

**THE DETERMINANTS OF FOREIGN LABOR ENTRY AND  
WHITENING PROGRAM**

**SYAFIQAH AZIZAN**

**MASTER OF ECONOMICS**

**UNIVERSITI UTARA MALAYSIA  
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**THE DETERMINANTS OF FOREIGN LABOR ENTRY AND  
WHITENING PROGRAM**

**SYAFIQAH AZIZAN**

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Othman Yeop Abdullah  
Graduate School of Business

Universiti Utara Malaysia

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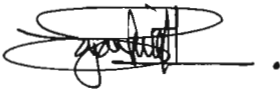
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## **Abstract**

The trend of foreign labor entry in Malaysia has increasing over time. But, since implementation of Whitening Program the number of foreign labor in the country had decreases. Thus, this paper aims to examine the determinants of foreign labor entry and analyse the impact of Whitening Program by using yearly data from 1997 until 2012. This study employed Ordinary Least Square (OLS) to regress selected variables that have been chosen. The dependent variable in this study is foreign labor (FL) while gross domestic product (GDP), consumer price index (CPI), wage, unemployment and job opportunities are independent variables. The empirical result shows that foreign labor entry has positive relationships with gross domestic product (GDP), unemployment and wage. Consumer price index (CPI) and public security are significant and found to be negatively related with independent variable, while job opportunities turns out to be only variable which is not significant. By using Breusch-Pagan-Godfrey to test Heteroscedasticity and serial correlation found that the model is homoscedasticity, no serial correlation and normally distributed. Discussion from the Whitening Program found that there is decreasing number of foreign labor entry in Malaysia after the implementation of this program. Thus, this program is effective in reducing foreign labor entry in Malaysia.

## Abstrak

Trend kemasukan buruh asing di Malaysia telah meningkat dari masa ke masa. Tetapi, sejak pelaksanaan Program Pemutihan bilangan pekerja asing di negara ini mencatatkan penurunan. Oleh itu, kajian ini bertujuan mengenal pasti faktor penentu kemasukan pekerja asing dan menganalisis kesan Program Pemutihan dengan menggunakan data tahunan dari 1997 sehingga 2012. Kajian ini menggunakan kuasa dua terkecil (OLS) untuk menganalisis regrasi bagi pembolehubah terpilih. Dalam kajian ini pekerja asing (FL) bertindak sebagai pembolehubah bergantung manakala keluaran dalam negara kasar (KDNK), indeks harga pengguna (IHP), gaji, pengangguran dan peluang pekerjaan adalah merupakan pembolehubah bebas. Hasil kajian menunjukkan bahawa kemasukan buruh asing mempunyai hubungan positif dengan keluaran dalam negara kasar (KDNK), pengangguran dan gaji. Indeks harga pengguna (IHP) dan keselamatan awam adalah signifikan dan didapati berhubungungan negatif dengan pembolehubah bebas, manakala hanya peluang pekerjaan pembolehubah yang tidak signifikan. Dengan menggunakan Breusch - Pagan - Godfrey untuk menguji Heterocedasticity dan korelasi bersiri mendapati bahawa model adalah homoscedasticity, tiada korelasi bersiri dan agihan normal. Perbincangan daripada Program Pemutihan mendapati bahawa terdapat penurunan kemasukan pekerja asing di Malaysia selepas pelaksanaan program ini. Oleh itu, program ini berkesan dalam mengurangkan tenaga kerja asing di Malaysia.



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# **CHAPTER 1**

## **INTRODUCTION**

### **1.0 Introduction**

Foreign labor entry in Malaysia is not a new issue because the first entry was when British had imported labor from China and India to work in tin mines for Chinese and Indian in plantation.

In this chapter, section 1.2 present an overview on background of the study. Section 1.3 will explain factors of migration, section 1.4 discussing on Whitening Program in reducing number of foreign labor entry. Section 1.5 on problem statements which elaboration on the issue that should be study. Objective of the study is explained on section 1.6; section 1.7 is significant of the study on why this issue should be arising. The last section or section 1.8 is organization of the study.

### **1.2 Background of the Study: Foreign Labor Entry**

The presence of immigrants is not a new issue in our country. Malaysia has started to recruit foreign labor from the time of British rule. The labors were brought from China and India to work in the mining and farming. Laborers who came from China working on mines, tin and their temporary contract laborers who came from southern India is to build roads and railways and operate rubber plantations and oil palm estates (Zehadul, 1999). Recruitment of foreign workers in Malaysia by the employer is under the Department of Immigration and National Registration.



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