

Siri Kertas Kerja IKMAS / *IKMAS Working Paper Series*
No. 21 (September) 2006

**Urban Poverty and the Need
For Social Protection in Malaysia**

Ragayah Haji Mat Zin

Institut Kajian Malaysia dan Antarabangsa (IKMAS)
Universiti Kebangsaan Malaysia
Bangi

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Ragayah Haji Mat Zin
Institute of Malaysian and International Studies (IKMAS)
Universiti Kebangsaan Malaysia
43600 Bangi
Selangor, Malaysia
E-mail: *rogayah@pkriscc.cc.ukm.my*

Abstract

The focus on the rural poverty eradication is justified since the incidence of poverty has always been much higher in the rural than the urban areas. However, there are compelling reasons for revisiting the issues of urban poverty, including the rising share of poor urban households due to urbanization, the frequency of economic crisis that negatively affected urban households more than rural households, and the disintegration of traditional forms of social protection. The present study aims to first, analyse the patterns and trends in the incidence of urban poverty at the macro level; second, to investigate the causes and characteristics of urban poverty; third, to assess the effectiveness of government policy in eradicating urban poverty; fourth, to identify the various social protection systems that extend their coverage to the urban poor; and finally, to suggest policy recommendations to mitigate urban poverty and ensuring that the urban poor have access to social protection. The study shows that both urban and rural poverty incidence have been falling since the implementation of the New Economic policy 1970-1990 till the present, with urban poverty incidence consistently being lower than rural poverty incidence. In terms of characteristics, the poor households have large families, have lower number of income earners, all originate from the rural areas, and are mostly unemployed or self-employed. The Government has implemented various policies to alleviate urban poverty with different degree of success. Unfortunately, the financial crisis had exposed the inadequacy of the social protection systems available in this country, especially for the urban households. Although various forms of social security and social safety nets systems exist, most of them might not be accessible to the poor. Thus, the government needs to be more prepared for such crisis to assist the poor and the vulnerable from falling back into poverty.

* Part of this study was funded by the East Asian Development Network

1. Introduction: Why The Need To Revisit Urban Poverty

Since the introduction of the New Economic Policy 1971-1990 (NEP), Malaysia has achieved outstanding progress in poverty eradication. In this effort, greater emphasis was given to eradicating poverty in the rural compared to the urban areas. This focus on the former is justified since the incidence of poverty has always been much higher in the rural than the urban areas (Mohd Yusof 1994). In 1976ⁱ, the incidence of rural poverty in Malaysia was 50.9% compared to the incidence of urban poverty of 18.7%. Both rural and urban poverty incidence have registered declining trends, falling to 11.4% and 2.0% respectively in 2002.

Based on these statistics, urban poverty may not appear to be an urgent issue in Malaysia. However, there are a number of reasons why it is important that the problem of urban poverty be revisited, the most recent being the current Government's desire to eradicate poverty altogether. It is reported that the Government is setting up a think-tank to draw up action plans and integrated programmes to wipe out urban poverty in five years' time (Fong and Saithuruka, 2004). The Eighth Malaysia Plan 2001-2005 (Malaysia 2001: 73) targets poverty incidence to be reduced to 0.5 % by 2005. Nevertheless, recently the officials of the Economic Planning Unit clarified that the target is to eliminate hardcoreⁱⁱ poverty within five years.

It is important to note that the success of urban poverty eradication was achieved despite the fact that the nation underwent a rapid urbanization process (Ishak 1996, Chamhuri and Mohd Yusof 1997, Chamhuri 1999). The 1991 Population Census shows that 51% of the total population of Malaysia resided in the urban areas compared to 34.2% in 1980. The redefinition of urban areas in 1991, whereby about 6 per cent of the total poor in built-up areas that were previously defined as rural were classified as urban, also contributed to the rise in urban poor. As such, the number of poor households in urban areas in Malaysia rose significantly from about 77,900 in 1993 to 99,300 in 1995 primarily due to this redefinition. By 2003, the urbanized population share has gone up to 62.5% as a result of increased migration, growth in new urban areas and the extension of administrative urban boundaries (Malaysia 2003:93). At the same time, the share of poor urban households was also rising, from 14.3% in 1985 to 15.1% in 1993, 23.7% in 1995, 24.7% in 1999 and

26.0% in 2002. Thus, despite the implementation of the various poverty eradication programmes, pockets of poverty still remain in the urban areas.

Ragayah (2003) indicates that internal migration flows among the two the lowest occupational category, the production and related workers, transport equipment operators and laborers, indicates that the percentage of rural-urban migration exceeded the percentage of urban-rural migration for all the years except for 1997. This means that there are net inflows of these low-income groups into the urban areas, contributing to the rise in urban poverty. This implies that policies to reduce urban poverty must include productive employment creation in the rural areas to deter the rural poor from seeking jobs in the cities.

The process of liberalization and globalization would be more likely to cause a financial crisis such as that experienced in 1997-1998 that resulted in financial volatility and economic insecurity. It is this onslaught of the globalization process that are changing the economies, environments, cultures and societies that would affect the urban poor adversely. These people do not have the capital and access to information, or the ability to translate the information into economic, political and social gain (UNESCAP 2000). Hence, the economic situation tends to be unstable and hinders the poverty eradication effort by causing retrenchment, inability to find employment and thus less transfers to assist their families. Moreover, devaluation also raised the prices of imported goods and thus lowering the real income of their purchasers, particularly of the urban poor. And the crisis of 1997-1998 is not an exception as McGee and Scott (2000: 235) quoted what Brad Glosserman wrote on the comment of Stephen Roach, chief economist of Morgan Stanley Dean Witter, that "there is little talk that the crisis could ever recur. Yet that flies in the face of painful reality. From 1975 to 1997, the IMF identified 158 specific country crises, 54 banking crises and 32 instances where a country experienced a combined currency/banking crisis. Financial crises have become the rule not the exception".

In Malaysia, it turned out that rural households were less affected than urban households because the world shortage in certain commodities like cooking oil and pepper raised the prices of these commodities (see Ragayah 2002). Coupled with the depreciation of the

ringgit these farmers are getting much higher income since the commodities are quoted in USD price. Moreover, the government has been encouraging local production of food commodities in order to reduce the food import bill that reached RM9 billion in 1996. Finally, rural households could diversify their income sources more easily than urban households by increasing self-employment.

On the other hand, urban households had no such protection. While there are various forms of formal social protection programmes, their coverage is limited. With reduced income through retrenchments or pay cuts, and price hikes in fixed cost necessities such as food and utilities, poor urban households will suffer a noticeable decline in welfare. Some of the retrenched locals might return to their villages to find jobs in the agricultural sector or register in the Training Scheme for Retrenched Workers program offered by the Human Resources Development Council to upgrade their skill and improve their income-earning potential. In a globalised world, the ability of a country to protect itself from external shocks has been minimized. Thus, there is an urgent need to put adequate and accessible social protection systemⁱⁱⁱ in place. The inadequacy of existing social protection measures was exposed during the 1997-1998 crisis, for instance in inadequate retrenchment benefits, increasing urban poverty and lack of insurance for both domestic and foreign workers.

The role of the family in terms of welfare and social security is greatly emphasised by the state. Hence there has been a slow progression towards implementing formal comprehensive income maintenance and social protection programmes particularly geared primarily to fulfilling the needs of the lower income groups. While the coverage of the formal social protection system in Malaysia is grossly insufficient, the extended family system and the Asian values of transfer payments have acted as informal shock absorber of a number of recessions. Moreover, Malaysians are rather generous in donating to needy causes when these are being highlighted, such as through the media. However, industrialisation and urbanisation plus social mobility have resulted in the disintegration of traditional forms of social protection. Development creates the need for formal social security provisions. As such, the present study also plans to investigate the existing social safety nets in place and to suggest additional or alternatives that would adequately meet the needs of the current Malaysian society.

Based on the above reasons, there are compelling reasons for revisiting the issues of urban poverty. As such, the objectives of the present study are first, to analyze the patterns and trends in the incidence of urban poverty at the macro level; second, to investigate the causes and characteristics of urban poverty; third, to assess the effectiveness of government policy in eradicating urban poverty; fourth, to identify the various social protection systems that extend their coverage to the urban poor; and finally, to suggest policy recommendations to mitigate urban poverty and ensuring that the urban poor have access to social protection. For this purpose, the paper will be organized as follows. The next section explains the definition of the poverty line income (PLI) while Section 3 describes the structure of urban poverty. Section 4 analyses the causes, features, evolution and policy. Most of the results of our survey will be reported in this section. Section 5 touches on the social protection systems in Malaysia while Section 6 concludes the study and offers some policy recommendations.

2. Definition of Poverty Line Income

In terms of absolute poverty, the PL is the income level that is sufficient for an individual to enjoy the society's minimum standards of living. Incidence of poverty in Malaysia is estimated on the basis of PLI. The Eighth Malaysia Plan (Malaysia 2001) stated that the PLI was estimated based on the minimum requirements of a household for three major components, namely food, clothing and footwear, and other non-food items such as rent, fuel and power; furniture and household equipment; medical care and health expenses; transport and communications; and recreation, education and cultural services. For the food component, the minimum expenditure was based on a daily requirement of 9,910 calories for a family of five persons comprising an adult male, an adult female and three children of either sex between 1-3, 4-6, 7-9 years of age. The minimum requirements for clothing and footwear were based on standards set by the Department of Social Welfare for the requirements of inmates in welfare homes. The other non-food items are based on the level of expenditure of the lower income households, as reported in the Household Expenditure Survey, 1998/1999. This poverty line income was determined in 1977 and is

being updated periodically to reflect changes in the levels of prices by taking into account changes in the Consumer Price Indices.

