

**QUALITATIVE AND QUANTITATIVE ANALYSES OF UNEMPLOYMENT
IN MALAYSIA**

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**A dissertation submitted to Othman Yeop Abdullah Graduate School of
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ABSTRACT

This paper attempts to provide a overview of the determinants of unemployment in Malaysia. Unemployment's influencing factors are traditionally described as either micro- or macroeconomic to a nation. A qualitative investigation of the microeconomic variables for unemployment in Malaysia and a quantitative time series analysis of macroeconomic variables for unemployment in Malaysia are made. The shift of the secondary sector towards the tertiary sector and the use of high-tech production is held to be of importance for the unemployment rate in Malaysia. On a macroeconomic level, GDP per capita and the inflation rate, Okun's Law and the Phillips Curve, are analyzed. This study provides an overview of Malaysian unemployment in both a qualitative and quantitative sense. It forms the foundation of comparison of economical phases gone through by developed countries.

Keywords: Unemployment, Malaysia, GDP, Inflation, Okun's Law, Phillips Curve, Manufacturing, Service.

ABSTRAK

Kertas kerja ini cuba untuk memberi gambaran keseluruhan faktor-faktor penyumbang kepada pengangguran di Malaysia. Faktor yang mempengaruhi kadar pengangguran secara tradisionalnya digambarkan sebagai samaada dalaman atau luaran untuk negara. Satu kajian kualitatif pembolehubah dalaman untuk pengangguran di Malaysia dan analisis siri masa kuantitatif pembolehubah luaran untuk pengangguran di Malaysia dijalankan. Peralihan daripada ekonomi pembuatan kepada ekonomi berasaskan industri perkhidmatan dan penggunaan pengeluaran berteknologi tinggi didapati menjadi penting secara dalaman di Malaysia. Pada tahap keluaran dalam Negara kasar (KDNK) per kapita makroekonomi dan kadar inflasi, dengan itu Undang-undang Okun dan Keluk Phillips dianalisis. Kajian ini memberikan gambaran keseluruhan Malaysia dalam erti kata yang kualitatif dan kuantitatif. Ia membentuk asas perbandingan fasa ekonomi yang dilalui oleh negara-negara maju.

Kata Kunci: Pengangguran, Malaysia, KDNK, inflasi, Undang-undang Okun, Keluk Phillips, Pembuatan, Perkhidmatan.

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CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Unemployment is associated with periods of time in which an individual actively seeks to find a job and mentally prepares him or herself to work at any level of wage in the market. This is referred to as a *strict* or *narrow* definition of unemployment, where the person actively seeks for work. The *broad* perspective includes those who are unemployed and not actively looking for a job. Another important type of unemployment is *cyclical unemployment* which is a factor of overall unemployment that relates to the cyclical trends in growth and production that occur within the business cycle.

Unemployment has been analyzed throughout the last and current century. A large share of the research has focused on the developed world. The studies have surpassed the structural economic phases which developing countries are currently going through. The current states of affair in developing countries are likely to show signs of similarities to economic phases of developed countries dating years back. As for developing countries, the trends of unemployment have been extensively analyzed. Effects of a variety of factors determining unemployment have been extensively investigated throughout the middle and end of the 20th century for developed countries. This analysis might prove to show similarities to developing countries. If we are to analyze the current state of affairs for specific developing countries, the future might be reflected in what happened to developed countries in the past decades.

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