

POVERTY IN THE NEW MILLENNIUM - CHALLENGES FOR MALAYSIA

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Introduction

The new millennium poses numerous challenges for Malaysia, which is on its path to recovery from the financial crisis that rocked the Asian region in the late nineties. Prior to the crisis Malaysia had achieved tremendous strides its poverty eradication efforts, the overall incidence of poverty declined from 52.4 % in 1970 to 6.8% in 1997 while the total number of poor households fell from one million to 294,400 over the same period. The commendable progress in poverty eradication was largely due to the rapid economic growth rates which contributed significantly to poverty reduction and the relentless efforts of the government in prioritising poverty eradication as a major development objective and formulating specific policies and programmes eradicate poverty.

The crisis has had adverse impacts on poverty reduction in Malaysia. In addition to swelling the ranks of the poor and dampening poverty eradication efforts the crisis poses challenges for existing poverty eradication strategies, policies and programmes. The overall incidence of poverty increased to from 6.8% to 7.6% between 1997 and 1998 while the incidence of hardcore poverty increased from 1.4% to 1.5% over the same period with the number of poor and hardcore poor households increasing to 393,900 and 79,600 respectively.

The impact of the crisis has been most critical on the urban poor, the near poor and migrant workers all of whom have been affected by contraction in employment, escalating food prices and inflation. The impact of the crisis on employment is evidenced by contraction in employment resulting in increasing unemployment and retrenchment. Between 1996 and 1998 unemployment rates increased from 2.6% to 3.9% 1998 while the number of workers retrenched more than doubled from 8000 to 19,000 between 1996-1997 as a result of restructuring, downsizing, bankruptcy, closure and relocation of business. The majority of the retrenched workers were from the manufacturing (54%) and construction (11.1%) sectors. and this has important implications for female workers the urban poor and the foreign workers who are significantly represented in these two sectors.

Poverty in Malaysia –Some Theoretical Concerns

The theoretical concerns with poverty are related to the manner in which poverty is conceptualised and measured and its relevance given changes in

poverty dimension and profile. Poverty in Malaysia is conceptualised in both absolute and relative terms Absolute poverty is measured in terms of the Poverty Line Incomeⁱ Relative poverty is defined in terms of inequality between groups and is measured by using income disparity ratio of income groups ethnic urban and rural In addition relative poverty is defined as the proportion of household earning in incomes less than half the mean or median income. The concept of hardcore poverty was introduced in 1989 to give special emphasis to the needs of the very poor. Households whose gross monthly incomes were below half the PLI were classified as hardcore poor.

Poverty measures currently used suffer from inherent weaknesses which impinge upon their ability to reflect the multi dimensional nature of poverty and its various manifestations. Existing poverty measures have to be supplemented with other indicators of the quality of life and to this end the Malaysian Quality of Life Index has been developed in 1999ⁱⁱ

The Changing Dimension of Poverty

Policy responses to poverty in the new millennium have to take cognisance of the changing dimension of poverty in Malaysia. Poverty in Malaysia still continues to retain its ethnic and sectoral overtones with poverty levels being highest amongst Bumiputraⁱⁱⁱ households, in the states of Kelantan, Trengganu and Sabah and amongst the self employed While both absolute and rural poverty have declined considerably due to past poverty eradication efforts there are indications that relative and urban poverty is worsening, new forms of poverty are emerging and inequalities are increasing. Malaysia had the highest income disparity in the Asia Pacific region with an income disparity ratio of 11.7 % between the richest 20% and poorest 20% of the population in 1999.

While income distribution patterns in the period 1970-1990 showed improvements with declining income inequalities, the period of the nineties showed a reversal of these trends. The Gini coefficient increased from 0.446 in 1990 to 0.470 in 1997 with the income disparity ratio between urban and rural households increasing from 1.70 to 2.04 over the same period. Income disparities in Malaysia have significant racial overtones and income disparities between Bumiputra and non Bumiputra household have been widening since the nineties despite affirmative policy measure to narrow the gap between these households. In 1997, 70.2 % of households in the bottom 40% income group were Bumiputra while 62.7% of household in the top 20% income bracket were non Bumiputra.

Relative poverty in the context of growing affluence has the potential to be politically volatile as some groups or factions within the country are deprived from enjoying the benefits of development Such groups despite an improvement in socio economic status in absolute terms continue to feel a sense of deprivation and frustration. Most of them belong to poorest groups in villages, settlement plantations and in the urban sector.

One major challenge is coping with changing dimensions of poverty. In the past poverty in Malaysia was largely perceived as a rural problem with strategies, programmes and development expenditure reflecting a strong rural bias. However with rapid urbanisation structural transformation and rural urban migration urban poverty has become more critical than rural poverty. The majority of new households in poverty as a result of the crisis was from the urban areas where contraction in economic activities in the construction and manufacturing sector resulted in retrenchment, and unemployment and inflation were greater. The conceptualisation of poor household on the basis of a single poverty line Income for rural and urban areas will underestimate the scale of urban poverty and exclude large numbers of the poor from policies and programmes. Urban poverty is caused by multiple deprivation which are not adequately reflected in the current PLI as urban households require higher incomes to avoid poverty. Households that are classified as near poor also require policy attention as they are the most vulnerable groups during a crisis and are likely to move into poverty. Existing policies and programmes with their inherent biases towards the rural sector are unlikely to make a serious impact on urban poverty.

