

**THE UNSKILLED LABOR DEMAND IN ACROSS ECONOMIC SECTORS IN
MALAYSIA: PANEL ANALYSIS**

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BY

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ABSTRACT

This study is to examine the unskilled labor demand across the major sectors in Malaysia. By using panel data analysis on unskilled labor demand model, the responsiveness how unskilled labor employment on its determinants can be determined in long run. This research employs 13 years of secondary data form 2000 to 2012 across the Malaysian manufacturing, agriculture and services sectors. The finding suggests there is less responsiveness of wage and productivity on unskilled labor demand in these three sectors. The capital cost is very responsive on unskilled labor employment in Agriculture. The imported input cost and foreign labor employment is less sensitive with unskilled labor employment in agriculture. However, there is no evidence the impact of capital cost, imported input cost and foreign labor on unskilled labor employment.

Keyword: Nominal Wage Unskilled labor, Unskilled labor Employment, Panel Data Analysis.

ABSTRAK

Kajian ini menguji pasaran buruh tak mahir di sektor-sektor di Malaysia. Dengan menggunakan terhadap analisis panel data, model permintaan buruh tak mahir, tindak balas buruh kurang mahir terhadap faktor-faktornya dapat deikenalpasti dalam jangka masa panjang. Kajian ini menggunakan 13 tahun data sekunder daripada tahun 2000 hingga 2012 di sektor pembuatan, pertanian dan pekhidmatan. Dapatan kajian mendapati upah dan productiviti adalah kurang bertindakbalas dengan permintaan buruh tak mahir di ketiga-tiga sektor ini. Kos modal adalah sangat bertindakbalas dengan buruh kurang mahir di sektor pertanian. Kos input yang diimport dan buruh asing adalah kurang sensitive dengan buruh kurang mahir di sektor pertanian. Tetapi tiada bukti yang menunjukkan kesan kos modal, kos input yang diimport and buruh asing terhadap guna tenaga buruh kurang mahir di sektor pembuatan dan perkhidmatan.

Keyword: Upah Nominal Buruh Tidak Mahir, Guna tenaga buruh tak Mahir, Analisis Panel data.

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LIST OF ABBREVIATION

Bank Negara Malaysia	BNM
Ordinary Least Square	OLS
Fully Modified OLS	FMOLS
Skilled Bias Technology Change	SBTC
Shift-Share Analysis	SSA
Information and Communication Technology	ICT
Information Technology	IT
Total Factor Productivity	TFP
Augmented Dickey Fuller	ADF
Levin, Lin & Chu	LLC
Im, Pesaran & Shin	IPS
Balance of Payment	BOP

CHAPTER 1

INTRODUCTION

1.1 Introduction

Unskilled labor can be defined as a less –trained, less- experienced and low-educated labor in a labor market. Previous work have been classified unskilled labor demand in many ways such as Bhulaor & Kripornsak (2008) defined unskilled labor by occupation, Sayre (2001) defined unskilled labor by education, Rusmawati & Asmaddy defined unskilled labor by income earned and Rich (2011) indirectly defined unskilled labor as a production labor.

Unskilled labor employment seems to decrease over the last two decade due economic structural changing and globalisation processes. The factors from demand side (such as Skilled Bias Technological Change (SBTC), international trade (Bhulaor & Kripornsak, 2008) and underpaid wage) and supply side (such as skill-training institute, foreign migration, government policy and institutional force) can explain the trend of unskilled labor employment.

The unskilled employment is likely to change over the Malaysian business cycle and economic structural change. Starting from 1977, there were more unskilled labor was employed in Agriculture sector like estate and forestry due to rapidly increasing of lumber and rubber price (Economics Report 1977/1978) even the economic growth was very slow. The unskilled labor employment tended to shift to manufacturing sector in 1984 where industrialization activities were greatly increased and led to create more labor demand growth at 4.3 percent. However, the construction sector was recorded as the highest labor demand growth (6.9 percent) where this sector

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