

Poverty In Malaysia: A Multidimensional Perspective

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Poverty in Malaysia is Not What You Think

Did you know that about 84.3% of multidimensionally poor people in the world can be found in Sub-Saharan Africa and South Asia? The South Asian region alone is home to 530 million of the poor, while Sub-Saharan Africa has 558 million poor living in their lands.[1]

Out of the global percentage of poor people, 67% of them are from middle-income countries. It is here that the incidence of multi-dimensional poverty can range from 0-57% nationally, and 0-91% sub-nationally.[1]

What does this tell us? It means that **just because a country is not classified as poor, or is ranked higher on an international index, it does not mean that its people are not living in poverty.**

Multidimensional Poverty as The New System

Multidimensional poverty is a **measurement of the lack at the household and individual level in health, education and standard of living.** The Multi-dimensional Poverty Index (MPI) collects data to reflect the incidence, which is the headcount, and the intensity, which is the degree of severity using the average deprivation score.[2]

The MPI allows us to have a comprehensive understanding of the various levels of poverty that people experience and can be used to compare poverty across various countries, and regions. It can also be used within a country to compare poverty amongst ethnic groups, urban and rural locations, and other community characteristics.[2]

When it comes to regions within a country, for every developing nation, the percentage of multidimensionally poor people is higher in rural areas compared to urban areas. For South Asia, 465 million people (37.6%) in rural areas are listed as multidimensionally poor, whereas 65 million (11.3%) people for urban areas.[1]

But what are the sort of deprivations that affect those categorised as multidimensionally poor? The United Nations have found that **20.4% of people in developing countries lack access to clean cooking fuel and need urgent attention.** These countries include those located in both rural and urban areas of Sub-Saharan Africa, the Arab States, Latin America, the Caribbean and South Asia.[1]

Environmental deprivation is also alarmingly high in South Asia. The United Nations found that at least 26.8% of the population (486 million people) lack access to one of the three environment indicators listed in Table 1.[1]

Dimensions of Poverty	Indicator	Deprived if living in the household where...	Weight
Health	Nutrition	Any adult under 70 years of age or any child for whom there is nutritional information is undernourished. ¹	1/6
	Child mortality	Any child under the age of 18 years has died in the family in the five-year period preceding the survey. ^{2,3}	1/6
Education	Years of schooling	No household member aged 'school entrance age + six' years or older has completed six years of schooling.	1/6
	School attendance	Any school-aged child is not attending school up to the age at which he/she would complete class eight. ⁴	1/6
Standard of living	Cooking Fuel	The household cooks with dung, wood, charcoal or coal.	1/18
	Sanitation	The household's sanitation facility is not improved (according to SDG guidelines) or it is improved but shared with other households. ⁵	1/18
	Drinking Water	The household does not have access to improved drinking water (according to SDG guidelines) or improved drinking water is at least a 30-minute walk from home, round trip. ⁷	1/18
	Electricity	The household has no electricity. ⁸	1/18
	Housing	At least one of the three housing materials for roof, walls and floor are inadequate: the floor is of natural materials and/or the roof and/or walls are of natural or rudimentary materials. ⁹	1/18
	Assets	The household does not own more than one of these assets: radio, television, telephone, computer, animal cart, bicycle, motorbike or refrigerator, and does not own a car or truck. ¹⁰	1/18

Table 1: [The 2020 Global Multidimensional Poverty Index \(MPI\)](#)

Table 1 shows the MPI and its weight points. It focuses on three main dimensions and **10 indicators of education, health and standard of living. Anyone who is deprived of at least 1/3 of these weighted indicators are categorised as multidimensionally poor.**

Why not use Gross Domestic Product?

Some might wonder why the MPI is used rather than the Gross Domestic Product (GDP). In addition, what is the difference between MPI and GDP, if both are used in research by the United Nations? Neither are invalid, rather it is the source of information and the intent of the research which influences which system is used.