Poverty eradication efforts also have to address the problems of persistent poverty amongst the indigenous people or 'Orang Asli' and Indian segment of the population. The "Orang Asli" represent a classic case of victims of development. The rapid expansion of development projects especially infrastructural projects have had an impact on the material and ritual culture of the 'Orang Asli' which are linked to the forest and ancestral land as well as on their everyday form of material culture of the community. Past efforts to improve socio economic status have but encroaching into the economic cultural and social spheres of the community and in the absence of a concerted policy to protect material culture living and art skills the cultural identities of the 'Orang Asli' would be comprised in the development process. The 'Orang Asli' risk losing their autonomy and control over traditional land and the resources in it.

Large segments of the Indian population especially those involved in the plantation sector also experience high levels of poverty. The Indian community is largely poor and in some cases very poor. The environment in the plantation is hardly conducive for attaining a decent education or acquiring critical skills that are needed in the modern sector of the economy. Poverty becomes a way of life and when the plantation economy gives way to development project the estate labour force is displaced and migrate to the urban areas joining the ranks of the urban poor and live in squatter areas. These displaced people with low levels of education and skills are largely unemployable and find themselves competing with foreign workers for low paying dead end type of jobs thus perpetuating their poverty. The majority find themselves alienated and excluded from markets institutions that define legitimate career path and work function. Escapes from poverty take on the easiest but not necessarily the most legitimate form. The incidence of involvement of Indian is organised and serious crime, drug racketeering and gambling has been on the increase. Recent statistics show an alarming crime statistics involving the Indian community with numbers disproportionate to

their population composition. This results in the community being marginalised and socially stigmatised. The failure of effective community leadership and poor performance of community based organisations have contributed to immiserisation of segments of Indian community which have neither economic nor political clout. Solutions for the problems of the community should transcend narrow ethnic boundaries and be conceived as a comprehensive part of overall development effort.

New forms of poverty have also emerged in the country as a result of rapid economic growth and the development process itself. The dynamic changes created by the process of economic transformation have resulted in social consequences and increasing poverty levels for vulnerable groups. These include single female headed households, migrant workers, unskilled workers, the 'Orang Asli' and other indigenous people of East Malaysia, the poor and elderly left behind in areas of significant out migration. The underdevelopment of the rural areas and the growing privatisation of resources and commercialisation of activities impoverish certain groups and marginalised weaker sections in society especially in the rural areas who find their costs of living escalating. This applies in particular to common property resources where traditional claims to right have eroded in the face of increasing commercialisation.

The new millennium also poses challenges for health and education, which are two significant dimensions of human resource development. The challenges for health are to continue to provide increasing health care access for all segments of the population in the light of escalating drug cost, changing disease patterns increasing specialisation in medical services, rising wages and space costs. The prevalence of non-communicable diseases like lifestyle related illnesses, environmental health and occupational diseases and the increasing incidence of HIV/AIDS pose additional challenges for the already strained health system. Increasing life expectancy and its impact on the demographic patterns have resulted in increasing the number of senior citizens who due to the breakdown of the family support system also demands for the health services and professionals. The presence of foreign workers in addition to making demand on health care have also contributed to the resurgence of disease like tuberculosis, hepatitis and malaria and cholera which had previously been eradicated and the health care system has to continue to allocate its limited resources to curtail these diseases. The impending privatisation of health care will have adverse effects on vulnerable groups especially the poor and low-income household who are likely to reduce investments in health to sub optimal levels.

Education has played a key role in attaining national development objective by contributing toward poverty reduction and reducing social inequities. The challenges for education here identifies shortages of qualified personnel, as inequities in access due to shortages in infrastructure ensuring greater access to high quality technological education and inefficiencies in management due to shortages in technical and managerial skills.

Globalisation, liberalisation and Malaysia's current development policies pose numerous challenges, which have direct and indirect implications for poverty. Malaysia is poised to leapfrog into the information age with the establishment of the Multimedia Super Corridor, 15 by 54 kilometre global electronic testbed and emphasis on the k economy. The information technology sector is pivotal in pushing Malaysia into the ranks of the developed countries by the year 2020. The restructuring of the Malaysian economy toward capital intensive and high value added activities would increase the demand for knowledge and skilled human resources. The k economy requires broad competencies and access to these competencies have to be assured for all segments of society. Racial and regional disparities in academic performance in subjects critical to the k economy have been observed. The performance of 'Bumiputra' and rural students fall below that of the urban and non 'Bumiputra' students. If remedial measures are not undertaken to the benefits of the k economy will elude segments of the population widen racial inequality and increase the digital divide between the poor and non poor.

