

Poverty in Malaysia

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Malaysia's Vision 2020, established in 1991, outlines the country's aspirations to emerge as a developed, high-income nation by the year 2020. Malaysia's economic development since independence has been rapid, with the main economy moving away from raw commodity exports, and focusing on industrialisation as well as manufacturing exports. Even so, not all citizens are able to benefit fully from the country's economic progress, as poverty still persists as a problem for Malaysia.

In the first decade of independence, poverty in Malaysia was considered widespread, with poverty rates sitting at 49.7% in 1970. The Malaysian government has conceived plans and programs, most notably the New Economic Policy (NEP)¹, to combat poverty and inequality issues, but despite relative success and the emergence of a prosperous urban middle-class, poverty remains an issue.

Historically, the absolute poverty lens has always been utilised as primary measure of poverty for Malaysia. The incidence of poverty for Malaysia is defined as the percentage of households that has a gross monthly household income lower than the predetermined Poverty Line Income (PLI). The PLI is different across strata and Peninsular Malaysia, Sabah and Sarawak, where rural areas record a lower PLI in comparison to urban areas (Table 1). Sabah and Sarawak also have a PLI higher than that of Peninsular Malaysia.

Table 1: Poverty Line Income, Malaysia, 2016

| Region | RM/month | | |
|---------------------|----------|-------|-------|
| | Total | Urban | Rural |
| Peninsular Malaysia | 960 | 970 | 880 |
| Sabah & W.P. Labuan | 1180 | 1170 | 1220 |
| Sarawak | 1020 | 1070 | 940 |

Source: Household Income Survey, 2016, Department of Statistics, Malaysia

From a statistical point of view, significant increases in household income has almost completely eradicated hardcore poverty, as the Department of Statistics stopped recording incidences of hardcore poverty from 2012 onwards. The last recorded national incidence of hardcore poverty was 0.2 in 2012. It should be noted, however, that pockets of hardcore poverty still exist in Malaysia, most particularly in rural areas, where incidence of hardcore poverty was 0.6 in 2012, compared to urban areas at 0.1. Sabah, for example, had a comparatively high incidence of hardcore poverty of 1.6 in 2012.

Using the perspectives of household income and the PLI, the incidence of poverty in Malaysia has reduced greatly over last few decades (Table 2). Notably, marked improvement in poverty was seen after the implementation of the NEP in 1972, where the national incidence of poverty was more than halved in a period of 14 years (from 1970 to 1984). The equivalent was observed for most individual states, with some states such as Johor and Selangor seeing a reduction of 73.3% and 70.5% respectively, in the same time period. As the economy progresses, the continual steady decline of poverty saw poverty rates for all states, with the exception of Sabah, dropping below 1% in 2016, with some of the more developed states seeing a zero incidence of poverty.

¹ The NEP aims to achieve national unity and harmony, and to foster nation building by restructuring the society from socio-economic aspects, in addition to eradicating poverty. The NEP is an affirmative action policy, to be achieved through social reengineering programs.