GDP is a way to measure the monetary value of services and goods that are part of a country's output. It is usually measured in a specific given period, through quarterly or yearly reports. One important thing to note is that GDP even includes non-market production, for example, education and defence services that are provided by the government.[3]

However, all this is not even 'real' GDP. In order to calculate 'real' GDP, the value must be adjusted according to the rates of inflation. Doing this allows for a more accurate understanding of the output value.[3] If the numbers in the GDP is high, 'real' GDP would show if the output value increased due to a higher production of said item, or if it's it because of a simple price increase. Likewise, the decrease in GDP can be calculated in the same manner.

Two specific periods of 'real' GDP can then be directly compared to each other, which in turn will give us an accurate representation on whether the economy has grown or shrunk within that time frame. The GDP is therefore, important because it is a way to gauge the size and performance of a country's economy. A healthy economy is reflected in the growth rate of 'real' GDP.[3] The increase in 'real' GDP is directly proportional to the increase in the economy.

It is safe to assume that when the GDP increases, so does the employment rate in the country. When companies are going strong with good profits, they are more likely to hire more workers to

increase their output even more.[3] This then leads to a population that has more pay and the financial ability to purchase even more items, which completes the cycle.

On the other hand, when the GDP decreases and companies are losing profits, they are more likely to retrench workers in order to minimise their losses and operate on the bare minimum whilst trying to recoup their finances. When the population lacks the funds necessary to buy items, it also perpetuates a cycle where there is a lack of demand for market items, which then leads to companies receiving less profit.

It is also important to note, that there are cases where the GDP growth is so slow that it fails to create a sufficient supply of new jobs for new employees.[3]

The Problem with GDP

Despite being an indicator of economic health, GDP is flawed in the sense that it fails to inform us of a few things. For one, the state of the economy, and GDP for that matter, **does not measure the standard of living in a country.**[3]

The economic growth is often a de facto rough assumption on whether the populace is doing well, but it is inaccurate as there are factors important to general well-being that are not taken into consideration.

Other factors which may not be reflected in the numerical data of GDP would include environmental damage stemming from the increased output of products. Pollution, for example, is a consequence of the industrial revolution in Britain. Their air and water became severely polluted from unregulated coal burning and production of metals and chemicals.[4]

Besides that, the other factors that may come as a cost of increased production output is the reduction of leisure time and the depletion of non-renewable natural resources.[3] Needless to say, the reduction of both of these would lower the quality of life for the population. Leisure time is

essential for workers to rest and recuperate, in addition to allowing them to reap the benefits of their hard work with their families and friends in the first place.

The use of non-renewable energy sources such as coal, natural gas, nuclear power and oil causes environmental pollution that is hazardous to all life.[5] Production would be increased but at the cost of quality of life.

The consequences include:[5]

1. Greenhouse gas emissions
2. Air pollution
3. Acid rain and water pollution
4. Land pollution and waste generation
5. Oil spills and other accidents

High GDP is also not indicative of the quality of life in a country, as it does not take into account the distribution of GDP amongst its residents. Assuming that the GDP is equally distributed to the population of a country is incorrect, as some earn more income than others, and some have different standards of living and different needs.

Using the Human Development Index

With that in mind, the United Nations created the Human Development Index(HDI). This index ranks countries based on factors such as life expectancy, school enrolment, and literacy, not just GDP.

As of 2019, Malaysia is ranked at 62 out of 189 countries on The United Nations Human Development Index. Malaysia's HDI value is at 0.810 against the World Average of 0.737,[6] which means that Malaysia has a very high HDI value despite ranking at 62.

The classification for HDI value according to the United Nations is as follows:[7]

- Any value higher than 0.800 = Very High
- 0.700 - 0.799 = High

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- 0.550 - 0.699 = Medium
 - Anything below 0.550 = Low

Some factors of Malaysia calculated in the HDI are:[6]

- The average life expectancy at birth is 76.2 years
- Expected years of schooling is 13.7 years
- Internet users are at 81.2% of the total population
- Employment to population ratio is 62.2%
- Carbon dioxide emissions and production emissions per capita are at 8.1 tonnes
- The skilled labour force is 66.8% (out of total labour force)

Using MPI in Malaysia

United Nations Development Programme Malaysia held a webinar in October 2020 in order to discuss the measurement of poverty in Malaysia during the mid-term review of the 11th Malaysian Plan. It was agreed that measuring poverty should not solely focus on income, but also qualitative factors which reflect the complexities of life for the poor [8].

