

The role of foreign labour employment in emerging economic sustainability: A comparative input-output analysis

Topic: Employment analysis (Chair: Rodrigo Emmanuel Santana Borges, Complutense University of Madrid)

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Employment as one of the economic policy instruments is regarded as a significant contribution to all industries of an economy. The perception of employability is crucial for an emerging economy measure. Foreign labour is concentrated in doing temporary work, and in response to continued economic advancement and demographic changes, Malaysia is experiencing an increase in foreign labour. Policy-makers face pressure to improve the labour market information and economic growth. In this analysis, comparing Malaysia's Input-Output Tables for the 2005, 2010 and 2015 period, we disaggregate two major labour groups, local and foreign, into nine occupation levels. These occupation levels are aggregated into three types of skills: skilled, semi-skilled, and low-skilled. The labour market disaggregation is treated as exogenous. By determining the employment multiplier, employment-inducing effect and stability of employment multiplier for all sectors, these models effectively estimate the contribution of the foreign labour employment and delve into the evolution of the Malaysian industrial structure. The analysis reveals higher complementarity among foreign and local, especially in low skills to utilise the labour-intensive sectors. Results suggest prevailing positive effects on the Malaysian economy when employing foreign labour. However, the importance of low-skilled foreign labour is connected with higher productivity in the country's labour-intensive sectors, especially in plantation, construction and services subsectors. The stability evaluation of the employment multiplier suggests that the labour market sustainability can be, to a certain extent, shaping the job market, also be related to slower technological changes among the sectors in Malaysia.

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