Table 2: Incidence of poverty by state, 1970 – 2016

| State | Year | | | | | | | | | | | | | | | | |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | 1970 | 1976 | 1979 | 1984 | 1987 | 1989 | 1992 | 1995 | 1997 | 1999 | 2002 | 2004 | 2007 | 2009 | 2012 | 2014 | 2016 |
| Malaysia | 49.7 | 37.7 | 37.4 | 20.7 | 19.4 | 16.5 | 12.5 | 8.7 | 6.1 | 8.5 | 6.0 | 5.7 | 3.6 | 3.8 | 1.7 | 0.6 | 0.4 |
| Johor | 45.7 | 29.0 | 18.2 | 12.2 | 11.1 | 9.8 | 5.6 | 3.1 | 1.6 | 3.1 | 2.5 | 2.0 | 1.5 | 1.3 | 0.9 | 0.0 | 0.0 |
| Kedah | 63.2 | 61.0 | 53.8 | 36.6 | 31.3 | 29.9 | 21.2 | 12.2 | 11.5 | 14.2 | 9.7 | 7.0 | 3.1 | 5.3 | 1.7 | 0.3 | 0.2 |
| Kelantan | 76.1 | 67.1 | 55.0 | 39.2 | 31.6 | 29.6 | 29.5 | 22.9 | 19.2 | 25.2 | 17.8 | 10.6 | 7.2 | 4.8 | 2.7 | 0.9 | 0.4 |
| Malacca | 44.9 | 32.4 | 20.4 | 15.8 | 11.7 | 12.4 | 8.5 | 5.3 | 3.5 | 2.9 | 1.8 | 1.8 | 1.8 | 0.5 | 0.1 | 0.1 | 0.0 |
| Negeri Sembilan | 44.8 | 33.0 | 26.3 | 13.0 | 21.5 | 9.1 | 8.1 | 4.9 | 4.7 | 4.1 | 2.6 | 1.4 | 1.3 | 0.7 | 0.5 | 0.4 | 0.2 |
| Pahang | 43.2 | 38.9 | 26.9 | 15.7 | 12.3 | 10.0 | 6.9 | 6.8 | 4.4 | 9.8 | 9.4 | 4.0 | 1.7 | 2.1 | 1.3 | 0.7 | 0.2 |
| Penang | 43.7 | 32.4 | 19.7 | 13.4 | 12.9 | 8.7 | 4.0 | 4.0 | 1.7 | 0.7 | 1.2 | 0.3 | 1.4 | 1.2 | 0.6 | 0.3 | 0.1 |
| Perak | 48.6 | 43.0 | 30.5 | 20.3 | 19.9 | 19.2 | 10.2 | 9.1 | 4.5 | 6.8 | 6.2 | 4.9 | 3.4 | 3.5 | 1.5 | 0.7 | 0.2 |
| Perlis | 73.9 | 59.8 | 63.1 | 33.7 | 29.1 | 17.4 | 19.8 | 11.8 | 10.7 | 13.6 | 8.9 | 6.3 | 7.0 | 6.0 | 1.9 | 0.2 | 0.1 |
| Selangor | 29.2 | 22.9 | 14.5 | 8.6 | 8.9 | 7.6 | 4.3 | 2.2 | 1.3 | 1.9 | 1.1 | 1.0 | 0.7 | 0.7 | 0.4 | 0.2 | 0.0 |
| Terengganu | 68.9 | 60.3 | 53.1 | 28.9 | 36.1 | 31.3 | 25.6 | 23.4 | 17.3 | 22.7 | 14.9 | 15.4 | 6.5 | 4.0 | 1.7 | 0.6 | 0.4 |
| Sabah & W.P. Labuan | - | 58.3 | 40.7 | 33.1 | 35.3 | 29.7 | 27.8 | 22.6 | 16.5 | 23.4 | 16.0 | 23.0 | 16.0 | 19.2 | 7.8 | 3.9 | 2.8 |
| Sarawak | - | 56.6 | 47.8 | 31.9 | 24.7 | 21.0 | 19.2 | 10.0 | 7.3 | 10.9 | 11.3 | 7.5 | 4.2 | 5.3 | 2.4 | 0.9 | 0.6 |
| W.P. Kuala Lumpur | - | - | - | 4.9 | 5.2 | 3.7 | 1.7 | 0.5 | 0.1 | 0.4 | 0.5 | 1.5 | 1.5 | 0.7 | 0.8 | 0.1 | 0.0 |
| W.P. Putrajaya | - | - | - | - | - | - | - | - | - | - | - | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Household Income Survey 2016, Department of Statistics, Malaysia and Ministry of Economic Affairs, Malaysia