Some of the issues often raised by researchers of Malaysian poverty concern the appropriateness of using the same poverty line, adjusted for inflation, for over two decades (Shireen 1998, Ragayah 2001) and the fact that the same poverty line is utilised for both urban and rural areas although separate poverty lines are employed for Peninsular, Sabah and Sarawak. While the approach of adjusting the PLI to inflation is adequate for absolute deprivation, its relevance as a measure of relative deprivation is questionable. Shireen has shown that poverty in Malaysia is officially seen as a situation of relative rather than absolute deprivation and argued that a PLI that is updated for inflation over a long period of time ceases to reflect relative deprivation since the Malaysian standard of living had not remained constant over the period (1998:161). Secondly, a separate PLI for urban and rural areas is more accurate because the relationship between food energy intake and consumption expenditure varies by region, activity levels, relative prices and taste. This would result in an underestimate of the incidence of urban poverty since the income level required to sustain a household subsistence level in the rural areas would not be adequate for a similar household in the urban areas. Thirdly, the Malaysian PLI does not take into account the differences in household size between rural and urban households. Similarly, the PLI also neglects the differences in consumption patterns between urban and rural households as well as the changes in consumption patterns as income grows. Hence, these flaws must be borne in mind in looking at the Malaysian poverty data.

At the same time, while the incidence of poverty among households is a simple measure, it is not very accurate compared to the per capita income measure. For example, a single person household might fall below the PLI if the PLI utilised refers to the household income, but could be placed above the PLI if the per capita income measure is used. Although the incidence of poverty might be the same under both measures as the poor households tend to have more members, the per capita measure helps to more accurately identify the poverty eradication targets. Hence, in contrast to other countries which use the per capita measure, in Malaysia poor households tend to be characterised by small family size. Moreover, the PLI does not reflect the intensity dan severity of the poverty

problem. Other measures such as the *poverty gap measure* are required for this purpose so that those at the bottom will be given priority. While the hardcore poverty measure does overcome this problem to a certain extent, it is arbitrarily defined. Or, if the policymakers want to give a greater weightage to these hardcore poor, then the *squared poverty gap index* should be used. These measures gives deeper understanding of the poverty problem to the policymakers and policy analysts. In view of these weaknesses, the Government has revised the methodology of calculating the Malaysian PLI to be used in the Ninth Malaysia Plan 2006-2010..

3. Structure of Urban Poverty: Incidence and Trends

Using the current method of calculation, the PLI for 1987 was RM350 per month for a household size of 5.14 in Peninsular Malaysia, RM429 for a household size of 5.24 in Sarawak and RM533 for a household size of 5.36 in Sabah (Malaysia, 1989). The poverty line was adjusted in 1993 to RM405 per month for a household size of 4.8 in Peninsular Malaysia, RM582 for a household size of 5.1 in Sabah and RM495 for a household size of 5.1 in Sarawak. The Seventh Malaysia Plan (Malaysia 1996) revised the poverty line for 1995 to be RM425 monthly for a household size of 4.6 in Peninsular Malaysia, RM601 per month for a household size of 4.9 in Sabah and RM516 per month for household size of 4.8 in Sarawak. In 1997, these were revised to RM460 per month for a household in Peninsular Malaysia, RM633 for a household in Sabah and RM543 for a household in Sarawak. In 1998, these PLIs were RM493, RM667 and RM572 respectively while in 1999 the PLIs were RM510, RM685 and RM584 respectively for Peninsular Malaysia, Sabah and Sarawak for similar size households. The PLI in 2002 was RM529, RM690 and RM600 respectively for each of the three regions.

The progress in poverty eradication according to region and strata between 1970 and 1999 is shown in **Table 1**. For the whole of Malaysia, the total number of poor households decreased from one million households to 267,900 households over the period, resulting in the poverty incidence plunging from 52.4 % to 5.1%. Over the same period, urban poverty incidence shrank to 2.0 % while the rural poverty incidence fell to 11.4 %^{iv}. Urban poor households numbered 111,800 in 1976 but dropped to 69,600 in

2002 while poor rural households, which totalled 864,100 in 1976, shrank to 198,300 over the same period. Thus, poverty in Malaysia is mainly a rural phenomenon but the Malaysian government had not neglected the problem of urban poverty since the urban poor was identified as one of the seven poverty reduction target groups (Malaysia 1976).

Up to 1993, the data published on the number and incidence of poverty was classified by three main regions, Peninsular Malaysia, Sabah and Sarawak, as shown in Table 1. In Peninsular Malaysia urban poverty incidence was reduced from 21.3 % in 1970 to 4.4 % in 1993, resulting in a decrease from 85,900 poor households to 57,100 poor households. For Sabah and Sarawak, the incidence of urban poverty was 26.0 % and 22.9 % respectively in 1976, the earliest year for when data was available. The urban poverty rate in Sabah fell to 19.8 % in 1993, but the total number of poor households almost doubled over the period. For Sarawak, both the urban poverty incidence and the number of poor households fell to 6.0 % and 5,000 in 1993. The incidence of urban poverty is of lower magnitude and decreased more rapidly than rural poverty. In Peninsular Malaysia, urban poverty plunged from 21.3 % in 1970 to 4.4 % in 1993. Similarly, in Sarawak, urban poverty incidence toppled from 22.9 % in 1976 to 4.9 % in 1989, but rose to 6.0 % in 1993. As such, it can be concluded that in both areas declines in urban poverty contributed more to the fall in overall poverty than the reductions in rural poverty. On the other hand, in Sabah, poverty incidence in the urban areas fell from 26.0 % in 1976 to 14.3 % in 1984 but rose again to 14.7 % in 1989 and 19.8 % in 1993. This has resulted in the decline in rural poverty contributing more to the overall reduction than the fall in urban poverty.

After 1993, the format of the poverty data published is as shown in **Table 2**, which shows the incidence of poverty and the number of poor households for the period 1995-2002. As experienced by all crisis-hit countries, the incidence of poverty rose as a consequence to the crisis. For example, in 1999 the incidence of poverty among Malaysian citizens increased to 7.5 % (360,100 households) from 6.1 % (274,200 households) in 1997. In the urban areas, poverty incidence rose 3.4 % (89,100 households) from 2.1% (52,400 households) while in the rural areas poverty incidence increased from 10.9 % (221,800 households) to 12.4 % (271,000 households).

The incidence of hardcore poverty among Malaysian citizens stood at 2.1 % (comprising 88,400 households) in 1995. Of this total 0.9 % (20,100 households) were found in the urban areas. The situation improved to 1.4 % (62,400 households) and 0.4 % (10,600 households) respectively in 1997. As a result of the financial crisis, the incidence of urban hardcore poverty rose to 0.5 % (13,900 households) in 1999 but improved to 0.4 % (12,600 households) in 2002. In the absence of the poverty gap and squared poverty gap indices, the separate classification of the households in poverty into the poor and the hardcore poor do tell something regarding the depth and severity of the problem. Since a much smaller proportion is categorised as hardcore poor, this implies that most of the poor lie relatively near to the PLI.

Table 1
Malaysia: Incidence of Poverty by Rural-Urban Strata, 1970-1999

| Strata | 1970 | | 1976 | | 1984 | | 1990 | | 1993 | | 1995 | | 1997 | | 1999 | |
|---------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|------------------------------|------------------------|
| | Total Poor Households ('000) | Incidence of Poverty % | Total Poor Households ('000) | Incidence of Poverty % | Total Poor Households ('000) | Incidence of Poverty % | Total Poor Households ('000) | Incidence of Poverty % | Total Poor Households ('000) | Incidence of Poverty % | Total Poor Households ('000) | Incidence of Poverty % | Total Poor Households ('000) | Incidence of Poverty % | Total Poor Households ('000) | Incidence of Poverty % |
| Peninsular Malaysia | 791.8 | 49.3 | 764.4 | 39.4 | 483.3 | 18.4 | 448.9 | 15.0 | 325.3 | 10.5 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| | 705.9 | 58.7 | 669.6 | 47.8 | 402.0 | 24.7 | 371.4 | 19.3 | 268.2 | 14.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Urban | 85.9 | 21.3 | 94.9 | 17.9 | 81.3 | 8.2 | 77.5 | 7.3 | 57.1 | 4.4 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Sabah | n.a. | n.a. | 95.5 | 58.3 | 76.0 | 33.1 | 96.6 | 34.3 | 123.9 | 33.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| | n.a. | n.a. | 87.5 | 65.6 | 68.5 | 38.6 | 91.1 | 39.1 | 108.1 | 36.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Urban | n.a. | n.a. | 8.0 | 26.0 | 7.5 | 14.3 | 8.5 | 14.7 | 15.8 | 19.8 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Sarawak | n.a. | n.a. | 115.9 | 56.5 | 90.1 | 31.9 | 70.9 | 21.0 | 68.0 | 19.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| | n.a. | n.a. | 107.0 | 65.0 | 85.9 | 37.3 | 67.8 | 24.7 | 63.0 | 23.6 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Urban | n.a. | n.a. | 8.9 | 22.9 | 4.2 | 8.2 | 3.1 | 4.9 | 5.0 | 6.0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Malaysia | 1,000.0 | 52.4 | 975.8 | 42.4 | 649.4 | 20.7 | 619.4 | 17.1 | 517.2 | 13.4 | 418.3 | 9.3 | 332.4 | 6.8 | 409.3 | 8.1 |
| | n.a. | n.a. | 864.1 | 50.9 | 556.4 | 27.3 | 530.3 | 21.8 | 439.3 | 18.6 | 319.0 | 15.6 | 267.5 | 11.8 | 306.6 | 13.2 |
| Urban | n.a. | n.a. | 111.8 | 18.7 | 93.0 | 8.5 | 89.1 | 7.5 | 77.9 | 5.3 | 99.3 | 4.1 | 64.9 | 2.4 | 102.7 | 3.8 |

Note: n.a. - not available

Source: Malaysia (1981, 1986, 1991a, 1991b, 1993, 1996, 1999, 2001)

