Borderland without Business: The Economic Impact of Covid-19 on Peninsular Malaysia’s Southernmost State of Johor

Serina Rahman*

Groups dependent on fishing and agriculture reported an immediate loss of incomes due to a lack of Singaporean buyers and also due to local travel limits. In this picture, Johor’s artisanal fishermen checking their catch just under the now-empty Second Link bridge. Photo: Serina Rahman, ISEAS – Yusof Ishak Institute.

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EXECUTIVE SUMMARY

- Covid-19 has had an exceptionally harsh impact on the Johor economy due to the combined factors of border closure (and loss of Singaporean visitors), local movement restrictions and economic slowdown, as well as unemployment amongst former Malaysian workers in Singapore.

- The combination of these difficulties has resulted in (amongst others) a 70 percent drop in the retail economy, hotel occupancy rates falling to 27 percent and the closure of 14 hotels in Johor.

- The bottom 40 percent (B40) were some of the most affected by these Covid-induced consequences, especially as micro-businesses were also not allowed to open during the first Movement Control Order (MCO). Johor’s poverty rate rose from 3.9 percent in 2019 to almost 8 percent in 2020, while hardcore poverty rose to 2.5 percent in 2020 from 0.2 percent in 2019.

- Mental health issues have also been on the rise, with Johor recording the highest number of suicides in the country between 18 March and 30 October 2020.

- In its 2021 budget announcement, the Johor state government introduced a number of initiatives focused on a quick economic recovery once the border with Singapore opens. These include the opening of the Johor Economic Tourism and Cultural Office (JETCO) in Singapore and the reskilling of retrenched workers through the Iskandar Malaysia Smart City initiative.

- New long-term plans to become both an alternative data hub and an agricultural food bank for the region are meant to strengthen the state’s economic resilience and food security given the possibility of future pandemics and other global disruptions.
INTRODUCTION

Just over a year after Malaysia’s borders closed, the Johor Bahru city centre is now beginning to show signs of life. Throughout the many iterations of the Covid-19 induced Movement Control Orders (MCO), Johor Bahru lost the throngs of Singaporean weekend visitors who used to ply its shopping malls, restaurants, car workshops and beauty salons. While all of Malaysia fell silent to travel restrictions and enforced business shutdowns, the border closures had especially severe consequences on Johor, given the state’s extensive economic ties with its southern neighbour.¹

This paper examines the overall economic impact of Covid-19 on Johor, as well as the state and federal governments’ efforts to improve conditions amidst continued uncertainty and subsequent waves of the pandemic. It then looks at the possibility of recovery with the arrival of vaccines and ongoing discussions to reopen the border.

JOHOR’S WOES

In addition to the loss of Singaporean visitors to Malaysia’s southern-most state, the stranding of more than 250,000 commuters who used to live in Johor and work in Singapore was an added blow. The deep traditional economic ties between Singapore and Johor meant that the border closure had an immediate impact on Singapore’s Malaysian workforce, and on the companies that depended on them.² With the borders closed, some Malaysians opted to stay in Singapore (if they still had jobs and accommodation), while others returned to Malaysia.

Many believed that the border closures and the first round of MCO would only last two weeks. Instead, it stretched on for many months (from 18 March to 4 May 2020 as the initial MCO, then through various iterations of Recovery MCO, Conditional MCO and a return to a slightly more relaxed MCO 2.0). Limited opportunities to travel between the two countries opened up with the Periodic Commuting Arrangement (PCA) and Reciprocal Green Lane (RGL) travel bubbles in August 2020, but these were suspended on 1 Feb 2021 given rising Covid-19 infection numbers in Malaysia.

This situation left many families separated, with dire consequences at times of illness or death. But it also led to unemployment for some in Singapore when the country’s Covid-19 “circuit breaker” controls kicked in. With the PCA, many with jobs in Singapore, but were required to stay in the country for three months at a time, struggled to meet the costs of accommodation and food.³

With Malaysia’s economy put on hold due to Covid-19, and even small and micro-businesses not being allowed to operate during the first MCO, there was little avenue for former commuters to find work in Malaysia. Many held out the hope that they would eventually be able to get back into Singapore, and opted for part-time work such as food delivery riders. Some who expected the closure to be a temporary measure eventually lost their jobs as they were unable to return to Singapore. Many had jobs that could not be done remotely, such as in factories or in the service industry; working from home was not an option for them.

