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Short-run and long-run causality between labor supply and
output growth : evidence from Malaysia / Lee Li Chen.

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Lihat Sebelah

SHORT-RUN AND LONG-RUN CAUSALITY
BETWEEN LABOR SUPPLY AND OUTPUT GROWTH:
EVIDENCE FROM MALAYSIA

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PROJECT PAPER IS FULFILL FOR THE COURSE

FALCULTY OF MANAGEMENT AND ECONOMICS
UNIVERSITI MALAYSIA TERENGGANU

2010

DECLARATION

I, **LEE LI CHEN (UK14919)** hereby declare that this Project Paper (EKN 4399A/4399B) is the result of my own investigation and findings, accept where otherwise stated.

Date: 11/4/2010

Signature:



Name : Lee Li Chen

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PENGAKUAN

Saya akui Kertas Projek (EKN 4399A/4399B) ini adalah hasil kajian saya sendiri kecuali sumber-sumber yang telah saya jelaskan rujukannya.

Tarikh: 11/4/2010

Tandatangan:



Nama : Lee Li Chen

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Acknowledgement

I would like express my heartfelt gratitudes to Faculty of Management and Economics, University of Malaysia Terengganu (UMT) for this precious opportunity on final year project. Although the research was challenging in terms of information finding, I still managed them within my capacity and felt grateful to gain extra knowledge.

Firstly, I would like to extend my appreciation to my supervisor, **Mr. Nanthakumar A/L Loganathan** .Without his guidance, I would have never completed my research paper. He has exposed me to all kind of economic theories and led me on how to search and analyze the data I obtained.

Not forgetting others who collectively contributed to my project, they are the Management and Economy Department, the Program Coordinator and my group members who have assisted and enlightened me in various aspects of my project. Thanks all.

The past 2 semesters have provided me chances to apply what I learned in the university. From there, I have sharpened my interpretation skills. Besides, it enabled me to understand how a research was done, Furthermore, it enhanced my competence and I believe all these will add on values to my career in the near future.

Thank You,

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ABSTRACT

Demand for quality labor force has been an important agenda in the Malaysia's labor market lately. In practice, the numbers of labor force in the primary, secondary and tertiary sectors has dramatically changed due the period of 1980-2000. Surprisingly, the output is still in the right track and sustainable growth rate although have faced several economics challenges and reformations. The main purpose of this study is to identify the causal relationship between the level labor supply and output growth in Malaysia's primary, secondary and tertiary sector respectively. This study used secondary data provided by the Malaysia's Economic Planning Unit, which covers from the year 1987 to 2008. An Engle-Granger 2-step approach has been used in this study to identify the long-run; and short causal relation between labor use and output growth in Malaysia. The findings of this study show clearly the causal relations between the sectors studied are not in the sustainable mode. Firstly, in the primary sector, the numbers of labor force are keeping on decreasing, but the outputs are dramatically increased for the entire period estimation of this study. Secondly, the labor force and output growths in the secondary and tertiary sectors are in the same line. These conclude the secondary and tertiary sectors are more sustainable rather than primary sector overtime. Throughout this study, useful policy implication can be introduced by the government to reach the sustainable economic growth in future.

Keywords: labor supply, output growth, Engel-Granger 2-step approach

ABSTRAK

Sejak akhir-akhir ini, permintaan terhadap guna tenaga berkualiti menjadi agenda utama dalam pasaran buruh Malaysia. Misalnya, bilangan guna tenaga dalam sektor primer, sekunder dan tertiar telah mengalami perubahan drastik semenjak tahun 1980-2000. Anehnya, tahap pertumbuhan output berkembang secara mapan sungguhpun nmengharungi pelbagai cabaran dan reformasi ekonomi. Matlamat utama kajian ini dijalankan adalah bertujuan untuk menilai arah sebab-akibat tingkat penawaran buruh dan pertumbuhan output sektor primer, sekunder dan tertiar Malaysia. Kajian ini menggunakan data sekunder yang diperoleh dari Unit Perancang Ekonomi Malaysia merangkumi tempoh 1987 hingga 2008. Pendekatan 2-peringkat Engle-Granger telah diguna pakai dalam kajian ini untuk mengenal pasti arah hubungan jangka panjang dan jangka pendek penawaran buruh dan pertumbuhan output Malaysia. Hasil keputusan kajian menunjukkan ketiga-tiga sektor dalam kajian ini tidak mempunyai kemapanan yang seragam. Pertama, bilangan penggunaan buruh dalam sektor primer semakin mengalami penurunan, namun tingkat output sektor primer masih mengalami peningkatan sepanjang tempoh penganggaran kajian. Kedua, penggunaan buruh dan pertumbuhan output bagi sektor sekunder dan tertiar mempunyai tahap aliran yang sama serta lebih mapan. Ini menunjukkan bahawa sektor sekunder dan tertiar adalah lebih mapan dari segi penggunaan buruh dan pertumbuhan output berbanding sektor primer sepanjang tempoh masa kajian. Melalui hasil kajian ini, pihak kerajaan berupaya memperkenalkan implikasi polisi yang bersesuaian untuk mencapai tahap kemapanan pertumbuhan ekonomi di masa akan datang.

Kata kunci: penawaran buruh, pertumbuhan output, pendekatan 2-peringkat Engle-Granger