Table 2
Incidence of Poverty and Number of Poor Households, 1995 - 2002

| | 1995 ¹ | | | 1997 ¹ | | | 1999 | | | 2002 | | |
|--|-------------------|----------------|----------------|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Total | Urban | Rural | Total | Urban | Rural | Total | Urban | Rural | Total | Urban | Rural |
| | | | | | | | | | | | | |
| Malaysian Citizens | | | | | | | | | | | | |
| Incidence of Poverty (%) | 8.7 | 3.6 | 14.9 | 6.1 | 2.1 | 10.9 | 7.5 | 3.4 | 12.4 | 5.1 | 2.0 | 11.4 |
| Number of Poor Households ('000) | 365.6 | 83.8 | 281.8 | 274.2 | 52.4 | 221.8 | 360.1 | 89.1 | 271.0 | 267.9 | 69.6 | 198.3 |
| Incidence of Hardcore Poverty ² (%) | 2.1 | 0.9 | 3.6 | 1.4 | 0.4 | 2.5 | 1.4 | 0.5 | 2.4 | 1.0 | 0.4 | 2.3 |
| Number of Hardcore Poor Households ('000) | 88.4 | 20.1 | 68.3 | 62.4 | 10.6 | 51.8 | 66.0 | 13.9 | 52.1 | 52.9 | 12.6 | 40.3 |
| Total Households ('000) | 4,212.3 | 2,315.8 | 1,896.5 | 4,488.1 | 2,449.8 | 2,038.3 | 4,681.5 | 2,548.0 | 2,133.5 | 5,220.6 | 3,482.9 | 1,737.7 |
| Overall | | | | | | | | | | | | |
| Incidence of Poverty (%) | 9.3 | 4.1 | 15.6 | 6.8 | 2.4 | 11.8 | 8.1 | 3.8 | 13.2 | n.a. | n.a. | n.a. |
| Number of Poor Households ('000) | 418.3 | 99.3 | 319.0 | 332.4 | 64.9 | 267.5 | 409.3 | 102.7 | 306.6 | n.a. | n.a. | n.a. |
| Incidence of Hardcore Poverty ² (%) | 2.1 | 0.9 | 3.5 | 1.4 | 0.5 | 2.4 | 1.4 | 0.6 | 2.4 | n.a. | n.a. | n.a. |
| Number of Hardcore Poor Households ('000) | 94.0 | 21.8 | 72.2 | 67.5 | 12.2 | 55.3 | 71.1 | 15.6 | 55.5 | n.a. | n.a. | n.a. |
| Total Households ('000) | 4,497.7 | 2,449.7 | 2,048.0 | 4,924.0 | 2,660.1 | 2,263.9 | 5,047.0 | 2,725.9 | 2,321.1 | n.a. | n.a. | n.a. |

Source: Malaysia, 2001, 2003.

Notes:

¹ Revised based on the latest household population data.

² Estimated using half the poverty line income.

n.a. = not available

Table 3 shows the trend and incidence of total, urban and rural poverty by state between 1990 and 2002. Generally, with the exception of 1999 which captured the impact of the financial crisis of 1997-1998, poverty incidence for both urban and rural areas in every state have exhibited falling trends. Every state also exhibits a higher incidence of rural compared to urban poverty, except for the Federal Territory of Kuala Lumpur, which is completely urban. It can be seen that poverty incidence are not evenly distributed. Among the more developed states, Perak has the highest poverty incidence, followed by Melaka, for all years except for 1997. Perak also tends to register the highest incidence of urban poverty. Except for the adverse impact of the 1997-1998 financial crisis, Kuala Lumpur has always had the lowest incidence. Poverty incidences in the less developed states are higher, with Kedah, Kelantan, Perlis, Sabah and Terengganu registering exceptionally high figures. Urban poverty incidence is also considerably higher in these states. In 2002, urban poverty incidence in all these states, except for Kedah, exceeded that of the national average.

Is Kuala Lumpur going to be a city of the poor with people living in boxes like in New York City as reported in one of the Malaysian dailies several months ago? This question can be answered by examining both Table 3 and **Table 4**. Table 4 shows falling trends in urban poverty incidence for both Selangor and the Federal Territory of Kuala Lumpur. In 1990, urban poverty incidence was 4.7% and 3.7% respectively in these two states. By 1997, their respective urban poverty incidence shrank to 0.7% and 0.1%, but the crisis unfortunately raised the incidence to 1.3% and 2.3% in 1999. However, with the recovery of the economy, these incidences were reduced to 0.9% and 0.5% respectively in 2002.

In terms of the actual number of households, shown in **Table 4**, the numbers have generally also been shrinking over the last decade. However, while the total number of poor rural households in all states have fallen since 1999, the total number of poor urban households in a number of states had risen in the last several years. These include the states of Perak, Sabah, Johore, Selangor and Negeri Sembilan (in order of magnitude). The Federal Territory of Kuala Lumpur, Selangor and Penang registered larger total number of urban than rural households. The total number of poor households in Kuala Lumpur fell from 9,200 in 1990 to 400 in 1997, jumped to 8,400 in 1999, but managed to

be tamed to 2,300 in 2002. Thus, these data do not substantiate the claim that Kuala Lumpur will be inundated with the poor in the future, particularly if the right strategies are implemented to tame the problem.

4. Causes, Characteristics, Evolution and Policy

4.1 Causes

As mentioned in the project outline, large-scale urbanization is a global phenomenon and Malaysia is no exception. **Table 5** shows the urbanization rate by states as well as for the whole country for the period between 1980 and 2000. In 1980, only 34.2 % of the Malaysian population resided in urban areas, but by 2000 this has risen to 58.8 %. In fact, the latest information from the Mid-Term Review of the Eighth Malaysia Plan—MTR8MP (Malaysia 2003) revised this figure to 62.0 % in 2000 and 62.5 % in 2003. In 2000, the Federal Territory of Kuala Lumpur has the highest rate of urbanisation (100 %),

Table 3
Incidence of Poverty by State and Stratum, 1990-2002

| State | 1990 | | | 1993 | | | 1995 | | | 1997 | | | 1999 | | | 2002 | | | |
|-----------------------|-------------|------------|-------------|-------------|------------|-------------|------------|------------|-------------|------------|------------|-------------|------------|------------|-------------|------------|------------|-------------|--|
| | Total | Urban | Rural | Total | Urban | Rural | Total | Urban | Rural | Total | Urban | Rural | Total | Urban | Rural | Total | Urban | Rural | |
| More Developed | | | | | | | | | | | | | | | | | | | |
| Johor | 9.8 | 5.8 | 11.5 | 5.6 | 1.6 | 9.9 | 3.1 | 1.6 | 4.8 | 1.6 | 0.8 | 2.4 | 2.5 | 1.0 | 4.0 | 1.8 | 0.8 | 3.9 | |
| Melaka | 12.4 | 4.6 | 14.2 | 8.5 | 3.9 | 11.7 | 5.3 | 1.2 | 8.3 | 3.5 | 2.2 | 4.5 | 5.7 | 4.7 | 6.4 | 2.7 | 1.3 | 6.0 | |
| Negeri Sembilan | 9.1 | 3.5 | 11.9 | 8.1 | 5.0 | 10.7 | 4.9 | 2.1 | 7.2 | 4.7 | 0.9 | 8.3 | 2.5 | 0.8 | 4.0 | 2.2 | 0.8 | 3.8 | |
| Perak | 19.2 | 8.8 | 24.4 | 10.2 | 4.5 | 17.4 | 9.1 | 4.0 | 15.5 | 4.5 | 2.3 | 7.1 | 9.5 | 4.5 | 15.8 | 7.9 | 4.0 | 15.3 | |
| Penang | 8.7 | 4.8 | 11.4 | 4.0 | 2.9 | 7.7 | 4.0 | 3.5 | 5.6 | 1.7 | 1.3 | 2.8 | 2.7 | 2.4 | 3.8 | 1.4 | 1.1 | 3.0 | |
| Selangor | 7.6 | 4.7 | 9.2 | 4.3 | 2.1 | 11.9 | 2.2 | 1.3 | 5.1 | 1.3 | 0.7 | 3.0 | 2.0 | 1.3 | 3.9 | 1.1 | 0.9 | 3.3 | |
| Kuala Lumpur (FT) | 3.7 | 3.7 | - | 1.7 | 1.7 | - | 0.5 | 0.5 | - | 0.1 | 0.1 | - | 2.3 | 2.3 | - | 0.5 | 0.5 | - | |
| Less Developed | | | | | | | | | | | | | | | | | | | |
| Kedah | 29.9 | 14.9 | 32.1 | 21.2 | 9.1 | 27.7 | 12.2 | 5.5 | 16.1 | 11.5 | 4.4 | 15.2 | 13.5 | 5.8 | 17.9 | 10.7 | 3.4 | 15.7 | |
| Kelantan | 29.6 | 19.7 | 33.3 | 29.5 | 18.4 | 35.4 | 22.9 | 18.3 | 25.3 | 19.2 | 10.9 | 23.5 | 18.7 | 13.0 | 21.6 | 12.4 | 6.5 | 15.2 | |
| Pahang | 10.0 | 6.4 | 11.2 | 6.9 | 1.8 | 9.2 | 6.8 | 2.0 | 9.4 | 4.4 | 2.2 | 5.5 | 5.5 | 3.2 | 6.7 | 3.8 | 1.5 | 5.9 | |
| Perlis | 17.4 | 2.8 | 18.5 | 19.8 | 7.4 | 24.3 | 11.8 | 8.6 | 13.0 | 10.7 | 7.5 | 12.0 | 13.3 | 6.5 | 16.1 | 10.1 | 6.9 | 11.9 | |
| Sabah | 29.7 | 8.7 | 34.9 | 27.8 | 11.6 | 36.2 | 22.4 | 10.3 | 28.8 | 16.5 | 5.8 | 22.6 | 20.1 | 10.1 | 26.0 | 16.0 | 8.5 | 24.5 | |
| Sarawak | 21.0 | 4.9 | 24.7 | 19.2 | 5.5 | 28.6 | 10.0 | 2.8 | 15.7 | 7.3 | 1.5 | 11.8 | 6.7 | 1.6 | 10.6 | 5.8 | 1.7 | 10.0 | |
| Terengganu | 31.3 | 19.2 | 39.1 | 25.6 | 17.5 | 32.1 | 23.4 | 13.3 | 31.8 | 17.3 | 10.1 | 23.4 | 14.9 | 10.0 | 19.1 | 10.7 | 5.6 | 15.6 | |
| Malaysia | 16.5 | 7.1 | 21.1 | 12.4 | 4.7 | 21.2 | 8.7 | 3.6 | 14.9 | 6.1 | 2.1 | 10.9 | 7.5 | 3.4 | 12.4 | 5.1 | 2.0 | 11.4 | |

Source: Economic Planning Unit.

