

**FOREIGN EMPLOYMENT AND ECONOMIC  
GROWTH IN MALAYSIA**

**MOHD IZLI BIN ZAINOL**

**Submitted in Partial Fulfillment of the  
Requirement for the  
Bachelor of Business Administration  
(Hons) International Business**

**FACULTY OF BUSINESS MANAGEMENT  
UNIVERSITI TEKNOLOGI MARA  
MELAKA**

**2008**

## **ACKNOWLEDGEMENT**

The most gratitude to Allah Al-Mighty Who has given me the strength and patience to finish my project paper. The warmest gratitude to my lecturers, Madam Halimahton Binti Borhan and Madam Maymunah Binti Ismail who have given me the guidance and direction to conclude this project paper. They have played important role in my project paper in order to make my project paper completely finished.

Moreover, I also want to give my appreciation to my family who have help me either in physical, moral support as well as financial. Without their help I think this project paper cannot complete as it has been plan.

I also would like to thank to all my friends especially Mohd Aizuddin Bin Hares and also Mohd Norfarid Bin Reme who have help and support me in completing this project paper. They have helped me in giving an ideas, comments and also suggestions for me throughout the development of this project paper.

Lastly, I would like to thank all the lecturers and people who have help me in completing this project paper especially staff at Statistic Department of Malaysia in Putrajaya who have help me in providing the data that I want.

Thank you everyone and because of you and with the permission of Allah Al-Mighty, I finally can finished this project paper. Thank you very much.

MOHD IZLI BIN ZAINOL

April 2008

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
ACKNOWLEDGE	iv
LIST OF TABLES	vii
ABSTRACT	viii
1. INTRODUCTION	
1.1 Background	1
1.2 Problem statement	6
1.3 Research Objectives	7
1.4 Research Questions	8
1.5 Research Hypotheses	9
1.6 Scope and Coverage	10
1.7 Limitation of the Study	10
1.8 Significance of study	11
1.9 Definitions of Terms	13
2. LITERATURE REVIEW	
2.1 Introduction of Foreign Employment	15
2.2 Economic Performance	18
3. RESEARCH METHODOLOGY	
3.1 Research Design	27
3.2 Unit of Analysis	27
3.3 Data Collection	27
3.4 Theoretical Framework	30
4. ANALYSIS AND INTERPRETATION OF DATA	
4.1 Regression Analysis	33
4.2 Goodness of Data	36
4.3 Hypotheses	39
5. CONCLUSION AND RECOMMENDATIONS	
5.1 Introduction	42
5.2 Conclusion	42
5.3 Recommendation	45

## **ABSTRACT**

According to Ministry of Finance Malaysia, the foreign workers have contributed to the economic growth of the country, in particular by alleviating labor shortages in selected sectors of the economy. However, their presence has also put stress on public amenities and services, such as the provision of public services, health and education facilities. Remittances by foreign workers have also increased steadily as reflected in the outflow of the current transfers in the country's balance of payments. In 2003, the account recorded gross outflow of RM11, 229 million compared to RM6, 957 million recorded in 1997. (Economic Report 2004/2005)

This study generally is conducting to identify the relationship between foreign employment and economic growth in Malaysia. This study specifically focuses on the effects of Worker's remittance, Compensation of Employees and Migrant Transfers and also the other variables to the economic development in Malaysia. For this study, secondary data have been used as data collection and data that has been used is from 2000 to 2007 in quarterly basis. For the finding of this study, regression analysis has been used as method to analyze the data. The finding in this study also has been used to answer the hypotheses and make conclusion with several recommendations.

## CHAPTER 1

### INTRODUCTION

#### 1.0 Introduction

#### 1.1 Background

Malaysia is a federation of 13 states and three territories with a parliamentary system of government based on multi-party elections. Malaysia has a tripartite labor system. The Ministry of Human Resources formulates labor policy and implements and enforces the labor law. In addition, the trade union federations and employers organizations represent their constituents regarding labor matters by giving advice and guidance, as well as actively participating on government advisory commissions. **(U.S. Department of Labor Bureau of International Labor Affairs and U.S. Embassy, Kuala Lumpur, 2002)**

There are 591 unions in Malaysia, with a membership of approximately 800,000. However, the Government continues to receive criticism of its longstanding policies regarding freedom of association and the right to organize. These policies prohibit the formation of unions in "pioneer industries" during the first 10 years of operation and ban national unions from representing workers in the electronic sector. While Malaysia has recovered from the Asian economic and financial crisis of 1997, it only experienced minor growth (0.4 percent) in 2001 as a result of the global economic slowdown. **(U.S. Department of Labor Bureau of International Labor Affairs and U.S. Embassy, Kuala Lumpur, 2002)**