

POVERTY: A Reality Check

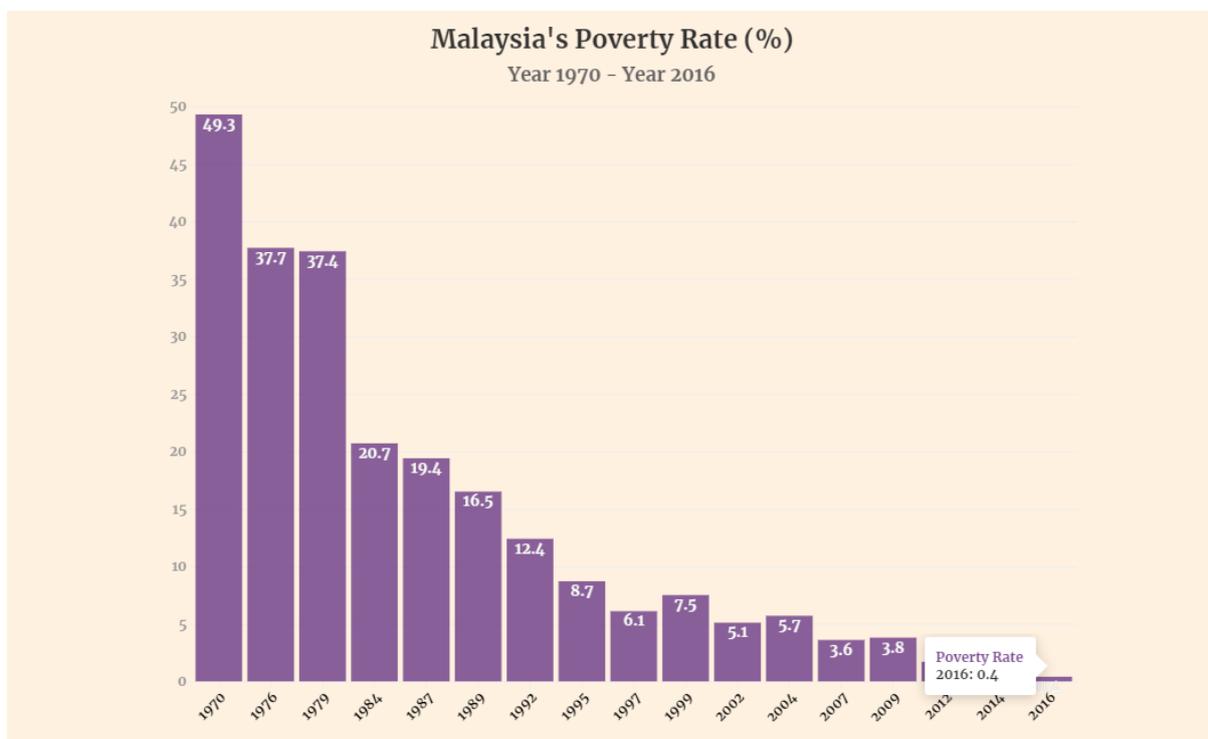
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Introduction

The issue of poverty has always been central in policy developments by governments and various social agencies worldwide. As of 2015, the World Bank estimated that 10% of the world's population are currently living in poverty, as defined by its standard of poverty which is \$1.90 per day¹. Despite the progress made in reducing poverty, the number of people living in extreme destitution globally remains unacceptably high.

Malaysia has witnessed significant changes in its economic reform and poverty reduction. At the time of independence in 1957, Malaysia was a low-income country predominantly involved in agricultural and rural economy. Around half of the country's households were living below the national poverty line, with very little changes until 1970, at which time 49% of households were poor. Rapid economic growth and structural changes in the following decades have transformed Malaysia into a prosperous, urban, and industrialized economy. By 1995, Malaysia's poverty rate had fallen below 10%, in 2007 to less than 5% and subsequently to a mere 0.4% in 2016.



Source: Department of Statistics

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Reassessing Poverty

Although the numbers may look great on paper, the reality of poor households in Malaysia might not be as passable as it has been portrayed. The standard measure of poverty used by the government of Malaysia is the absolute approach, using the national poverty line income (PLI). First formulated in 1977, the PLI is based on the cost of basic needs and was used as a standard in monitoring the progress of the country's efforts in eradicating poverty. In 2005, the PLI was improvised to make it more comprehensive than its predecessor.