Table 4
Number of Poor Households ('000) by State and Stratum, 1990-2002

| State | 1990 | | | 1993 | | | 1995 | | | 1997 | | | 1999 | | | 2002 | | |
|-----------------------|--------------|-------------|--------------|--------------|-------------|--------------|--------------|-------------|--------------|--------------|-------------|--------------|--------------|-------------|--------------|--------------|-------------|--------------|
| | Total | Urban | Rural | Total | Urban | Rural | Total | Urban | Rural | Total | Urban | Rural | Total | Urban | Rural | Total | Urban | Rural |
| More Developed | | | | | | | | | | | | | | | | | | |
| Johor | 42.5 | 7.6 | 34.9 | 28.6 | 3.0 | 25.6 | 15.7 | 4.4 | 11.3 | 8.9 | 2.5 | 6.4 | 14.7 | 3.1 | 11.6 | 12.6 | 3.9 | 8.7 |
| Melaka | 13.1 | 0.9 | 12.2 | 9.5 | 1.2 | 8.3 | 6.8 | 0.7 | 6.1 | 5.9 | 1.3 | 3.7 | 8.4 | 3.0 | 5.4 | 4.0 | 1.3 | 2.7 |
| Negeri Sembilan | 12.0 | 1.5 | 10.5 | 11.6 | 2.4 | 9.2 | 8.5 | 1.7 | 6.8 | 8.6 | 0.8 | 7.8 | 4.7 | 0.8 | 3.9 | 4.6 | 0.9 | 3.7 |
| Perak | 76.8 | 11.7 | 65.1 | 42.0 | 7.7 | 34.3 | 40.4 | 9.8 | 30.6 | 23.5 | 6.4 | 17.1 | 45.6 | 12.2 | 33.4 | 44.1 | 14.4 | 29.7 |
| Penang | 18.4 | 4.3 | 14.1 | 8.7 | 4.0 | 4.7 | 10.6 | 6.9 | 3.7 | 4.7 | 2.8 | 1.9 | 8.3 | 5.4 | 2.9 | 4.8 | 3.2 | 1.6 |
| Selangor | 34.2 | 7.5 | 26.7 | 20.8 | 6.8 | 14.0 | 15.3 | 6.9 | 8.4 | 8.8 | 3.5 | 5.3 | 15.6 | 7.1 | 8.5 | 10.2 | 7.4 | 2.8 |
| Kuala Lumpur (FT) | 9.2 | 9.2 | - | 3.3 | 3.3 | - | 1.5 | 1.5 | - | 0.4 | 0.4 | - | 8.4 | 8.4 | - | 2.3 | 2.3 | - |
| Less Developed | | | | | | | | | | | | | | | | | | |
| Kedah | 81.0 | 5.3 | 75.7 | 64.1 | 6.9 | 57.2 | 39.3 | 6.5 | 32.8 | 39.1 | 5.1 | 34.0 | 55.4 | 8.6 | 46.8 | 45.1 | 5.7 | 39.4 |
| Kelantan | 66.1 | 12.2 | 53.9 | 71.0 | 11.2 | 59.8 | 60.8 | 16.9 | 43.9 | 52.0 | 10.0 | 42.0 | 54.0 | 12.7 | 41.3 | 35.3 | 5.8 | 29.5 |
| Pahang | 21.6 | 3.5 | 18.1 | 18.3 | 1.2 | 17.1 | 15.4 | 1.5 | 13.9 | 10.9 | 1.9 | 9.0 | 14.3 | 2.8 | 11.5 | 9.6 | 1.7 | 7.9 |
| Perlis | 7.3 | 0.1 | 7.2 | 8.7 | 0.6 | 8.1 | 5.3 | 1.1 | 4.2 | 5.1 | 1.0 | 4.1 | 7.0 | 1.0 | 6.0 | 4.0 | 0.9 | 3.1 |
| Sabah | 63.7 | 3.7 | 60.0 | 123.9 | 15.8 | 108.1 | 66.9 | 10.6 | 56.3 | 49.5 | 6.3 | 43.2 | 68.4 | 12.7 | 55.7 | 49.2 | 13.8 | 35.4 |
| Sarawak | 84.3 | 3.7 | 80.6 | 68.0 | 5.0 | 63.0 | 38.1 | 4.7 | 33.4 | 28.2 | 2.5 | 25.7 | 27.6 | 2.8 | 24.8 | 22.8 | 3.4 | 19.4 |
| Terengganu | 44.3 | 10.8 | 33.5 | 38.7 | 8.8 | 29.9 | 41.0 | 10.6 | 30.4 | 29.5 | 7.9 | 21.6 | 27.7 | 8.5 | 19.2 | 19.3 | 4.9 | 14.4 |
| Malaysia | 574.5 | 82.0 | 492.5 | 517.2 | 77.9 | 439.3 | 365.6 | 83.8 | 281.8 | 274.2 | 52.4 | 221.8 | 360.1 | 89.1 | 271.0 | 267.9 | 69.6 | 198.3 |

Source: Economic Planning Unit.

followed by Selangor (89.4 %) and Penang (86.1 %). The first two states form the Klang valley Metropolitan Region, the most developed and urbanised region in Malaysia. Both the Eighth Malaysia Plan—8MP (Malaysia 2001: 89) and the MTR8MP (Malaysia 2003: 93) attributed this increase to migration, growth of new urban areas and extension of administrative urban boundaries.

Workers (both domestic and international) migrate to urban areas in search of better economic opportunities and the expectation of an improved quality of life in urban areas. Internal migration trends in Malaysia exhibit higher rates for urban-urban migration, followed by rural-urban migration. Ragayah (2003) examined the rural-urban and urban-rural migration flows by occupational category as shown in **Table 6**. The table reveals a worrying point since migration flows among the two the lowest occupational category, the production and related workers, transport equipment operators and labourers, indicates that the percentage of rural-urban migration exceeded the percentage of urban-rural migration for all the years except for 1997. This could possibly mean that there are net inflows of these low-income groups into the urban areas, contributing to the rise in urban poverty. This implies that policies to reduce urban poverty must include productive employment creation in the rural areas to deter the rural poor from seeking jobs in the cities.

International migration into Malaysia contributes to the urban poverty problem by increasing the share of non-citizens among the poor in the Malaysian poverty landscape. In 1990, the non-citizens constituted about 7.0% but their share rose to 12.6% and 17.5% of the total poor in 1995 and 1997, respectively. Most of these people are located in the urban areas where there are relatively more job opportunities, both in the formal and informal sectors. However, since many foreigners were repatriated back to their respective countries during the crisis, their share in the Malaysian poverty incidence moderated to 14.2 % in 1999. Their presence in large numbers in the urban areas stretched the amenities, particularly housing, to the limit. Thus, foreigners not only contribute to the locals being left in poverty, but also to the rise in poverty incidence. The Eighth Malaysia Plan 2001-2005 (Malaysia 2001) concentrates on policies of eradicating pockets of poverty among Malaysians. However, there must be clear policies regarding

foreign workers since if they are not covered by the poverty eradication strategies, their presence might bring about other social problems.

The reclassification of urban areas in 1991, whereby about 6 per cent of the total poor in built-up areas that were previously defined as rural were classified as urban, also contributed to the rise in urban poor. As such, the number of poor households in urban areas in Malaysia rose significantly from about 77,900 in 1993 to 99,300 in 1995 primarily due to this redefinition. Moreover, the share of poor urban households was also rising up to the mid-1990s, from 14.3% in 1985 to 15.1% in 1993, 22.9 in 1995, 24.7% in 1999 and 26.0% in 2002.

As pointed out by Chamhuri (1999: 25-26), increasing urbanisation are likely to cause various urban issues and problems, such as rising urban diseconomies and escalating economic and social costs. These include problems of pollution, congestion and diseases, escalating rentals and cost of housing and transport, inadequate amenities and facilities

Table 5
Urbanisation Rate by State, 1980, 1991, 1995 and 2000

| State | Urbanization Rate (%) | | | | Average Annual Growth Rate of Urban Population (%) | |
|--------------------|-----------------------|-------------------|-------------|-------------|--|-------------------|
| | 1980 | 1991 ¹ | 1995 | 2000 | 6MP* 1991-1995 | 7MP* 1996-2000 |
| Johor | 35.2 | 48.0 | 51.8 | 56.4 | 4.6 | 4.0 |
| Kedah | 14.4 | 33.1 | 36.9 | 42.1 | 4.7 | 4.2 |
| Kelantan | 28.1 | 33.7 | 35.7 | 39.4 | 4.3 | 4.5 |
| Melaka | 23.4 | 39.4 | 44.0 | 49.8 | 4.1 | 3.5 |
| Negeri Sembilan | 32.6 | 42.5 | 44.7 | 47.6 | 3.3 | 2.8 |
| Pahang | 26.1 | 30.6 | 31.9 | 33.7 | 3.5 | 3.2 |
| Perak | 32.2 | 54.3 | 60.5 | 67.8 | 3.6 | 2.8 |
| Perlis | 8.9 | 26.7 | 30.4 | 35.3 | 5.5 | 5.0 |
| Pulau Pinang | 47.5 | 75.3 | 80.6 | 86.1 | 3.1 | 2.3 |
| Sabah ² | 19.9 | 32.8 | 35.2 | 38.2 | 7.9 | 7.1 |
| Sarawak | 18.0 | 38.0 | 43.4 | 50.5 | 5.6 | 4.8 |
| Selangor | 34.2 | 75.0 | 82.6 | 89.4 | 6.1 | 4.6 |
| Terengganu | 42.9 | 44.6 | 45.1 | 45.7 | 3.5 | 3.1 |
| Kuala Lumpur (FT) | 100.0 | 100.0 | 100.0 | 100.0 | 1.6 | 1.2 |
| Malaysia | 34.2 | 51.1 | 54.7 | 58.8 | 4.5 | 3.8 |

Source: Mohd. Zin (2001).

Notes: ¹ Based on Population and Housing Census (1991).

² Includes Federal Territory of Labuan.

like clean water, electricity, waste disposal, recreation and living space and sanitation. All these would result in deterioration in the environment and adversely affect the quality of life in urban centres. This negative situation might be compounded by social problems like crime, juvenile delinquency, drug abuse and others. It also takes a toll on employment generation, raising urban unemployment and thus urban poverty.

Various past studies, for example Mohd Yusof (1994), Ishak (1996) and Nor Aini and Chamhuri (2003) found similar factors causing urban poverty: low levels of education and/or skills, large family size, lack of employment opportunities and low wages, and lack of access to basic amenities. Fong's study (1989) in the mid-1980s focused on Kuala Lumpur, Penang, Kota Bharu and Johor Bahru, also listed the same factors causing urban poverty. Osman Rani and Abdul Majid (1991) also confirmed that urban poverty was due to the same factors.

