UNIVERSITI TEKNOLOGI MARA

THE DETERMINANTS OF LABOUR PRODUCTIVITY GROWTH IN MALAYSIA

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ABSTRACT

Productivity measures an organization's or country's capacity to create more money or value-added. Malaysia is expected to shift to a high-income economy between 2024 and 2028, reflecting the country's economic development trajectory during the previous decades. As Malaysia strives to become a developed country with a high standard of living, great productivity in manufacturing processes is critical. The aim of this research is to find out what factors have an impact on Malaysia's labour productivity as well as to investigate how independent variables influence the dependent variable. The research was performed using secondary data from economic indicators, which are real wages, inflation, foreign direct investment (FDI), unemployment, and employment rate. The research sample consisted of time-series data on Malaysia's labour productivity from 1990 until 2020. According to the results, there are three significant factors in this research, which are real wages, foreign direct investment, and the inflation rate, while the unemployment and employment rates are not significant. The result of this research showed that the independent variables, which are real wages, foreign direct investment, and employment rate, showed a positive correlation. Meanwhile, the inflation rate and unemployment rate show a negative correlation with labour productivity.

Keywords: ***inflation, foreign direct investment (FDI), unemployment, real wages and employment rate, labour productivity***

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1.1 Introduction

Labour productivity is a pillar of socioeconomic sustainability, and the industrial sector is vital to economic and social well-being. The socioeconomic aspect of human wishes for greater welfare, well-being, and advancement is accounted for by sustainability, which accounts for the infinite persistence of productive capacity.

The global economic downturn began in 2020. The COVID-19 disease and its implications overtook the globe in 2020, ending in an unprecedented calamity. The virus has spread quicker than anybody could have imagined due to global interconnection, which enables the faster movement of trade, goods, and humans. The epidemic generates two big crises, such as health and the economy. The rising rate of COVID-19 infection and death has been a major source of worry throughout the world and is the most effective way to flatten the curve for COVID-19. Limiting the flow of products and people, or imposing a complete lockdown, has brought economic activity to a halt in numerous countries. As a result, the effects of global and domestic economic growth and productivity have both slowed.

As the country goes from lockdown to recovery mode, 2021 promises to be a year of healing. Unavoidably, the COVID-19 outbreak has had a considerable impact on worldwide economic activity. Countries across the world have launched recovery projects and policies in response. Along with these advancements and the availability of COVID-19 vaccines, the global economy is predicted to start a steady recovery path in 2021. To reduce the strain on the people and business community, government actions to minimise the impact of the pandemic are still being implemented and adopted. In the first quarter of 2021, stimulus programmes such as the Program Strategik Memperkasa Rakyat dan Ekonomi (PEMERKASA), the Bantuan Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI), and a vaccination drive were launched to stimulate the economy. The implementation of the Malaysia Digital Economy Blueprint (MyDigital) is projected to catalyse the country's economic recovery by utilising and adopting digital technology,