insurance. On the other hand, Chimedtseren and Safari (2016) investigated the intention of purchasing a customer's life insurance product is influenced by the quality factor of the services offered. They found an insignificant relationship between tangibility, reliability, responsiveness, problem-solving, and helpfulness on purchase intention. However, the relationship is vice-versa for empathy and assurance factors. Finally, Aziz et al., (2019) analyzed the factors affecting one's attitude and intentions toward family takaful schemes. It is found that in addition to the role of the mediator of trust seen to have an impact on the relationship between religion and attitudes towards family takaful, knowledge and usefulness also have shown a significant positive relationship with attitudes towards family takaful schemes.

In addition to this, the relationship between perceived religiosity was mediated by perceived trust and family takaful attitudes. Lastly, the attitude has shown a positive relationship with the intention to purchase family takaful. As shown in the following table 1, China has developed its employment stabilization policies (Zhang, 2022).

**Table 1: Employment stabilization policies in response to the impact of the COVID-19 pandemic in China**

Employment stabilization policies	Definite measures Employment
Employment protection	Employment protection Further reducing corporate burdens and stabilizing the job positions of businesses Improving vocational training and employment services Enhancing
Social insurance	Reducing or exempting employer contributions to social insurance Returning unemployment insurance contributions paid by enterprises Providing social insurance subsidies Unemployment insurance benefits and financial aid

## CONCLUSION

Secured jobs and employment are vital in living their lives. The hazards of lay-off time due to some reasons may put society in misery. The family's breadwinner needs to take the necessary action to secure the family's well-being and happiness. As such, having coverage of the income is important, as observed. Unemployment insurance, also known as unemployment benefits, is crucial to surviving the post-pandemic economy, locally and globally. Studying in such an area would provide new insight into the factors influencing private workers to accept employment insurance schemes. From the literature, multiple variables can be used to analyze which factors contributed more to the employment insurance scheme acceptance. The inclusion of these variables should help identify a comprehensive set of predictor variables. This literature eventually led to the formation of the conceptual framework of this study. Perhaps this current study is slightly different from previous studies and could fill the gap in employment insurance literature. It is suggested that the future study focus on the Malaysian scenario and specifically on Islamic insurance or takaful in terms of proposing the appropriate business model in order to cover Muslims on top of non-Muslim society. Hence, it can be concluded that it is a definite potential and creative idea to explore the factors influencing the acceptance of employment insurance among private workers, particularly during and post covid-19. To the best of our knowledge, it shows that not much work has been done in this area of employment insurance, especially the adoption of the takaful model of protection.

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