Table 6
Percentage Distribution of Employed Internal Migrants by Occupation and Migration Direction

| Occupation | 1992 | | 1993 | | 1995 | | 1996 | | 1997 | | 1998 | | 1999 | | 2000 | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | U-R | R-U | U-R | R-U | U-R | R-U | U-R | R-U | U-R | R-U | U-R | R-U | U-R | R-U | U-R | R-U |
| Professional, technical and related workers | 13.4 | 9.0 | 13.3 | 10.3 | 18.5 | 11.8 | 15.0 | 11.6 | 16.7 | 17.9 | 16.7 | 13.7 | 12.5 | 12.3 | 18.7 | 11.8 |
| Administrative and managerial workers | 1.8 | 1.6 | 0.9 | 1.7 | 5.3 | 2.7 | 3.3 | 1.8 | 3.7 | 2.5 | 5.2 | 3.3 | 3.9 | 1.6 | 3.4 | 1.8 |
| Clerical and related workers | 9.1 | 6.8 | 7.8 | 8.1 | 9.1 | 8.8 | 13.1 | 12.0 | 8.7 | 11.6 | 13.7 | 10.5 | 9.2 | 13.5 | 10.3 | 9.2 |
| Sales workers | 5.8 | 5.4 | 5.0 | 4.5 | 7.8 | 9.3 | 8.4 | 7.7 | 6.6 | 7.8 | 8.0 | 9.7 | 7.0 | 10.2 | 6.1 | 8.9 |
| Service workers | 14.8 | 18.1 | 13.8 | 17.0 | 11.5 | 16.4 | 11.2 | 18.9 | 9.7 | 16.5 | 11.8 | 14.8 | 10.4 | 15.4 | 13.4 | 19.5 |
| Agricultural, animal husbandry and forestry workers, fishermen and hunters | 15.4 | 3.4 | 16.1 | 2.6 | 10.7 | 2.3 | 10.6 | 2.3 | 8.3 | 3.3 | 12.6 | 1.6 | 17.1 | 1.7 | 7.6 | 2.5 |
| Production and related workers, transport equipment operators and laborers | 39.7 | 55.7 | 43.1 | 55.8 | 37.1 | 48.7 | 38.4 | 45.7 | 46.3 | 40.4 | 32.0 | 46.4 | 39.9 | 45.3 | 40.5 | 46.3 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Malaysia. *Migration Survey Report*. Department of Statistics, various years.

Note: U-R: Urban-Rural R-U:

4.2 Characteristics

In order to understand the more specific characteristics of the urban poor, a survey of 500 households based on a structured questionnaire was undertaken in July and August 2004. This study aimed at identifying the urban poor and their socio-economic characteristics, expenditure pattern, household and financial assets, their living environment and the quality of life as well as the delivery of the social safety nets. For ease of computation, as well as adjusting for the higher cost of living in the urban areas, the national PLI of RM529 in 2002 was revised to RM600 per month or its per capita equivalent of RM120 was used to determine the incidence of poverty.

In order to reflect Malaysian main ethnic composition, the sample is made up of 252 Malay (50.5 %), 140 Chinese (28.0 %) and 108 Indian (21.6 %) families. These ethnic groups made up 65.5 %, 25.6 % and 7.5 % of the Malaysian population in 2003 (Malaysia 2003: 92). The Indians are over-represented to ensure that their characteristics are representative of the population. Response difficulties were acute among the Chinese since many feel offended to be classified as being part of the poor. This necessitated the questionnaire to be titled "A study of education, employment and development in Kuala Lumpur" instead of "A study of the characteristics of poverty in Kuala Lumpur".

This survey employs a purposive approach, targeting housing areas where the low-income families resided located in the various parts of the Federal Territory of Kuala Lumpur. Twenty-one locations were covered, which include the various low-cost flats to where the squatters have been relocated, the long houses that accommodated squatters in transit and waiting for relocation into permanent houses, other types of low-cost houses as well as squatter houses. It is observed that while these respondents^v live in relatively cramped residence, the latter mostly comprise permanent dwellings with sturdy structures.

Table 7 shows the distribution of households by types of housing area and their income levels. Most of the respondents (37.4 %) live in the low-cost housing flats that have been built and rented out by the Government. The relocation of squatters to low-cost housing had begun in the 1970s. Those waiting to be relocated are housed in the temporary "long houses" and they formed 22.8 % of our sample. Others lived in housing estates that are

either developed by the government or the private sector. Despite the Government's effort to provide low-cost housing, there is still inadequate supply and thus squatter areas can still be found. Those who live in this type of housing area made up 30.8 % of the respondents. The Government has set the objective of resettling all squatters into permanent houses by 2005 Malaysia 2003: 391) and thus have intensified the implementation of *Program Perumahan Rakyat* or the public housing program to ensure sufficient supply. An interesting fact that can be observed from the table is that those who live in squatter areas or low-cost housing flats are not necessarily of the low income class. A constant headache for the Kuala Lumpur City Hall is that their tenants refused to move out of the subsidised low-cost housing even when that particular family have moved up the income ladder.

Table 7

Distribution of Households by Types of Housing and Income

| Income | Types of Housing Area | | | | Total |
|--------------|-----------------------|------------|-------------|-----------------|------------|
| | Squatter | L-C Flat | Long Houses | Housing Estates | |
| 0-600 | 4 | 8 | - | 1 | 13 (2.6) |
| 601-1000 | 9 | 17 | 14 | 1 | 41 (8.2) |
| 1001-1500 | 23 | 40 | 25 | 3 | 91 (18.2) |
| 1501-2000 | 36 | 44 | 24 | 6 | 110 (22.0) |
| 2001-3000 | 43 | 34 | 35 | 12 | 124 (24.6) |
| 3001-4000 | 16 | 20 | 10 | 7 | 53 (10.6) |
| 4001-5000 | 11 | 14 | 3 | 11 | 39 (7.8) |
| 5001-6000 | 5 | 6 | 2 | 2 | 15 (3.0) |
| 6001-7000 | 3 | - | - | 1 | 4 (0.8) |
| 7001-8000 | 3 | 2 | - | 1 | 6 (1.2) |
| 8001-9000 | 1 | 1 | - | - | 2 (0.4) |
| 9000 & above | - | 1 | 1 | - | 2 (0.4) |
| Total | 154 (30.8) | 187 (37.4) | 114 (22.8) | 45 (9.0) | 500 (100) |

Note: Figures in brackets are percentages

Source: Survey

The characteristics of the poor are summarized in **Table 8**. Based on the 500 respondents, the average family size was 5.5 members, the same size as the average non-poor households. On the other hand, the average size of the hardcore poor and poor households is much larger at 6.8 and 6.9 members respectively. The smallest family comprises two household members while the largest consisted of 11 members. Of the total respondents, 9.4 % were with two or three family members, and 66.0 % with four to six members. Another 18.6 % had seven to eight members while the rest had nine to eleven members. The mean household income for all respondents was around RM2455 per month.

The mean household income of the hardcore poor was only 9.0 % of the total mean household income the mean household income of the poor was 28.5 % of the total mean. When the household PLI was used, it was found that 0.4 % of the respondents were in hard-core poverty, 2.8 % were poor and 97.2 % were non-poor. By this criterion, 58.3 % of the poor are males while the rest females. However, applying the per capita PLI resulted in a higher incidence of hardcore poverty (1.0 %), also a higher incidence of poverty (3.4 %) and thus a smaller proportion of non-poor (96.6 %).

Table 8
Characteristics of the Very Poor, Poor and Non-poor in Urban Kuala Lumpur
(N=500)

| Characteristics | Hardcore Poor | Poor | Non-poor | All |
|--|---------------|--------|----------|---------|
| <i>By household income PLI RM 600/month</i> | | | | |
| 1. Incidence of poverty (%) | 0.4 | 2.8 | 97.2 | 100.0 |
| 2. Mean monthly household income (RM) | 220.0 | 699.9 | 2520.5 | 2454.7 |
| 3. Maximum monthly household income (RM) | 240.0 | 1100.0 | 10000.0 | 10000.0 |
| 4. Minimum monthly household income (RM) | 200.0 | 400.0 | 450.0 | 200.0 |
| <i>By per capita income, PLI RM100/month</i> | | | | |
| 5. Incidence of poverty (%) | 1.0 | 3.4 | 96.6 | 100.0 |
| 6. Mean monthly per capita income (RM) | 45.7 | 84.5 | 481.3 | 467.8 |
| 7. Maximum monthly per capita income (RM) | 51.7 | 114.3 | 2000.0 | 2000.0 |
| 8. Minimum monthly per capita income (RM) | 28.6 | 28.6 | 125.0 | 28.6 |
| 9. Mean monthly per capita expenditure (RM) | 87.2 | 93.0 | 308.7 | 301.3 |
| <i>Socio-economic characteristics</i> | | | | |
| 10. Average family size | 6.8 | 6.9 | 5.5 | 5.5 |
| 11. Average age | 41.8 | 44.9 | 45.9 | 45.2 |
| 12. Average family member employed | 1.8 | 1.7 | 1.8 | 1.8 |
| 13. Average family member with income | 1.3 | 1.3 | 1.9 | 1.9 |
| 14. Place of origin of migrants (%): | | | | |
| Rural | 100.0 | 100.0 | 82.4 | 83.0 |
| Urban | 0.0 | 0.0 | 17.6 | 17.0 |
| 15. Employment (%) | | | | |
| Government employee | 0.0 | 12.5 | 15.6 | 15.5 |
| Private sector employee | 0.0 | 31.3 | 57.3 | 56.4 |
| Self-employed | 25.0 | 25.0 | 20.3 | 20.5 |
| Unemployed | 50.0 | 18.8 | 2.5 | 3.0 |
| Housewife | 25.0 | 12.5 | 1.7 | 2.0 |
| Out of labour force (more than 65 years old) | 0.0 | 0.0 | 2.7 | 2.6 |
| 16. Education (%) | | | | |
| No formal education | 0.0 | 12.4 | 2.9 | 3.3 |
| Primary education | 25.0 | 18.8 | 22.5 | 22.4 |
| Secondary education | 75.0 | 68.8 | 64.5 | 64.6 |
| Pre-university | 0.0 | 0.0 | 3.8 | 3.7 |
| Tertiary | 0.0 | 0.0 | 6.3 | 6.1 |

Source: Survey.