It was determined that the non-income factors of poverty can be assessed through measures of education, health, the standard of living, and due to recent developments, even levels of digital connectivity.[8]

“The government has begun to adopt a more holistic approach to measuring poverty via the introduction of relative poverty and Multidimensional Poverty Index(MPI) during the mid-term review of the 11th Malaysia Plan.” - Dato’ Sri Mustapa Mohamed, Minister of Economics in the Prime Minister’s Department.[8]. The government has put in place using MPI as the measurement of poverty under the 12th Malaysia Plan (2020-2025).

It was also mentioned that the progress in human development has been jeopardised by COVID-19. Due to this unforeseen event, it is anticipated that there will be substantial impacts on

multi-dimensional poverty through two of the most affected indicators. These are **children's school attendance and nutrition**.^[8]

To paint a clearer picture, there was a simulation exercise with 70 developing nations, and it was found that the economic and social fallout in the wake of COVID-19 may very well set poverty levels back by 9.1 years.^[8]

The Impact of Covid-19 on Employment

Before Covid-19, Malaysia's unemployment rate was at an all-time low of 3.2% in January 2020.^[11] However, this soon rose to 5.3% in May 2020, the highest recorded in the past 27 years. At the time, it was estimated that 1.5-2.4 million more Malaysian, which accounted for 5%-8% of the population, would become impoverished as a result of the pandemic.^[9]

It is an alarming number especially when taken into consideration that this is in addition to the estimated 400,000 households who are already poor.^[10] As the situation slowly stabilised and new standard operating procedures (SOP) were put into place, the unemployment rate slowly recovered to 4.7% by August 2020.^[11]

"A total of 741.6 thousand people are currently unemployed as of August 2020. They make up 42.6% of Malaysia's labour force." - [Department of Statistics Malaysia](#)

If there is one thing that we learnt from this, however, is **the revelation of the gaps in the way poverty is measured**, especially in regards to the true state of the digital divide in our country. It was also noted that other deprivations that could be taken into consideration are access to basic amenities and access to basic transportation.^[8]

"Poverty lines go beyond basic subsistence, and include having the resources to lead a healthy, active and dignified life and being able to participate meaningfully in society."-

Worldbank.org^[12]. As the standard of living increases due to the increasing prices of basic

amenities, products and services, the poverty lines should also be adjusted in order to reflect the current expense of living.

Current Poverty Calculations

The government has recently revised its methodology and raised the PLI from RM980 to RM2,208. The government calculated that the minimum amount of money needed to buy food is RM 1,169. The other RM 1,038 is allocated for non-food items. The calculations factor in healthy eating requirements and 146 non-food items. These items were decided by studying the spending patterns of the B20 group in the 2019 Household Expenditure Survey.[13]

“From the aspect of food items before this, we looked more towards the concept of ‘minimum’, but this time we stress on the discussion with the Health Ministry – optimum and healthy and quality, and it is based on 2017 Recommended Nutrient Intake and the Malaysian Dietary Guidelines,” – Datuk Seri Mohd Uzir Mahidin, Malaysia’s Chief Statistician.[13]

Examples of food items include:[13]

- Fish
- Meat
- Cereal
- Rice
- Vegetables
- Milk
- Poultry
- Bread

Examples of non-food items include:[13]

- Clothing and shoes
- Fuel and utilities
- Furniture
- Transport and communication

- Education
- Health

The caloric intake of a household is calculated in order to determine the minimum amount of food needed for a healthy living. Assuming that the calorie intake for a household 3.9 people is 7,820 kcal for 2019, compared to 6,474 kcal for 4-people household in 2016.[13]

An example of the calculation can be seen below:[13]

