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Labor Productivity of Services Sector in Malaysia: Analysis Using Input-Output Approach

Mohd Sahar Sauian[a]*, Norbaizura Kamarudin[b], Ruzanita Mat Rani[c]

[a,b,c]*Faculty of Computer and Mathematical Sciences, Universiti Teknologi MARA, 40450 Shah Alam, Malaysia.*

Abstract

Productivity reflects the ability of an organization or country to generate higher income or value-added. As Malaysia is taking a rigorous step to become an advanced country with high-income status by 2020, it is crucial to have high productivity in the production processes. Due to the high share of the transportation, communication and financial sub-sectors to the overall economy, they are considered as the stimulants to the overall growth. This paper attempts to determine the labor productivity of these three sub-sectors using the input-output analysis approach. The methodological setting is the utilization of the "labor coefficients" calculated from input-output tables of Malaysia for the years 2000 and 2005 as well as through surveys of related sub-sectors in 2012.

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***Keywords*: Labor productivity; input-output approach; labor coefficients.**

1. Introduction

In general, sector contribution to the economy is estimated by measures such as shares in gross domestic product (GDP) and employment. Data from Economic Report of 2010 revealed that the main contributor to the Malaysian GDP no longer originates from agriculture, manufacturing or any other sector but actually, it originates from the services sector. In 2008, for instance, the sector had accounted for 55.0 per cent of GDP and 52.2 per cent of total employment, while in 2010, the sector contribution to GDP was even higher, i.e at 58.5 per cent (see Economic Report Malaysia, 2010).

* Corresponding author.
Email address: mshahar@tmsk.uitm.edu.my

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Table 1. Share of the gross domestic product by sectors in Malaysia 2008-2010

Sectors	Share of GDP (%) 2008	2009	2010
Agriculture	7.5	7.6	7.6
Mining	8.1	8.1	7.9
Manufacturing	29.1	26.4	26.2
Construction	3.0	3.2	3.2
Services	55.0	57.9	58.5
Less: FISIM	3.9	4.3	4.5
Add: Imports	1.3	1.2	1.1
GDP	100.0	100.0	100.0

*Source: Economic Report Malaysia, 2010.

Table 1 above shows the contributions of all sectors to the GDP in Malaysia from 2008 to 2010. The table depicts that agricultural contribution to the GDP was almost flat at around 7.6 per cent in 2009 and 2010, while in manufacturing sector the contribution decreased from 29.2 per cent in 2008 to 26.2 per cent in 2010. However, as mentioned earlier, the service sector contributed more than twice to the GDP (58.5 per cent) as compared to manufacturing in 2010.This signifies the importance of service sector in enhancing economic growth in Malaysia beyond 2010.

2. Performance of Service Sub-sectors

The performance of the various service sub-sectors for the years 2008 and 2010 can be shown as in Table 2 below.

Table 2. Service sub-sectors and share of GDP in 2008 and 2010.

Sectors	Change (%) 2008	Change (%) 2010	Share of GDP (%) 2008	Share of GDP (%) 2010
Intermediate Services:				
Transport & storage	6.1	2.1	3.8	3.8
Communication	7.3	6.6	3.9	4.4
Finance and insurance	7.7	4.0	11.0	11.8
Real estate and business	1.5	3.1	5.1	5.4
Final Services:				
Utilities	2.1	1.8	2.9	2.9
Wholesale and retail	9.8	3.5	12.8	13.5
Accomm. & Restaurants	7.3	3.1	2.4	2.6
Other Services	5.2	5.0	5.7	6.3
Government Services	11.1	2.8	7.4	7.8
Total	7.2	3.6	55.0	58.5

*Sources: Department of Statistics (DOSM), Malaysia 2010, 2011.

From table 2, it reveals that for the year 2008 high growth were seen in government services (11.1 per cent) followed by wholesale and retail trade (9.8 per cent) and finance and insurance services (7.7 per cent). On the other hand, in 2010 prominent growth were seen in telecommunication (6.6 per cent), other services (5 per cent) and finance and insurance (4 per cent) sub-sectors, although the rate of growth was not as high compared to 2008.

In terms of percentage contribution to the GDP the highest share was shown in wholesale and retail trade (12.8 per cent) and finance and insurance (11 per cent) in 2008. The same two sub-sectors showed the highest