

**LABOUR PRODUCTIVITY OF THE MALAYSIAN  
MANUFACTURING SECTOR**

**BY  
WAN LIYANA MARIAH BT. WAN ZAINAL ABIDIN  
(EGAX01008)**

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Wan Liyana Mariah Bt. Wan Zainal Abidin

Faculty of Economics and Administration

University of Malaya

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## **ABSTRACT**

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**This paper discusses the effect of real wage and unit labour cost to labour productivity on the manufacturing sector in Malaysia. It is vital to ensure that the real wage is commensurate with the level of labour productivity. Besides, by having lower unit labour cost will improve the competitiveness for the labour productivity as well. The time series data for this study is for 25 years period, from 1978 until 2002. Using Ordinary Least Square (OLS) regression, it is found that the real wage and unit labour cost are significant in determining the labour productivity. In light with these findings, it is imperative to emphasize strategies in improving the real wage and unit labour cost in order to upgrade the labour competitiveness in the manufacturing sector.**

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