Figure 1 below outlines the framework of the problems affecting Johor, illustrating the causes and consequences of the economic issues that arose as a result of the Covid-19 pandemic.
**Figure 1: Pandemic Woes Framework**

<table>
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<tr>
<th><strong>MCO 1.0 (attributed to the Sri Petaling cluster: 18 March – 4 May 2020: the second wave)</strong></th>
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<tbody>
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<td>10km travel limits</td>
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<tr>
<th><strong>IMPACT ACROSS MALAYSIA</strong></th>
<th><strong>ADDED IMPACT ON JOHOR</strong></th>
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<tbody>
<tr>
<td>On rural poor</td>
<td>On urban poor</td>
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<tr>
<td>Loss of daily incomes and employment</td>
<td></td>
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<tr>
<td>Decline in food security</td>
<td>Stranded in M’sia: - loss of income - unable to service loans, rent, and middle-income lifestyles - give up Johor rental units/homes, some return to other states/villages</td>
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<tr>
<td>Poor mental health &amp; well-being</td>
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<th><strong>NATIONAL RESPONSES</strong></th>
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<td>Federal government aid (Prihatin, Penjana etc.)</td>
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**EXTENDED PANDEMIC-RELATED ISSUES**

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<tr>
<th><strong>CMCO – RMCO state borders reopened</strong></th>
<th><strong>Border reopened for RGL/PCA</strong></th>
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<td>Third wave</td>
<td>Migrant clusters factory closures cross-state border holiday clusters</td>
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<th><strong>MCO 2.0 (21 January – 5 March 2021)</strong></th>
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<tr>
<td>More leeway for businesses to function</td>
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<td>Micro-businesses allowed</td>
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**RETURN TO CMCO/RMCO – some semblance of ‘normalcy’**
ECONOMIC IMPACT

Malaysia’s Ministry of Finance reported that the first MCO period resulted in estimated national economic losses of RM2 billion per day and a GDP contraction of 8.3 percent over the first half of 2020. In his state budget announcement on 26 November 2020, Johor Chief Minister Hasni Mohammad noted that Johor’s economy was expected to contract by 5 percent, half a percentage point worse than the national decline. Given the state’s dependence on cross-border activity and international business, Johor was also being negatively affected by Singapore’s weak growth figures.

By the end of 2020, there were 760,700 unemployed people on record, nation-wide (4.8 percent unemployment rate), with 15,700 losing their jobs in the fourth quarter when nearly all economic sectors were allowed to reopen. Of the total unemployed, 15,346 were Malaysians who had been working in Singapore, most of whom were residing in or originally from Johor. Even after the borders had reopened for the PCA and RGL schemes, only about half of the former Malaysian commuters had returned to Singapore to work. The Second Link and Causeway bridges and the roads leading up to them had been eerily quiet for a year.

The RGL travel bubble arrangement was a boon to higher-level professionals travelling for business or official purposes. They were given two weeks in Singapore and were able to move within a controlled itinerary after isolation in non-residential accommodation until their swab test results are shown to be negative.

The PCA enabled blue-collar workers to return to mostly service and factory jobs in Singapore, but many struggled with the costs of remaining in Singapore for an extended period of time. Daily commuters were the most affected as their incomes were insufficient to cover comparatively high costs of food and accommodation, let alone the hotel quarantine and Covid-19 swab test costs.

Johor depends substantially on land and property transactions for its state income. However, as with everything else, Covid-19 left the property market in decline. Johor’s high-end condominiums and landed property were thus in even less demand, and the situation has been made worse with some Singaporean home-owners trying to sell their Johor properties given the difficulties of crossing the border.