Table 9 shows the percentage distribution of income of the head of households as well as the percentage distribution of total family income of the 500 respondents. While the incidence of poverty is low, this table shows that 56.8 % of the heads of household earned

RM1500 and below while 92.9 % of them earned RM3000 and below a month. In terms of total household monthly income, 29.0 % of the households received RM1500 and

Table 9
Distribution of Respondents by Monthly Income of Head of the Household and Total Family Income

| RM | Head of the Household | | Total Family Income | |
|----------------|-----------------------|-------|---------------------|-------|
| | No. | % | No. | % |
| Below 600 | 41 | 8.6 | 14 | 2.8 |
| 601-1000 | 85 | 17.8 | 40 | 8.0 |
| 1001-1500 | 145 | 30.4 | 91 | 18.2 |
| 1501-2000 | 109 | 22.9 | 110 | 22.0 |
| 2001-3000 | 63 | 13.2 | 124 | 24.8 |
| 3001-4000 | 20 | 4.2 | 53 | 10.6 |
| 4001-5000 | 8 | 1.7 | 39 | 7.8 |
| 5001-6000 | 3 | 0.6 | 15 | 3.0 |
| 6001-7000 | - | - | 4 | 0.8 |
| 7001-8000 | 1 | 0.2 | 6 | 1.2 |
| 8001-9000 | 1 | 0.2 | 2 | 0.4 |
| 9000 and above | 1 | 0.2 | 2 | 0.4 |
| Total | 477 | 100.0 | 500 | 100.0 |

Source: Survey.

below while 76.8 % of them obtained RM3000 and below a month. In fact, the Kuala Lumpur City Hall uses the household threshold income of RM1500 for the families to qualify for certain assistance such as low-cost housing while the Eighth Malaysia Plan 2001-2005 (Malaysia 2001: 75) stated that for the first half of the Plan period, the income eligibility criteria for assistance was set at RM1200.

It is interesting to note, in Table 7, that while the average age for all groups is between 41-46 years, the average age of the hardcore poor is the lowest. However, there is no significant difference in the average number of family members being employed, although the poor households have lower average of family members with income. This implies that the poor households have unpaid family workers. On the other hand, the non-poor households have higher average number of income recipients (1.9) than the average number employed (1.8), implying that some of them are pensioners or other recipients of transfer income. The detailed distribution of respondents by age is shown in

Table 10. The largest group is aged between 41-54 years (60.0 %), followed by the 26-40 years (29.2 %) and the 55-64 year age group (8.0 %). Of the total respondents, 2.2 %

Table 10
Distribution of Respondents by Age and Poverty Status

| Age (Years) | Hardcore Poor | Poor* | Non-Poor | Total |
|-------------|---------------|-----------|-------------|--------------|
| <25 | - | - | 3 (0.6%) | 3 (0.6%) |
| 26-40 | 1 (0.2%) | 4 (0.8%) | 140 (28.2%) | 145 (29.2 %) |
| 41-54 | 1 (0.2%) | 7 (1.4%) | 290 (58.4%) | 298 (60.0%) |
| 55-64 | - | 1 (0.2%) | 39 (7.8%) | 40 (8.0%) |
| >65 | - | - | 11 (2.2%) | 11 (2.2%) |
| Total | 2 (0.4%) | 12 (2.4%) | 483 (97.2%) | 497 (100.0%) |

Note: Poor include the very poor.

Source: Survey.

are older than 65 years and therefore are out of the labour force. Contrary to national survey results (see Ragayah 2002), none of the young (below 25 years) and the aged (above 65 years) are poor. The table reflects that the poor and hardcore poor are those who are still in the labour force and probably can be assisted to be more productive to raise their incomes.

We have shown in Table 6 that there are net inflows of the low-income groups into the urban areas which might contribute to the rise in urban poverty. Furthermore, some authors, for example Chamhuri and Mohd Yusof (1997), have tested the hypothesis that rural poverty might be transferred to urban areas through rural-urban migration. Their study revealed that about 68 % of the respondents originated from the rural areas, of which 49 % were non-poor, 17 % classified poor and two per cent very poor. Hence, the authors could not definitely conclude that rural poverty was being transferred to the urban areas. The present study reveals that about half of the respondents were migrants, and most migrants have been living in Kuala Lumpur for a long time. Some 40.6 % are permanently urbanised, having migrated over twenty years ago. Another 39 % can be regarded as established migrants having lived in City between 11-20 years while 16.5 % have been here between six and ten years. Recent migrants (less than 6 years) are rather

small in number, comprising only 4 % of the total migrants. Of the total migrants, 83 % of the migrants originated from the rural areas, of which 95.9 % were non-poor, and only 4.1 % classified poor and 1.2 % very poor. Only 17.0 % migrated from other urban areas. While all the migrant poor were originally from the rural areas, their numbers are too small to support the hypothesis.

With regards to the employment pattern of the heads of households, 50.0 % of the very poor were unemployed compared to 18.8 % of the poor and 2.5 % of the non-poor. Among the poor, there were 12.5 % government sector employees, 31.3 % private sector employees, 25.0 % self-employed and 12.5 % housewives. Most of the very poor are unemployed. A majority of the non-poor are private sector employee (57.3 %), while others are mainly self-employed (20.3 %) or working for the government (15.6%). The distribution of the respondents by the employment sector and age is shown in **Table 11**. Most of those employed by the private sector and the government as well as the self-employed are those aged between 26-54 years old.

The education levels of the respondents normally influenced their employment status. However, it is surprising that this study showed all of the very poor respondents had primary or secondary education. Moreover, among those that attended formal education, a greater proportion of the poor and very poor respondents attended secondary level schooling compared to the non-poor. On the other hand, there are those with no formal

Table 11
Distribution of Respondents by Main Source of Income and Age

| | Age Categories | | | | | Total |
|--|----------------|---------------|---------------|-------------|-------------|----------------|
| | <25 | 26-40 | 41-54 | 55-64 | >65 | |
| Government Sector | 1 | 22 | 44 | 10 | 0 | 77 (15.6%) |
| Private Sector | 1 | 94 | 171 | 12 | 1 | 279 (56.4%) |
| Self employment | 1 | 28 | 65 | 7 | 0 | 101 (20.4%) |
| Unemployment | 0 | 1 | 6 | 6 | 2 | 15 (3.0%) |
| Housewife | 0 | 0 | 8 | 2 | 0 | 10 (2.0%) |
| Out of Labour force (more than 65 years old) | 0 | 0 | 2 | 3 | 8 | 13 (2.6%) |
| Total | 3 (0.6) | 145 (29.2) | 296 (60.0) | 40 (8.0) | 11 (2.2) | 495 (100.0) |

Source: Survey

education in the non-poor group. The only expected result here is that none of those with pre-university or tertiary education are classified as poor. **Table 12** shows the distribution of respondents by their level of education and age. It appears that the younger respondents are less well-educated since only those aged between 41-64 years did reach the tertiary level of education.

Poverty is often said to be related to the marital status, especially those female household heads who are widows or divorced. **Table 13** shows that 93.6 % of the respondents are married. A majority of those widowed or divorced are females. Those in poverty by the household PLI are either widowed or married.

The distribution of households by the amount spent on each type of expenditure item monthly is shown in **Table 14**. As expected, the largest amount of money by many families is on food with 19 or 3.8 % of respondents spending more than RM1000.00 per month. Two other items were given priority—education and instalment payments. It is heartening to note that some of these families are giving emphasis on the expenditure on education as this is the most reliable and sustainable way out of poverty. Payments for installments on cars, houses and other durable items also take quite a chunk out of their income. What is discouraging is that not much is being spent on reading materials despite the Government allowing for tax exemption spent on the first RM500.00 annually to encourage the reading habit among Malaysians.

Table 12
Distribution of Respondents by the Education Level and Age

| Education Level | Age Categories | | | | | Total |
|----------------------|----------------|---------------|---------------|-------------|-------------|-----------------|
| | <25 | 26-40 | 41-54 | 55-64 | >65 | |
| Primary School | 0 | 14 | 75 | 15 | 5 | 109 (22.3%) |
| LCE/SRP/PMR | 1 | 45 | 88 | 14 | 2 | 150 (30.7%) |
| MCE/SPVM/SPM | 2 | 67 | 91 | 7 | 0 | 167 (34.2%) |
| Pre-university | 0 | 6 | 11 | 1 | 0 | 18 (3.7%) |
| Diploma /certificate | 0 | 10 | 7 | 0 | 0 | 17 (3.5%) |
| Tertiary | 0 | 0 | 11 | 1 | 0 | 12 (2.5%) |
| No formal education | 0 | 2 | 8 | 2 | 4 | 16 (3.3%) |
| Total | 3 (0.6) | 144 (29.4) | 291 (59.5) | 40 (8.2) | 11 (2.3) | 489 (100.0%) |

Source: Survey

Table 13
Marital Status of Respondents

| Marital Status | Number of Respondents (%) | | | Incidence of poverty |
|----------------|---------------------------|-----------|--------------|----------------------|
| | Male | Female | Total | |
| Widowed | 4 | 22 | 26 (5.2%) | 6 (1.2%) |
| Divorced | 1 | 3 | 4 (0.8%) | - |
| Married | 458 | 10 | 468 (93.6%) | 6 (1.2%) |
| Single | 1 | 1 | 2 (0.4%) | - |
| Total | 464 (92.8%) | 36 (7.2%) | 500 (100.0%) | - |

Source: Survey

The urban poor also face considerable social problems. In order to ascertain whether they do face the various urban social ills, the respondents were asked whether they do confront these problems. **Table 15** cross-tabulate the various social problems against the monthly household income. Actually some of these problems like drug abuse, truancy among the school-going children together with smoking among teenagers, incidents of thefts and robbery, and gangsterism, are faced relatively more by those families with household income in the range of RM1500-RM3000.

