

Uneven Development: Structural Changes and Income Outcomes across States in Malaysia

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Abstract : This paper looks at the nature of structural changes—the transition of employment from agriculture, to manufacturing, then to different types of services—in different states in Malaysia and links it to income outcomes for households and workers. Specifically, this paper investigates the conditional association between the concentration of different economic activities and income outcomes (household incomes and employee wages) in almost four decades. Using publicly available state-level employment and income data, we found that significant wage premium was associated with “modern” services (finance, real estate, professional, information and communication), which are urban-based services sectors that employ a larger proportion of skilled and educated workers. However, employment in manufacturing and other services subsectors was significantly associated with a lower income dispersion and inequality, alluding to their importance in welfare improvements.

Keywords : employment, labor market, structural change, wage

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