The Covid-19 period, with the myriad restrictions on retailers and service providers, registered as the worst in Johor since the 1987 financial crisis. Many retailers were said to have experienced a decrease in income of at least 70 percent, compared to the same period the previous year. This was the combined result of domestic movement restrictions and the lack of Singaporean visitors. Suffering cash flow problems, 5 to 10 percent of SMEs in Johor were forced to close.

Singaporeans made up almost 50 percent of Malaysia’s inbound arrivals prior to Covid-19, with many entering the country through Johor’s land borders. The border closures resulted in a sharp fall in tourist arrivals from Singapore by 66.1 percent in the second quarter of 2020 (compared to the same period the year before). This reflected the immediate aftermath of the border closure.
By the end of the fourth quarter of 2020, 14 hotels in Johor had closed for good, with hotel occupancy at an unprecedented low of 27 percent.16 One of Johor’s most iconic hotels, Mutiara Johor Bahru recently announced its expected closure on 1 June 2021, after 39 years of operation.17

The lack of Singaporean visitors not only had an impact on the main tourist centres in Johor Bahru, but also suburban and rural areas on the outskirts of Johor Bahru district that were also popular with Singaporean tourists, such as Iskandar Puteri, Bukit Indah and Gelang Patah.

Rural economies such as those dependent on fishing and agriculture also reported an immediate loss of incomes as a result of the lack of Singaporean buyers and local travel limits. Food supply chains were affected as produce and harvests were not collected or delivered, due to travel limits and the closing of markets. This situation eased once local restrictions were removed.18

Malaysia’s bottom 40 percent (B40), known to have on average, only RM76 (SGD25) in post-expenses disposable income every month,19 suffered the most. The inability to open pop-up stalls during this period deprived them of a daily income, however small that might have been, as well as a source of cheaper food and other products. Johor’s poverty incidence rose to between 6 to 8 percent in 2020, compared to 3.9 percent in 2019. Hardcore poverty in the state rose to 2.5 percent from 0.2 percent in 2019.20

Some of those who had worked in Singapore for many years were in the middle-income bracket with hefty debts to service. Their loss of employment resulted in a shattering of their lifestyles as well as the inability to pay off mortgages and loans. Observations of areas popular with these former Singaporean employees revealed an increase in houses for sale.21 Anecdotal reports indicate that some had to give up rental units in Johor Bahru and return to their hometowns and villages beyond Johor Bahru or in other states.

A 21-fold increase in patients at health clinics for mental issues occurred between June and August 2020,22 while other nationwide studies reported negative levels of mental-wellbeing and substantial depression and anxiety.23 A report by the Malaysian police (at Bukit Aman) noted that 266 people had committed suicide between 18 March to 30 October 2020, with Johor having the most cases, at 47.24

IMMEDIATE SOLUTIONS AND THEIR EFFECTIVENESS

In response to the myriad problems faced in Johor, there have been several initiatives by state and federal governments, as well as civil society organisations to ease the socio-economic fallout of Covid-19.

Civil society groups, non-governmental organisations and state welfare departments scrambled to meet the needs of those left unemployed, and those unable to pay rent or buy food for their families.25 While there was a surplus of unbought marine harvests and agricultural produce in rural areas, urban areas had a food shortage due to delivery disruptions. The aforementioned lack of savings and disposable income, as well as an inability to buy affordable food due to the closure of street vendors and soup kitchens, added to food insecurity. School closures also meant that poor families lost free meals for their children from school food aid.26
Over the first MCO period, at least RM6,614,062 (SGD2,179,361) was spent by 30 civil society groups in aid of the rural and urban poor in Johor Bahru. This was in addition to efforts by agencies such as the Malaysian Red Crescent Society and the state government to find safe shelter and to provide other support for the homeless and others in need.

The official Laksana disbursement reports on the federal stimulus packages featured impressive numbers and proclaimed great success, but voices on the ground, especially amongst the rural and urban poor, murmured a different reality.

Federal aid distribution is through existing employment-related systems such as the Social Security Organisation (PERKESO), the Employment Provident Fund (KWSP), and the Inland Revenue Board of Malaysia (LHDN). However, many amongst the rural and urban poor are own-account or blue-collar workers, and are not registered with these agencies; many have never earned enough to be on tax registers. Johor residents who had worked in Singapore for a long time may also not have previously registered with these agencies.

