

Analyzing Regional Structural Changes and Wage Outcomes in Malaysia

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Abstract : Policymakers are increasingly aware of the different realities faced by workers and households in different regions in Malaysia, as evident by the multiple mentions of “regional disparity” in the country’s most recent policy document, Shared Prosperity Vision 2030. This paper looks at the nature of structural economic changes—the transition from agriculture, to manufacturing, to different types of services—in different states in Malaysia and links it to an important labor market outcome for workers, which is their salaries and wages, in the last decade. This paper will use panel data methods to identify conditional association between the sectoral structure of a state’s economy and workers' remuneration between 2010 and 2018. Findings from this paper will highlight how structural changes at the regional level matter if policymakers were to improve workers' wages and address regional income disparity.

Keywords : employment, labor market, structural change, wage

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