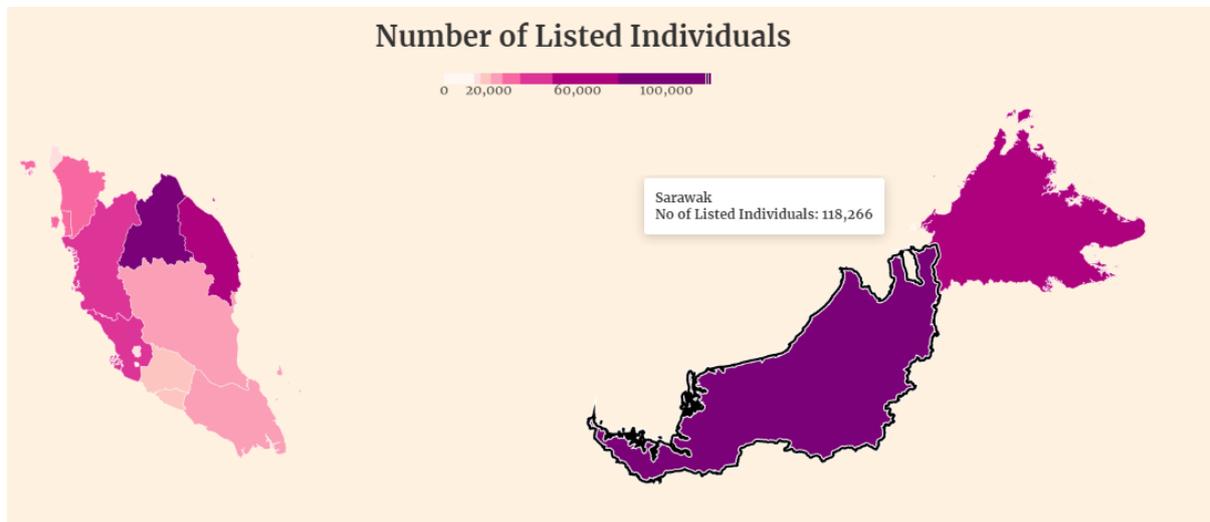
The call for reassessment of Malaysia's poverty rate has been repeatedly voiced out. Even the United Nations has not commented favourably on Putrajaya's reliance on absolute poverty figures to reflect the reality at ground level. As the United Nations Special Rapporteur (UNSR) and others have argued, an update of the PLI is long overdue. Instead of the 0.4% poverty rate reported by Malaysia, the estimated poverty rate by UNSR's report is around 15%.

Poverty by The Numbers

The Implementation Coordination Unit (ICU) under the Prime Minister's Department developed Malaysia's national poverty database system in 2008 to collect the relevant data of households living in poverty and the vulnerable at the bottom income percentile.⁵ Data keyed in into the database was based on a Poor Household Census or Bancian Isi Rumah Miskin (BIRM), a census program that was undertaken by the Department of Statistics Malaysia, and handed to ICU.⁷ The initiative won two Asia Pacific ICT Alliance (APICTA) Awards, at both national and international levels, for Best of e-Inclusion & e-Community and Best of e-Government. In 2012, it won the United Nations Public Service Award.

Although there's a dire need to redefine poverty in Malaysia, the database provides a sobering look at the poverty statistics in Malaysia. There is an observable disparity across states as shown in the number of individuals listed in the database. While the national poverty rate is extremely low by historical standards, substantial spatial and community variations can be seen. It's well known that a large number of poor households live in rural Sabah and

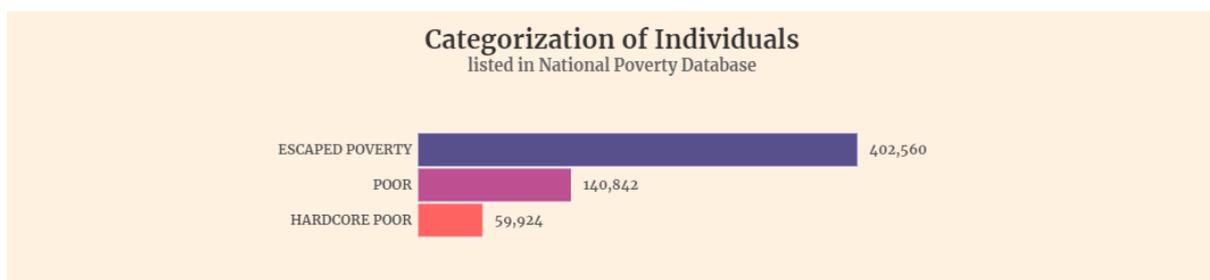
Sarawak especially that of the indigenous communities, as well as in the rural areas of Terengganu, Kelantan, and Kedah. Urban poverty, on the other hand, is more likely concentrated in Selangor and Kuala Lumpur.