Ethnographic observation of rural residents reveal that many of these schemes are not available or accessible to the average person, and many struggle to find out how to apply. Other assistance schemes require online applications; a struggle for rural folks who are tech-illiterate or lack smartphones and internet access. The distribution of aid has often been arbitrary and less than transparent. Appointed community leaders have been observed to be less than helpful when approached for help with these procedures.

A survey of 500 low-income households in Kuala Lumpur during the first MCO period showed that 74 percent had no access to unemployment protection and were suffering from reduced food security. Given the above issues, it is highly possible that the situation is worse for former commuters who cannot get Malaysian aid for job losses in Singapore.

The urban and rural poor tend to have a lower level of education, with many being employed in the informal sector or as own account workers. During the first three months of the pandemic, 46.6 percent of own-account workers and 21.9 percent and 33 percent of agriculture and fisheries workers respectively (in rural areas) lost their jobs. Many of these would be from Johor’s vast rural areas.

On the bright side, after the initial MCO, Johor’s agricultural and manufacturing workers experienced less difficulty than those in the services, tourism and food and beverage sectors, as their industries were able to restart to meet dammed up demand.

SHORT-TERM RECOVERY PLANS AT THE STATE LEVEL

Aside from aid at the federal level, Johor state also announced several direct assistance schemes and one-off disbursements. These included grants for those starting on agricultural or food-related businesses or were already in the agricultural supply chain (under the Johor Tani initiative).

In line with a national shift towards developing domestic tourism—focusing on nature and experiential, cultural and village tourism, Johor Tourism is working on boosting its rural tourism offerings. Local homestay, food & beverage operators in Pontian district, for example,
are actively mobilising to establish a tourism committee to collaborate with Johor Tourism and other advisors to better package their rural and cultural tourism offerings.\(^{36}\)

In an ongoing effort to improve digital platforms so that Johor residents can effectively participate in the gig economy, Iskandar Puteri has a growing co-working space community involved in myriad aspects of technology, innovation and the digital economy. Information-sharing platforms enable access to grants, training and other opportunities for those in the know. These initiatives have broadened over the pandemic period, given the necessity to work and engage online. However, this is a field that is rarely ventured into by the rural and urban poor.

The Iskandar Regional Development Authority (IRDA) has already begun reskilling programmes for retrenched workers for innovative positions, and grooming technopreneurs under the Iskandar Malaysia Smart City initiative.\(^{37}\)

**LONG-TERM RECOVERY PLANS AT THE STATE LEVEL**

Even though it is uncertain when borders will reopen, Johor plans to facilitate swift recovery through a number of cross-border initiatives. These include efforts to alleviate traffic congestion at Johor’s two land-crossings and immigration complexes and myriad ongoing discussions on the holistic marketing of Iskandar Puteri as a complete tourism destination located only minutes away from the Second Link.

The much-awaited Singapore-Johor Rapid Transit System (RTS) Link had its ground-breaking ceremony on 22 November 2020. While this joint project will not be complete and ready for operation until end-2026, there is much hope that this can quickly revive Johor’s economy and enable smoother commuting for Singaporean weekend visitors and other tourists to the state. Should border-crossing return to pre-Covid practices, it will also facilitate travel for weekly or daily working commuters.

The launch of the Johor Economic Tourism and Cultural Office (JETCO) in Singapore by mid-2021 is slated to increase investor confidence, in addition to other economic initiatives such as the establishment of the Ibrahim Johor Economic Council and the revival of the Singapore-Johor-Riau Growth Triangle Development (SIJO-Kepr).\(^{38}\) Johor also has plans to enhance its agricultural sector with a view to becoming a food bank for Singapore and the surrounding region.\(^{39}\) Johor aims to be a key food exporter to Singapore, and by the same token improve its own food security.