Table 2: Cost of food by age group per person monthly			Table 3: Others Cost for Food Preparation		
Number	Household member	Individual food cost per month	Number	Items	Cost for preparation food per month
1.	Father (30-59 years)	RM344.50	1.	Cooking oil - 5kg (estimated for use of one household including deep fry)	RM20.86
2.	Mother (30-59 years)	RM293.55	2.	Ingredients (5% of total household cost per month)	5% x RM1,120.95 = RM56.05
3.	Son (13-15 years)	RM299.20			
4.	Son (4-6 years)	RM183.70			
Total household cost per month		RM1,120.95			

Food PLI:	
$RM1,120.95 + RM20.86 + RM56.05 = RM1,197.85$	

Source: [Household Income and Basic Amenities Survey Report 2019](#) (page 103), Department of Statistics Malaysia

Government Efforts to Relieve Poverty

In an effort to relieve poverty, the government is focusing on expanding the economy whilst also providing subsidies to the poor.[14] What this means is that while the government is trying to improve the country's economy, which no doubt will take quite a bit of time, they are helping the poor cope by giving out subsidies which will ease their burdens.

This approach has two objectives:[14]

1. Enabling equitable opportunities for all
2. Providing a social safety net for the disadvantaged groups.

For the second objective, there is a further emphasis on equitable access to education, health and basic infrastructure for all.[14] The strategies that the government implemented to fight poverty took on several fronts in different sectors.

Among the sectors that were given high priority are:[14]

- Advancing agricultural sector
- Strengthening small-medium enterprises
- Improving student welfare
- Strengthening Pre-School education
- Improving literacy and numeracy
- Creating quality schools
- Increasing homeownership
- Expanding public health facilities
- Enhancing social safety nets
- Improving retirement scheme
- Microfinance

The government has also employed several micro-strategies in the effort to eradicate poverty. Programmes were created specifically for target groups such as the Bumiputra, in particular the ethnic minorities in Sabah and Sarawak, the aboriginal communities in Peninsular Malaysia, residents of Chinese New Villages and estate workers.[15]

Besides that, the government also created different programmes which target specific sub-groups amongst the poor such as the hardcore poor, elderly people, the handicapped, female-headed families and the indigenous groups.[15]

Another effort implemented by the government is the Azam Tani programme which focuses on alleviating poverty through the agriculture sector. It aims to move low-income groups out of poverty by getting them involved with agro-based entrepreneurship programmes. By doing so, it provides opportunities for these poor households to generate income whilst simultaneously reducing their dependency on government aid.[16]

The Azam Tani Programme offers incentives such as:[16]

- Participation in group farming or contract farming
- Venture in farming, fishing and rearing ruminants or non-ruminant livestock
- Venture grant of up to RM10k for start-up agriculture venture

The objectives of the Azam Tani Programme are:[16]

- To increase the income of the target group with economic projects in the area of crops, fisheries, livestock, processing of agricultural products, agri-business and agriculture services
- To increase the knowledge, skills and competencies of the targeted groups in agriculture through courses, hands-on training, self-reliance and technical training provided by MARDI.
- To move the Azam Tani participants out from the shackles of poverty in line with the government's aspiration to be a high-income developed nation by 2020.

The most recent statement of the government was in a press conference where it was declared that they plan to formulate new strategies and methods to eradicate poverty, especially considering the current difficulties brought about by Covid-19.[17]

“The move includes efforts to formulate appropriate policies and programmes through the 12th Malaysia Plan (RMK12) as well as the annual budget to be tabled following the revision of the poverty line income limit (PGK) from RM980 to RM2,208.”- Federal Territories Minister Tan Sri Annuar Musa.[17]

As the government moves ahead with planning the new 12th Malaysia Plan and table the next annual budget, many are still struggling to survive. The pandemic only served to further exacerbate the problem, creating more poor and further entrenching the ones who were already impoverished.

However, revising previous plans and striving to gather better and more accurate data to properly understand the true scope of poverty in Malaysia is a good first step. Through more research and co-operation from public and private sectors, the tough road to recovery and then progress could be weathered a bit more easily.

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