Source: National Databank of Poverty Malaysia

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The listed individuals are categorized as miskin (poor), miskin tegar (hardcore poor) and terkeluar (escaped poverty) according to their status for the given year. Based on the database, in 2017, 402,560 individuals or 66.72% are considered as ‘terkeluar’ or have escaped poverty while 140,842 are categorized as ‘miskin’ or poor and the rest are categorized as ‘miskin tegar’ or hardcore poor.



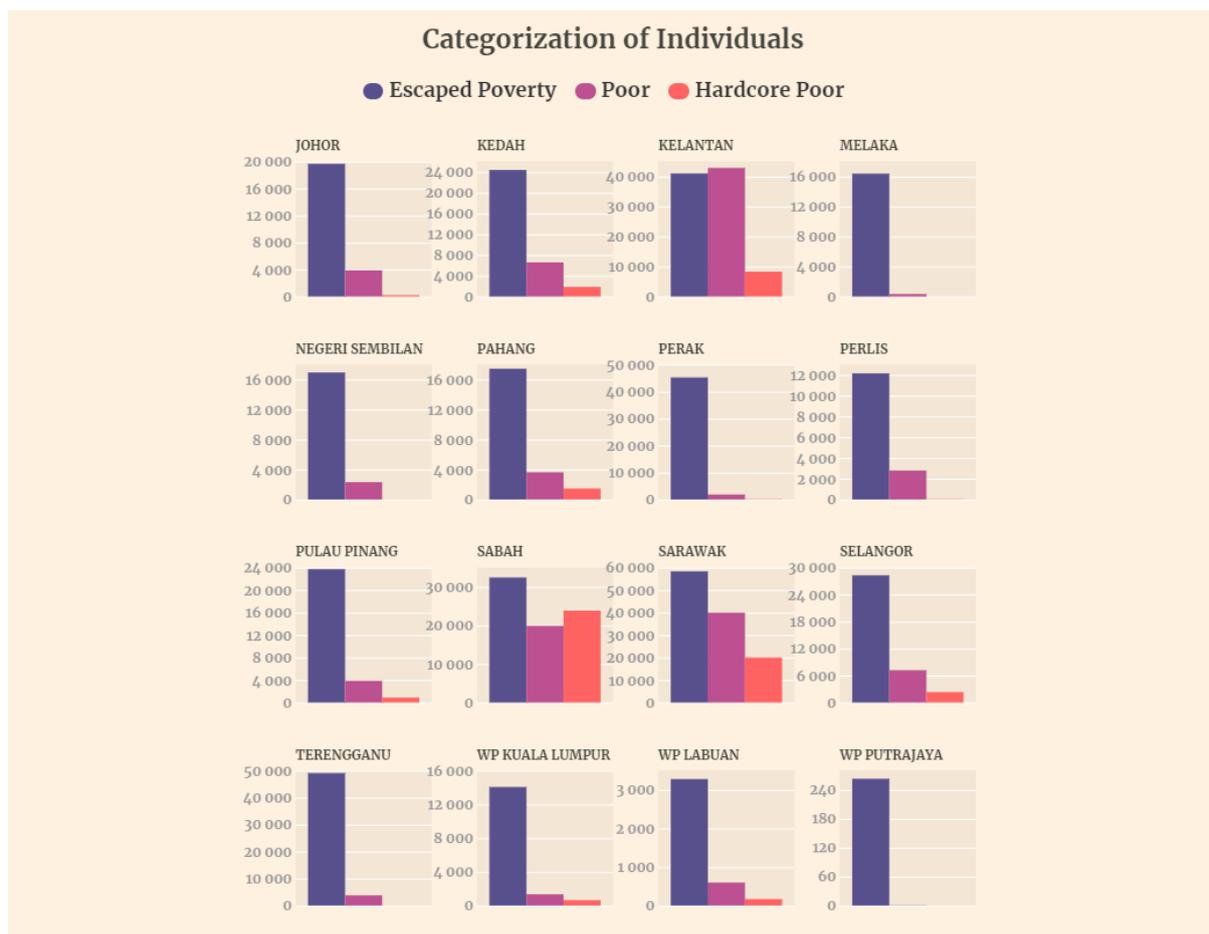
Source: National Databank of Poverty Malaysia

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While the individuals that have escaped poverty no longer qualify for financial aid designated for the poor, it’s more reasonable to retain the data as they remain highly vulnerable. Often

times, moving out of poverty may be a temporary progress. Economic shocks may rob them of their hard-won gains and force them back into poverty.