The crisis pushed the issue of foreign workers to the forefront of policy debate for several reasons. The presence of migrant workers, their remittance abroad, perceived competition between local and migrant workers for employment and the anticipated influx of large numbers of foreigners from neighbouring countries caught up in severe turmoil all emerged as pressing concerns.

Foreign workers account for about 20% of the labour force and this has important implications for poverty, and human resource development. The tightening labour market of the nineties saw a large influx of foreign workers both legal and illegal into the country. While their presence was initially seen as necessary input for attaining development goals the current policy advocates a tightening of employment of foreign labour as the long term dependence on foreign labour largely unskilled is seen as an impediment toward achieving higher technology skills productivity and greater automation in the production process. The increasing number of foreigners in poverty in the post crisis period have contributed to the increasing incidence of poverty. The non citizens as a proportion of poor household more than doubled between 1990 and 1997 from 7% to 15%. The presence of foreign workers exacerbates poverty problems especially in the urban areas with demand on amenities like housing health and education. In addition the presence of foreign workers intensifies the competition for employment in the informal sector and for low wage jobs. The easy availability of unskilled workers at low wage rates intensified during the crisis contributed to wage rates being depressed and a reluctance on the part of employers to increase wage rates, invest in capital intensification and human resource developments thus resulting in low productivity.

The crisis has also intensified the vulnerability of foreign workers and long terms solutions to resolving the foreign workers issue have to go beyond existing policies of regularisation and repatriation. These policies have to be formulated within the context of the various forces that impact upon labour

mobility and regional solutions which incorporate the human rights elements of foreign workers are needed.

Existing strategies for poverty eradication given their inherent weakness are unlikely to resolve the poverty problem. There is need to formulate policies and programmes that go beyond addressing the economic causes of poverty. In addition the responsibility for poverty eradication has to be shared by all sectors of society especially since the government has embarked on reducing its role in the economy through liberalisation, decentralisation and privatisation. The moral and ethical dilemma with respect to poverty is succinctly exposed by Stewart^{iv} who sees poverty as the worst scourge of underdevelopment and an attack on poverty as an intrinsic aspect of the development policy. In addition there is a human imperative to eliminate poverty arising from the recognition that human beings are the most important economic resources and the social return to poverty reduction are high.

Relative deprivation in the face of growing affluence and the desire to attain the good life with all its material frills can create destabilising forces which weaken the moral and ethical fibre of society. There are indications that the moral and ethical fabric of the Malaysian society is gradually being eroded. ^vThis is manifested in a number of ways in terms of social violence, crimes, challenges to the family institution, lack of ethical responsibility and increasing corruption. The lack of honesty accompanied by the rise of corruption is of growing concern and has spread to almost every sphere of society, sports, entertainment, politics, business and government. The impact of this on the poor is profound. In addition to the danger of poverty eradication mechanism being tainted with corrupt practices, the poor who lack resources are not in a position to buy favours and thus become further impoverished both in absolute and relative terms as political and other contact rather than acute need become the ultimate criteria in determining access.

The Future Direction of Poverty

Poverty eradication strategies of this millennium will have to incorporate elements of good governance and social development. In addition these strategies have to be gender sensitive, pro-poor, participatory and specifically tailored to meet the heterogeneous nature of poverty groups. The current strategy expounded in the recent World Development Report^{vi} with emphasis on creating opportunities, facilitating empowerment and enhancing security

ⁱ In the Malaysian context the PLI is RM. 460 for a household of 4.6 person in Peninsula Malaysia and RM. 633 and RM. 543 for a household size of 4.9 in Sabah and 4.8 in Sarawak in 1997

ⁱⁱ Quality of Life is defined as encompassing personal advancements, a healthy lifestyle, access and freedom to pursue knowledge and a standard of living which surpasses the fulfillment of basic needs of individuals and their psychological needs to achieve a level of social well-being compatible with the nation's aspirations. The Malaysian Quality of Life Index is computed using 38 indicators derived from ten key areas which are income and distribution, working life, transport and communication, health education, housing environment, family life, social participation and public safety. Malaysian Quality of Life 99, Economic Planning Unit, Prime Minister's Department, Malaysia

ⁱⁱⁱ 'Bumiputra' which translates literally as 'Sons of the Soil' was used to distinguish the Malays who are one of the major ethnic groups in Malaysia from the non-Malays. The Malays are defined in the

Constitution Article 160(2) as persons who profess the Muslim religion, habitually speak Malay and conform to Malay customs. The term 'Bumiputra' has since the formation of Malaysia assumed a special legal meaning and currently included the Malay as defined by the constitution, the indigenous peoples of Sabah and Sarawak and the aboriginal groups or 'Orang Asli' of Malaysia "

^{iv} Stewart, F as quoted in Askwith M," Poverty Reduction and Sustainable Human Development : Semantics or Substance Institute of Development Studies DP 345 November 1994 p6

^v Chandra Muzaffar " The Way Forward Establishing A Fully Moral and Ethical Society Aliran 17(5) 1997

^{vi} World Development Report 2000/2001 Attacking Poverty Published for the World Bank Oxford University Press 2000