



**THE RELATIONSHIP BETWEEN OUTPUT  
AND UNEMPLOYMENT**

**LEONORA DUANA JULLI  
2009691848**

**BACHELOR IN BUSINESS ADMINISTRATION  
WITH HONOURS (BUSINESS ECONOMICS)  
FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITI TEKNOLOGI MARA  
KOTA KINABALU, SABAH**

**APRIL 2011**



## Table of contents

PARTICULARS	PAGES
Use of Study	ii
Preface	iii
Abstract	iv
Declaration	v
Acknowledgement	vi
Table of content	vii-viii
CHAPTER 1	
INTRODUCTION	1-2
1.0 Background of Study	2-3
1.1 Problem Statement	3-4
1.2 Research Objective	4
1.3 Significance of the Research	5
1.4 Limitation of study	5-6
1.5 Organization of the thesis	6-7
CHAPTER 2	
LITERATURE REVIEW AND THEORY	
2.0 Overview of the Literature Review (explain every subtopic)	8-9
2.1 Theories associated with this study	9
2.2 Literature Review	
2.2.1 The Relationship between output and unemployment	10-11
2.2.2 Reviews of GDP Growth	11-12
2.2.3 Reviews of Unemployment rate	12-13
2.3 Conceptual Framework	14
2.4 Literature Review Conclusion	14-15
CHAPTER 3	
DATA AND METHODOLOGY	
3.0 Introduction (explain main objective- overview)	16
3.1 Data (come from where & what year)	16
3.2 Measurement of Variables (what variable use, dimension)	17
3.3 Research Design (Unit Root-ADF)	18
3.3.1 Unit Root Test	19



3.3.2 Granger Causality Test	19-20
3.4 Estimation Procedure (log the data)	21
3.5 Statistical Software use (E-View7)	21-22
3.6 Conclusion of Chapter	22
CHAPTER 4	
RESULT AND FINDING	
4.0 Introduction	23
4.1 Finding	23-28
4.2 Conclusion of Chapter	28-29
CHAPTER 5	
CONCLUSION AND RECOMMENDATION	
5.0 Introduction	30-31
5.1 Recommendation	31-33
5.2 Conclusion	33-34
REFERENCES	35-37
APPENDICES	38-48

Therefore, for unemployment definition it happened when the individual is not working and they are currently seeking for a job. However, the unemployment occurs in the country because they are lack of experience, poor performance and less skill in work. A firm, industry or country should provide training for these people to boost up they experience, performance and skill in labour force.

This both variables are important in development country because to produce an output they need people to do the work. As the unemployment increase it will affected the GDP. In other word, we cannot deny that both of these variables have a relationship and it need each other for a development country. This both variables need each other to help the country increase the economic growth. If the



## CHAPTER 1

### INTRODUCTION

In this research, it discussed about the two variables which are output and unemployment. The definition of output is when people produce the quantity of the goods or services that given an approximately time period by a firm, industry or country to finished it. In the process of produce the output, the firm, industry or country need people to do the work by hiring more employment in they firm, industry or country. By hiring more employment, the firm, industry or country will produce more output to the consumer in the market and indirectly less the unemployment rate in the country.

Therefore, for unemployment definition it happened when the individual is not working and they are currently seeking for a job. However, the unemployment occurs in the country because they are lack of experience, poor performance and less skill in work. A firm, industry or country should provide training for these people to boost up they experience, performance and skill in labour force.

This both variables are important in development country because to produce an output they need people to do the work. As the unemployment increase it will affected the GDP. In other word, we cannot deny that both of these variables have a relationship and it need each other for a development country. This both variables need each other to help the country increase the economic growth. If the



rates were higher for most years (EU Commission, 2004). According to Aghion and Howitt (2), they said that perhaps come closest to the problem they address. They have developed a model to explain it that they recognize explicitly that endogenous growth factors have the consequences of unemployment. Their model “uncovers, and examines the relative strength of, two competing effects of growth on unemployment” (2, p.478).

However, the problem statement in this study is when the high unemployment increase this will cause of labour resources is not used efficiently. When unemployment rates soared, it will affect the development due to the world-wide recession which is involve of the domestic manufacturing sector. Beside that, if the unemployment is high it will affect the output that less productive. Other than that, with high unemployment it will lead to lower profits and the economy rate will be reduced.

## 1.2 Research Objective

For more detail of this study objective based on theoretical framework which is will cover all the dependent and independent variable.

The objective of this study:

1. To determine whether relationships between output and unemployment exist or not.
2. To determine whether unemployment will give effect to the output