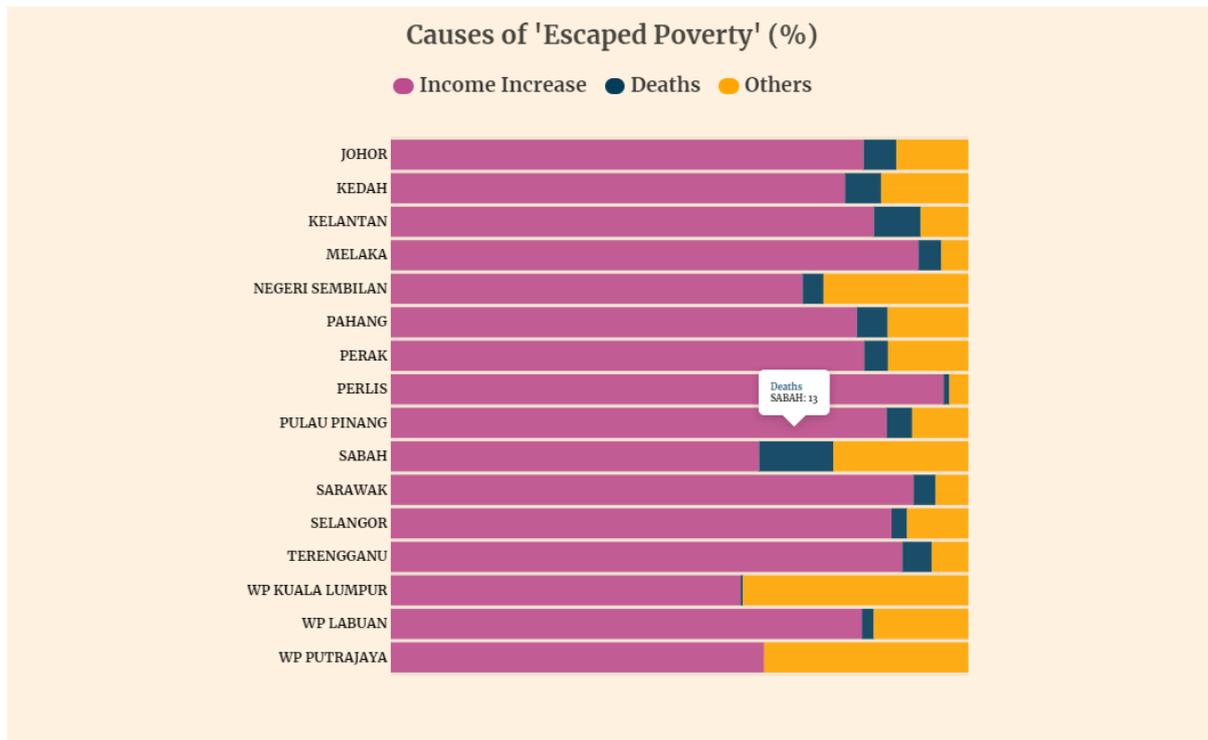
A closer look of the categorization by state shows that East Malaysia has a higher proportion of individuals categorized as 'hardcore poor' than any other states. While in West Malaysia, only Kelantan has a significant portion of classified individuals in the poor or hardcore poor categories.



Source: National Databank of Poverty Malaysia

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The causes of the classification are further broken down into details. Most of the individuals classified as 'escaped poverty' are due to increase in income. A comparison of all the states shows an almost similar pattern. However, in Sabah, where a significant proportion of the listed individuals are in the hardcore poor category, the percentage of individuals that 'escaped poverty' due to death is the highest at 13%.



Source: National Databank of Poverty Malaysia

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Challenges Ahead

The allocation of the government's welfare and social assistance policies in recent years are already focused on B40 (below 40%) instead of those that fall just below the defined poverty line. This is an implicit admittance that the poverty line currently used by Malaysia is too low. While Malaysia's National Poverty Line (NPL) is now being reviewed to provide a more holistic approach, the lack of microdata on Malaysia's poor communities continue to impede the efforts to create effective social welfare programs.

Hence, there is a dire need to look beyond household income and analyze factors such as access to clean water, healthcare, and job opportunities when defining poverty. As shown by the comparison, whereas Sabah recorded the highest percentage of hardcore poor in its listed individuals, they are also more likely to 'escape poverty' by death. This raises the question on the deprivations faced by the poorest community in Malaysia.

Even the purported Multidimensional Poverty Index that was first tabled in the parliament in 2018 has not escaped criticism for setting the benchmark too low. As such, a holistic

Multidimensional Poverty Index that is set beyond minimum standards for survival is needed to address the multiple deprivations that prevent an individual from living a dignified life. Only then can a better policy be formulated to ensure the needs of the poorest Malaysians are addressed adequately.

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