In line with the Malaysia Digital Economy Blueprint, Johor is also planning to reinvent itself as an alternative data hub for Singapore and Southeast Asia. The Kulai Iskandar Data Exchange (KIDEX), has announced with the Johor state budget, is set to attract international investments and create many future job opportunities.\(^{40}\)

**HOPE ON THE HORIZON**

With the launch of Malaysia’s vaccination programme, there seems to be more than a flicker of hope on the horizon. While shopping malls remain quiet, there is a visible increase in patrons at restaurants, cafes and markets across the state.\(^{41}\) However, with much of Johor’s retail and leisure attractions dependent on Singaporean clientele, local customers may continue to stick
to lower-cost activities, dining options and leisure destinations, given widespread financial difficulties.

For Johor to return to its pre-Covid-19 economic level of activity, the borders need to reopen. With the vaccination rollout, Johor’s Chief Minister Hasni Mohammad has stepped up calls to reinstate new travel bubbles with Singapore. Prime Minister Lee Hsien Loong’s comment that Singapore is willing to discuss vaccine certification to resume travel was met eagerly by myriad business representatives across Malaysia. There has also been talk of vaccinated Singaporeans being allowed to enter Malaysia. Vaccination passports appear to be the key to future cross-border travel.

However, this excitement could be stifled if there is a fourth wave of Covid-19 infections, especially given recent discoveries of yet more virulent variants of the virus. Recent reports indicate that infection numbers are on the rise, with some warning of a ‘fourth wave’, especially given the reopening of Ramadhan bazaars and schools. The Ministry of Health has since disputed the onset of this fourth wave, but new clusters are announced daily, with several in educational institutions, and new MCO or EMCO sites announced or extended weekly.

Even though vaccinations have been rolled out, take-up percentages are low and there are myriad reports of insufficient vaccine doses. Vaccination is also not an absolute guarantee that Covid will not be contracted, given the time required for the vaccine to be effective, and how some vaccines are said to be weaker than others, or may require yearly injections. It is unclear how soon the population will be fully vaccinated or reach a level of ‘herd immunity’.

Given the Malaysian government’s fragile status and uncertain hold on power, the possibility of upcoming elections looms large. This could then end in yet another wave of infections and clusters (as was the case after the Sabah State elections), or weaken efforts to find a balance between the national economy and citizen health.

CONCLUSION

The state of Johor suffered disproportionately among Malaysian states given the impact of Covid-induced border closures. Increasing poverty and unemployment are compounded by decreasing mental health and well-being. While several initiatives and immediate salves have been launched to alleviate difficulties, the state will not fully recover until borders reopen. Johor’s high dependence on international investments and its deep connections with Singapore for business, investment and employment compound these problems.

There may be a glimmer of hope for Johor and its residents given nationwide vaccinations and the hope of borders reopening, but dark clouds of ambiguity lurk just beyond.

21 This was apparent from numerous property agent signage on empty homes (ethnographic observation by the writer while in lockdown in Malaysia during the Covid-19 pandemic).
29 The minimum annual income that necessitates the paying of income taxes in Malaysia is RM25,501 (after EPF deductions). This works out to a monthly salary of about RM2125 (SGD703). Many in the B40 do not earn this amount. (Refer to: Inland Revenue Board (LHDN) website: Tax Chargeability: http://www.hasil.gov.my/bt_goindex.php?bt_kump=5&bt_skum=1&bt_posi=2&bt_unit=5000&bt_se_qu=2&bt_lng=2
30 While Malaysia’s populated (urban) areas have high smartphone penetration and internet access, rural areas suffer from poor connectivity and at times a lack of smartphone usage and tech-illiteracy. Refer to: Jacobs, J. and Subramaniam, P. 19 Oct 2020. “Cover Story: The digital divide and disconnection,” The Edge Malaysia.
31 In-situ ethnographic research by the writer under lockdown in Mukim Tanjung Kupang, Gelang Patah, Johor throughout the Covid-19 period.
36 On-going personal communication with the writer over the Covid-19 pandemic period – based on discussions with the Pontian Tourism advisors and tourism players.


43 The Edge Markets. 5 March 2021. “Two cases of Nigerian B1525 Covid-19 variant found in Malaysia.” https://www.thedegemarkets.com/article/two-cases-nigerian-b1525-covid19-variant-found-malaysia