Table 14
Distribution of Households by Amount and Types of Expenditure

| | Foods | | Clothing | | Rental | | Furniture | | Health Care | | Transportation | |
|----------------|-------|------|----------|------|--------|------|-----------|------|-------------|------|----------------|------|
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| 0-100 | 9 | 1.8 | 258 | 73.7 | 138 | 28.4 | 129 | 71.7 | 300 | 88.2 | 145 | 33 |
| 101-200 | 44 | 8.9 | 59 | 16.9 | 222 | 45.7 | 37 | 20.6 | 33 | 9.7 | 149 | 33.9 |
| 201-300 | 112 | 22.6 | 17 | 4.9 | 91 | 18.7 | 8 | 4.4 | 3 | 0.9 | 77 | 17.5 |
| 301-400 | 97 | 19.6 | 5 | 1.4 | 18 | 3.7 | 1 | 0.6 | 0 | 0 | 33 | 7.5 |
| 401-500 | 91 | 18.4 | 6 | 1.7 | 12 | 2.5 | 2 | 1.1 | 0 | 0 | 27 | 6.1 |
| 501-600 | 45 | 9.1 | 1 | 0.3 | 1 | 0.2 | 0 | 0 | 1 | 0.2 | 4 | 0.9 |
| 601-700 | 31 | 6.3 | 0 | 0 | 1 | 0.2 | 0 | 0 | 1 | 0.2 | 0 | 0 |
| 701-800 | 19 | 3.8 | 3 | 0.9 | 1 | 0.2 | 1 | 0.6 | 1 | 0.2 | 2 | 0.5 |
| 801-900 | 4 | 0.8 | 0 | 0 | 0 | 0 | 1 | 0.6 | 0 | 0 | 0 | 0 |
| 901-1000 | 24 | 4.8 | 1 | 0.3 | 1 | 0.2 | 1 | 0.6 | 1 | 0.2 | 1 | 0.2 |
| 1001 and above | 19 | 3.8 | 0 | 0 | 1 | 0.2 | 0 | 0 | 0 | 0 | 2 | 0.5 |
| Total | 495 | 100 | 350 | 100 | 486 | 100 | 180 | 100 | 340 | 100 | 440 | 100 |
| Missing | 5 | | 150 | | 14 | | 320 | | 160 | | 60 | |
| | 500 | | 500 | | 500 | | 500 | | 500 | | 500 | |

Table 14 (cont'd)

| RM | Recreation | | Education | | Reading Material | | Transfer Payments | | Installments for, car house, etc | | Others | |
|----------------|------------|------|-----------|------|------------------|------|-------------------|------|----------------------------------|------|--------|------|
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| 0-100 | 156 | 31.2 | 209 | 45.4 | 319 | 96.7 | 88 | 85.4 | 9 | 3.8 | 37 | 62.7 |
| 101-200 | 28 | 5.6 | 138 | 30 | 7 | 2.1 | 8 | 7.8 | 30 | 12.5 | 9 | 15.3 |
| 201-300 | 6 | 1.2 | 56 | 12.2 | 3 | 0.9 | 2 | 1.9 | 39 | 16.3 | 5 | 8.5 |
| 301-400 | 3 | 0.6 | 19 | 4.1 | 0 | 0 | 2 | 1.9 | 44 | 18.3 | 2 | 3.4 |
| 401-500 | 1 | 0.2 | 19 | 4.1 | 1 | 0.3 | 3 | 2.9 | 43 | 17.9 | 1 | 1.7 |
| 501-600 | 0 | 0 | 8 | 1.7 | 0 | 0 | 0 | 0 | 21 | 8.8 | 0 | 0 |
| 601-700 | 1 | 0.2 | 1 | 0.2 | 0 | 0 | 0 | 0 | 23 | 9.6 | 1 | 1.7 |
| 701-800 | 0 | 0 | 3 | 0.7 | 0 | 0 | 0 | 0 | 5 | 2.1 | 0 | 0 |
| 801-900 | 0 | 0 | 2 | 0.4 | 0 | 0 | 0 | 0 | 6 | 2.5 | 0 | 0 |
| 901-1000 | 1 | 0.2 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 3.8 | 2 | 3.4 |
| 1001 & above | 1 | 0.2 | 5 | 1.1 | 0 | 0 | 0 | 0 | 11 | 4.6 | 2 | 3.4 |
| Total Response | 197 | 100 | 460 | 100 | 330 | 100 | 103 | 100 | 240 | 100 | 59 | 100 |
| Non-response | 303 | | 40 | | 170 | | 397 | | 260 | | 441 | |
| Total | 500 | | 500 | | 500 | | 500 | | 500 | | 500 | |

Source: Survey

Table 15
Distribution of Households by Income and Types of Social Problem

| Monthly H'hold Income (RM) | Drug Abuse | Truancy & Smoking | Theft & Robbery | Noisy Environment | Gangsterism | Illegal Bike Racing | Smelly Environment | Fights | Other Social Problems |
|-------------------------------|---------------|-------------------------|--------------------|----------------------|-------------|---------------------------|-----------------------|-----------|-----------------------------|
| 0-600 | 2 | 1 | 5 | 3 | 2 | | | | 1 |
| 601-1000 | 5 | | 17 | | 3 | | 1 | 2 | 4 |
| 1001-1500 | 27 | 5 | 32 | 5 | 9 | 3 | 2 | 6 | 8 |
| 1501-2000 | 30 | 7 | 29 | 6 | 11 | 2 | 2 | 4 | 9 |
| 2001-3000 | 34 | 15 | 16 | 7 | 8 | 4 | 1 | 3 | 9 |
| 3001-4000 | 18 | 5 | 12 | 8 | 2 | | 1 | 2 | 2 |
| 4001-5000 | 9 | 4 | 6 | 3 | 1 | 1 | | 1 | 2 |
| 5001-6000 | 3 | | 2 | 1 | 1 | | | | |
| 9000 & Above | 1 | | 2 | | 2 | | | | |
| Total | 129 | 32 | 121 | 33 | 39 | 10 | 7 | 18 | 35 |
| | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Source: Survey

4.3 Policies and Programmes

Since urban poverty is just one of the ten major poverty groups identified under the New Economic Policy, some researchers argue that urban anti-poverty had been side-line. For example, Chamhuri and Mohd Yusof (1997: 1529-1530), Chamhuri (1999: 33) argue that town planning in Malaysia is generally done in isolation of other towns and its hinterland and emphasised on physical planning instead of the socio-economic aspect of planning. Moreover, they also say that urban poverty programmes are lacking, *ad hoc* in nature and are not directed specifically to the poor. Urban development and the employment and business opportunities created are said to by-pass and tend to marginalise the urban poor. Municipal or local authorities lack institutional capacity, particularly lack of finance and human resource, to implement anti-poverty programmes.

Still, several programmes which been implemented during the New Economic Policy 1971-1990, New Development Policy 1991-2000 and now the New Vision Policy. These had direct or indirect impact on urban poverty and can be classified as follows:

i. Education and employment creation

Two of the strategies employed to tackle poverty, both urban and rural, were the provision of better and more efficient services in education and the accelerated creation of productive employment opportunities in the secondary and tertiary sectors. The increase in human capital formation coupled with the increase in physical capital contributed to a rapid wage growth. Bhalla and Kharas (1992: 77) have found that wages have risen as a share of household income with the distribution of wage earnings becoming more equal because of the growing equality of education opportunities.

ii. Provision of housing and social amenities

One of the pressing problems in urban centres was the inadequacy of proper housing with appropriate social amenities. Thus, one of the strategies to alleviate urban poverty is the

provision of low cost housing as well as social amenities to raise the standard of living and quality of life of the urban poor. In order to increase the stock of affordable houses, the government established the Low-Cost Housing Fund in 1993 to expedite the construction of low-income housing. Then the Revolving Fund for Low-Cost Housing was also created as the government intensified its effort to provide affordable housing to the poorer section of society. During the 1997-1998 crisis, the government also allocated RM2 billion to the Special Scheme for Low and Medium Cost Houses. Apart from these special programmes, the government also requires housing developers to allocate 30 % of their schemes to the construction of low-cost houses (Mohd Zin, 2001:149).

However, due to unaffordability or unavailability of low-cost houses, as well as the high rents charged for urban dwellings, squatter settlements have sprouted around the cities. Efforts were also made to upgrade their living environment in these areas, including the provision of asphalt roads, water and electricity supply, and facilities for solid waste disposal. Certain local government like the KLCH also provide public amenities such as community halls, clinics for expecting mothers and kindergartens for preschool children (Mohd Zin, 2001:150).

iii. Development of growth centres

In order to slow down the migration to large cities, the government also developed growth centres, including new urban centres, and promote rural industrialisation and small-scale industries so as to create job opportunities.

iv. NADI (Nerve) Programme

This is a multi-agency programme aimed at integrating the work of all related government agencies, voluntary organisations and local groups in the eradication of poverty specifically in Kuala Lumpur. The programme, which began in 1980, focuses on four areas: (a) environment improvement; (b) social-self-realisation and community development; (c) health care and welfare services; and (d) income generating home-based

projects, particularly to enable housewives to supplement the household income. The 8MP states that the government will continue with the existing integrated approach taken by local authorities, private sector and the NGOs through programmes such as the Integrated Development for Urban Communities, *Pusat Rahmat*, *Projek Harapan* and *Skim Khas Ibu Tunggal* (Malaysia, 2001:74).

v. Urban entrepreneurship programme

Local governments like the KLCH have been assisting the hawkers and small traders since the 1970s. In the last decade or so, the urban entrepreneurship programme also involved NGOs such as the Malaysian Islamic Economic Development Foundation (YPEIM) and Amanah Ikhtiar Malaysia (AIM), which provided small loans for income generating small business activities. These are mainly targeted towards female-headed households (Chamhuri 1999: 34).

Another NGO is the state-based *Yayasan Basmi Kemiskinan* (YBK)^{vi}, with the support of private companies, also complemented the government's efforts to eliminate hardcore poverty. YBK programmes focused on skill training with guaranteed employment, educational assistance and better housing. The private sector provided support to NGO programmes through skill training as well as in-kind and financial contributions to the poor. Among these NGOs are YBK Selangor, *Yayasan Kemiskinan Kelantan* and *Yayasan Membasmi Kemiskinan Kedah*.