Table 3: Incidence of poverty by state and strata, Malaysia, 2009 - 2016

| State | Year | | | | | | | | | | | |
|-------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2009 | | | 2012 | | | 2014 | | | 2016 | | |
| | Total | Urban | Rural | Total | Urban | Rural | Total | Urban | Rural | Total | Urban | Rural |
| Malaysia | 3.8 | 1.7 | 8.5 | 1.7 | 1.0 | 3.4 | 0.6 | 0.3 | 1.6 | 0.4 | 0.2 | 1.0 |
| Johor | 1.3 | 0.8 | 2.6 | 0.9 | 0.7 | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Kedah | 5.3 | 2.2 | 7.6 | 1.7 | 1.1 | 2.6 | 0.3 | 0.3 | 0.2 | 0.2 | 0.1 | 0.2 |
| Kelantan | 4.8 | 3.0 | 5.8 | 2.7 | 1.8 | 3.4 | 0.9 | 0.8 | 1.0 | 0.4 | 0.3 | 0.6 |
| Melaka | 0.5 | 0.3 | 1.2 | 0.1 | 0.2 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Negeri Sembilan | 0.7 | 0.7 | 0.8 | 0.5 | 0.5 | 0.3 | 0.4 | 0.1 | 0.8 | 0.2 | 0.0 | 0.8 |
| Pahang | 2.1 | 0.7 | 3.5 | 1.3 | 1.1 | 1.4 | 0.7 | 0.2 | 1.2 | 0.2 | 0.1 | 0.3 |
| Pulau Pinang | 1.2 | 1.1 | 1.7 | 0.6 | 0.5 | 1.0 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 | 0.0 |
| Perak | 3.5 | 2.1 | 6.0 | 1.5 | 1.1 | 2.2 | 0.7 | 0.5 | 1.5 | 0.2 | 0.1 | 0.5 |
| Perlis | 6.0 | 4.1 | 7.3 | 1.9 | 0.9 | 2.6 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 |
| Selangor | 0.7 | 0.4 | 3.2 | 0.4 | 0.2 | 2.3 | 0.2 | 0.2 | 0.6 | 0.0 | 0.0 | 0.0 |
| Terengganu | 4.0 | 2.0 | 6.1 | 1.7 | 1.5 | 2.0 | 0.6 | 0.4 | 1.0 | 0.4 | 0.4 | 0.5 |
| Sabah | 19.7 | 9.8 | 32.8 | 8.1 | 5.3 | 12.7 | 4.0 | 1.9 | 7.4 | 2.9 | 1.6 | 5.3 |
| Sarawak | 5.3 | 2.3 | 8.4 | 2.4 | 1.1 | 4.0 | 0.9 | 0.5 | 1.6 | 0.6 | 0.3 | 1.1 |
| W.P. Kuala Lumpur | 0.7 | 0.7 | n.a. | 0.8 | 0.8 | n.a. | 0.1 | 0.1 | n.a. | 0.0 | 0.0 | n.a. |
| W.P. Labuan | 4.3 | 4.4 | 3.9 | 1.1 | 0.6 | 2.7 | 1.1 | 1 | 2.3 | 0.0 | 0.0 | 0.0 |
| W.P. Putrajaya | - | - | n.a. | - | - | n.a. | - | - | n.a. | 0.0 | 0.0 | n.a. |

Source: Household Income Surveys 2009 – 2016, Department of Statistics, Malaysia.

However, it is important to recognise that there is a distinction between urban poverty and rural poverty. As Table 3 illustrates, poverty has always been more prevalent in the rural areas. Sabah, the state with the highest incidence of poverty, has rural poverty rates 2.3 times higher than that of its urban poverty rates. Sabah (as well as Sarawak) is home to large communities of ingenious people, and these minority groups are heavily concentrated in the lower strata of income. Nevertheless, it should be noted that overall poverty rates in Sabah had greatly improved over a period of 7 years. Developed states such as Selangor, Johor and Penang had zero incidences of poverty in their respective rural areas, although interestingly, Penang's incidence of poverty in urban areas sat at 0.1.

Table 4: Incidence of poverty by ethnicity and sex of head of household, Malaysia, 2009 – 2016

| Ethnicity | Year | | | | | | | | | | | |
|-----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2009 | | | 2012 | | | 2014 | | | 2016 | | |
| | Total | Male | Female | Total | Male | Female | Total | Male | Female | Total | Male | Female |
| Malaysia | 3.8 | 3.7 | 4.1 | 1.7 | 1.6 | 2.1 | 0.6 | 0.6 | 0.8 | 0.4 | 0.3 | 0.4 |
| Bumiputera | 5.3 | 5.3 | 5.3 | 2.2 | 2.2 | 2.6 | 0.8 | 0.8 | 0.9 | 0.5 | 0.5 | 0.5 |
| Chinese | 0.6 | 0.6 | 0.6 | 0.3 | 0.2 | 0.3 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 |
| Indian | 2.5 | 1.9 | 5.5 | 1.8 | 1.5 | 3.3 | 0.6 | 0.5 | 0.9 | 0.1 | 0.1 | 0.3 |
| Others | 6.7 | 6.6 | 6.8 | 1.5 | 1.9 | 0 | 0.9 | 0.8 | 1.2 | 1.5 | 1.2 | 2.4 |

Source: Household Income Surveys, 2009 – 2016, Department of Statistics, Malaysia, 2016

In considering poverty by ethnic groups, the Bumiputeras² has consistently recorded a higher incidence of poverty in comparison to the Chinese and the Indians (Table 4). Incidence of poverty for the Bumiputeras was 0.5 in 2016, while the Chinese and Indians had a significantly lower incidence of

² The Bumiputeras, in addition to the Malays, also includes the indigenous people (Orang Asli) of Malaysia. Poverty is considered widespread among the indigenous people, particularly the groups in Sabah and Sarawak.

poverty of 0.1 Poverty rates are higher in female-headed households across all ethnicities from 2009 – 2014, before equalising in 2016, but female-headed Indian households still saw a higher incidence of poverty (0.3) compared to male-headed Indian households (0.1).

The household income survey (HIS) published in 2016 showed that the mean monthly household income for male-headed households were approximately 32.8% higher than female-headed households. Urban male-headed households earn a median monthly household income 33.1% higher whilst for rural male-headed households, the difference was 27.7% higher, in comparison to their female counterparts. In this sense, it can be inferred that female-headed households are more vulnerable to poverty.

The Malaysian government, through the 10th Malaysian Plan (10MP) had shifted its focus to the group that is susceptible to poverty – namely the bottom 40% (B40) in the income percentile. Looking at the cut-off threshold for income groups, nationally, a household earning less than RM 4,360 would be considered in the B40 group. The cut-off threshold for urban households, as stated in the 2016 HIS, is RM 4,930, and for rural areas, it is RM 3,010. Reflecting on these thresholds, it also meant that 34.9% of total households in Malaysia are categorised as B40, and within that, approximately 40.9% of urban households and 39.8% of rural households are in the same group. Furthermore, the 2016 HIS stated that the overall mean monthly household income for the B40 was RM 2,848, and it was RM 3,262 and RM 1,969 for urban and rural areas respectively. The B40 group is considered vulnerable, yet the mean household income more than three times than that of the PLI.

Nevertheless, poverty cannot be predominantly determined by income and the PLI alone. Changes in the PLI are solely based on income, and failed to capture the multi dimensions of poverty. In addition, the PLI has been criticised by stakeholders as being too low to reflect the actual situation on the ground, most particularly for the urban poor. Realistically, a monthly household income of RM 970 (as determined by the urban PLI in 2016) is not enough to sustain a decent living in urban areas such as Kuala Lumpur, especially for a family.

Poverty should be a relative concept. When we discuss the poor, they should be those who are considerably worse off than the majority of the population – a level of deprivation heavily out of line with the general living standards enjoyed by the majority of the population, and is not just constricted to income levels. Cash transfer programmes established by the federal government (Bantuan Sara Hidup) and some state governments (for example, Agenda Ekonomi Saksama in Penang) only approach poverty alleviation from the perspective of income. Furthermore, these programmes generally do not function to reduce inequality, nor do they generate income.

Hence, poverty in Malaysia should also be defined by the prevalence of social exclusion. The lack of regular access to basic services such as education, healthcare, nutrition, housing, water supply and sanitation is an important dimension of poverty. This is especially predominant in the indigenous (Orang Asli) communities, particularly the communities in Sabah and Sarawak. These communities still suffer from hardcore poverty, despite the national proclamation of the complete eradication of hardcore poverty. The inability to obtain regular healthcare services is especially detrimental. Recently, the plight and the neglect of the Bateq tribespeople in Kuala Koh, Kelantan was brought into national attention, where the people in the community were dying from unexplained circumstances. These are the groups that are denied access to the most basic needs of life, including proper water supply and sanitation.

The access to mainstream education for indigenous communities is also lacking. Orang Asli children in mainstream schools documented a high rate of drop-out, which is a huge concern. Beyond the

indigenous groups, the educational level of the vulnerable B40 groups is also low, with majority of them achieving an education level of no higher than secondary education. Intergenerational poverty, especially in rural areas, will persist if the children are unable to gain access to education, and if they are unable to recognise the importance of education, as with their parents before them.

The inability to sustain steady income and employment is another aspect where the vulnerable groups are considered socially excluded. The poorer households in the bottom 40% are mostly low-skilled, and lacking in formal skills and training, and therefore, will be disadvantaged when it comes to access to employment opportunities. The urban poor is especially affected, given competition with foreign migrants.

Insufficient access to information is another aspect where the poor has been socially excluded. Specifically, information regarding the available poverty alleviation programmes are at times not made known to those who need them the most, most particularly the poor in isolated rural areas.

In conclusion, conceptualising poverty on the sole basis of income will not capture the levels of social and welfare deprivation of the poor, and their actual living standards will not be accurately depicted. Poverty alleviation programmes policies should include crucial social dimensions such as education and healthcare, and has to be customised to meet the needs of different groups in urban and rural areas. The programmes and policies also has to be sustainable, and an exit plan is essential, in order to break the cycle of intergenerational poverty. Freedom from poverty should be a fundamental human right, as each and every person in Malaysia should be afforded a decent and dignified standard of living.