During the 1997-1998 financial crisis, the government introduced two funds that were specifically targeting the urban population, which might have benefited some of the urban poor. These are:

- The Small-Scale Entrepreneur Fund (RM100 million) and Economic Business Group Fund (RM150 million) were set up to provide assistance to petty traders, hawkers and small entrepreneurs – including women entrepreneurs – in urban areas.
- The Small and Medium-Scale Industry (SMI) Fund, with start up financing of RM750 million, was mandated to aid small and medium scale businesses to expand production. Loans were mainly channeled for the purchase of equipment and machinery.
- An additional allocation of RM100 million for the Hardcore Poverty Development Program was designed to provide loans to the hard-core poor for income-earning activities through Amanah Ikhtiar Malaysia (AIM), which has been expanded to include the urban poor. This assistance include provision of micro-credit for small businesses especially those operated by single mothers.

vi. Other Measures

The Mid-Term Review of the Eighth Malaysia Plan also mentioned these additional measures to combat urban poverty (Malaysia 2003: 60). In order to address urban poverty and the susceptibility of low-income households in urban areas to any downturn in the economy, the Government established a Cabinet Committee on Urban Poverty in 2001. To tackle the pockets of poverty among households in the urban centres and its periphery, a database was set up to build an urban poverty map. A pilot survey was conducted in Johor Bahru in 2003 to build this map.

5. Social Protection Systems^{vii}

These include social security schemes, social insurance and saving schemes and public/social assistance.

5.1 Social security schemes

There are several social security schemes for workers in the formal or organised sector, although not all are national in coverage and function, including (i) The Employer's Liability Scheme -ELS- covering employment injury compensation since 1952 and sickness and maternity benefits since 1955; (ii) civil service pension (1951), a non-contributory pension scheme for civil servants; (iii) Employee provident Fund -EPF- (since 1951) is for all workers not covered by the civil service pension; those in the army are covered by the Armed Forces Provident Fund; (iv) Workers' Compensation Scheme (1952) to determine the terms and amounts of compensation in the case of death or accident, which never attained much significance. In March 1998, the Foreign Workers' Compensation Scheme was formed to cater primarily for foreign workers' insurance needs. The main social insurance scheme for workers earning less than RM2000 (US\$1 = RM3.8) a month in Malaysia is the Social Security Organisation (SOCSSO) established in 1969. There are also several private saving schemes onto which workers can fall back on in times of need if they have become members of these schemes. Social welfare assistance is also provided to the needy.

i. Employer's Liability Scheme

The employer's liability scheme covers mainly two types of benefits. Firstly, employment injury compensation is provided under the Workmen's Compensation Act, 1952, and secondly, the sickness and maternity benefits is provided under the Employment Act, 1955. Paid sick leave entitlement, as stipulate by the Employment Act, 1955, depends on the employee's length of service. It ranges from 14 days for those employed for less than

two years, 18 days for those employed between 2 to 5 years, and 22 days if the employee has served the employer for more than 5 years.

ii. Civil Service Pension

The Government Pension Ordinance of 1951 introduced a non-contributory pension scheme for civil servants which were amended by the Pensions Act of 1980. This scheme provides income protection for all employees in the public sector. Benefits include those relevant to employment injury, disability, superannuation or gratuity payment upon retirement and dependents' pension in the event of death while in service and death after retirement. The generous provisions of the civil service pension scheme are funded by the government, through tax revenues.

iii. Employee Provident Fund (EPF)

Only employees in the government service are entitled to receive pension upon retirement while all other employees are required to contribute to an old age retirement scheme known as the Employees Provident Fund (EPF). The coverage of these social security schemes is shown in **Table 16**. About 30 % of the estimated working population not covered by any formal retirement scheme and this would probably be the poor.

Table 16. Malaysia: Retirement Income Coverage, 2000

| | Number | % of Total |
|--|-----------|------------|
| Total working population | 9,573,000 | 100.0 |
| EPF members ¹ | 9,990,000 | 104.36 |
| Employees under Government Pension Scheme | 118,854 | 1.24 |
| Registered foreign workers | 732,588 | 7.65 |
| Estimated foreign workers who are not registered | 500,000 | 5.22 |
| Estimated Malaysian workers not covered by any formal retirement scheme | 585,600 | 6.12 |
| Estimated working population not covered by any formal retirement scheme | 2,877,300 | 30.06 |

Note ¹: Exceeds 100.0% since a retired worker can still be a member.

Source: Public Services Department cited in Rajasekaran 2001.

Provident funds, though useful in its own way, has its limitations. It provides for a measure of protection for old-age but where invalidity or permanent disability is concerned, it can hardly provide the desired or adequate income security. Lump sum payments do not provide the life-long security as is available under a social insurance scheme that provides periodical payments throughout life. Furthermore, the provident fund has the disadvantage of not pooling risks. Benefits are based directly on contributions and, therefore, they are not always sufficient to deal adequately with contingencies that may arise. The lump sum payment may be small and is soon used up. This problem is particularly pressing in the case of workers who are disabled or die at a young age or who join the fund shortly before retirement. Moreover, the dividend rates of the Fund have fluctuated over the years. Besides, 72% of EPF contributors who withdraw their savings at age of 55 tend to spend all money within three years^{viii}. Thus there is a need for EPF to educate its members on how to use their savings prudently upon retirement since life expectancy has risen and these figures are expected to increase to 82 and 85 for males and females respectively by the year 2020.

The EPF was established mainly for employees in the formal sector and thus workers in the informal sector and the self-employed, such as petty-traders and hawkers, are not compelled to have accounts with EPF and may contribute on a voluntary basis. There is no enforcement by the authority to encourage them to open up provident fund accounts. Unlike in some countries where business licenses may not be renewed unless there is proof of provident fund contributions, this prerequisite is not practised in Malaysia. Hence it is crucial for the government to look into this matter in the near future.

iv. Workmen's Compensation Scheme

The Workers' Compensation Scheme was conceived from the Workers' Compensation Act 1952. The injured or deceased workman is compensated by his employer, who is required to insure his company from such liabilities. Unlike SOCSO, this scheme operates as a law governing the terms and amounts of compensation in the case of death or accident. It does not handle the funds itself; the employer is fully responsible for the social insurance through private companies.

5.2 Social insurance and saving schemes

i. Insurance schemes

The Employees' Social Security Act, 1969 formed the basis of a social insurance system in Malaysia. The scheme covers workers who earn less than RM 2000 a month and is financed by contributions by the workers and employers, and administered by a corporatised central government agency, that is, the Social Security Organization, or popularly known as SOCSO. However since April 1993 foreign workers are exempted from coverage by this scheme and they have to rely on the Workmen's Compensation scheme instead.

There are two types of benefits that are administered by SOCSO, namely, the Employment Injury Insurance scheme and the Invalidity Pension scheme. Under the former, the contribution rate is 1.25% of the employee's monthly earnings, and in the latter scheme it is 1%; the contributions are shared equally between the employer and the employee. Under the first scheme, the benefits provided include medical benefit, temporary disability benefit, permanent disability benefit, dependents' benefit, death benefit, and rehabilitation benefit. On the other hand, the Invalidity Pensions scheme provides coverage against invalidity or death due to any cause. The benefits provided are related to temporary or permanent disability and rehabilitation, funeral grant, survivors' pension and educational benefits. Benefits are paid out in the form of periodical payments, calculated on an earnings-related basis.

ii. Savings schemes

There are quite a number of unit trust funds in the market since the number of approved funds increased from 67 in 1995 to 127 in 2000 with the number of investors rising from 6.8 million to 9.6 million over the same period. These unit trusts include the government guaranteed schemes under the *Permodalan Nasional Berhad*, such as the National Unit Trust (ASN) and the ASB (Bumiputera Unit Trust), which are only open to Bumiputeras, and the *Amanah Saham Wawasan 2020* (open to all Malaysian between the ages of 12 and 29) and the Amanah Saham Malaysia (also open to all Malaysians. These savings schemes have yielded much better return than the EPF and fixed deposits rates provided by the banks. In order to raise the income of the hard-core poor (those with income equal or less than half the poverty line), the government launched the Bumiputera Unit Trust (ASB)-PPRT loan scheme in 1992. This program enabled each hardcore poor household to obtain a RM5000 interest-free loan to participate in the ASB Scheme. A total of RM75.7 million was paid out to those who participated in the Scheme by the end of 1995 in the form of dividends and bonuses.

5.3 Public/Social assistance

Under this scheme monetary benefit and other benefits in kind such as clothing and food parcels, as well as apprenticeship training and small business launching-grants are provided by the government and administered by the Department of Social Welfare, under the jurisdiction of the Ministry of National Unity and Social Development. This scheme is strictly means-tested, and low income is the principle determinant of eligibility. However benefits are not provided for claimants who have relatives that are liable and able to support them.

The Federal government sets limits for the amount of public/social assistance given to claimants. Benefits are based on the total monthly income of a family^{ix}. Monthly allowances are given at a rate of RM80 per person, up to a maximum of RM350 per family. Old folks above the age of 60 years who are destitute, not able-bodied and do not have any relatives to depend on for support are eligible to apply for assistance of RM130 a month. There is a tendency for benefits to be biased towards claimants in the urban

areas as most rural dwellers are excluded either through ignorance or through the administrative procedures of receiving and processing applications in the large urban centres.

One form of social assistance available to the Muslims is the *Zakat*, which is an Islamic welfare institution that collects funds and distributes to a specified list of qualifying recipients. In the modern Malaysian context, it may be considered a form of social assistance provided through the *Baitulmal*. Although it operates openly and has a formal structure, the means of allocating assistance are more informal, that is based on the deliberation of *zakat* councils subject to Quranic guidelines, not strict and consistent economic criteria. *Zakat* collection and distribution is not centralised at the national level, but is overseen by 14 Islamic Councils – one in each state, and the Federal Territories. Beneficiaries may qualify under one of eight categories^x. The regulations are also decentralised to the state level. Approximately RM150-200 million is distributed through *zakat* channels (*Zakat Report 1999-2000: 102-103*) with the destitute and poor are known to comprise a large portion of *zakat* recipients.

Ragayah (2002: 53-55) reported the coping mechanisms of the low-income families during the 1997-1998 crisis include adjustments in employment, income, expenditure and in their asset ownership. Thus it is very important to know whether the low-income families have the capacity to save for rainy days. **Table 17** shows the distribution of asset ownership of the 500 households surveyed by their income. While none of the poor owned shares, there are those just above the PL that have managed to acquire certain shares. More encouraging is the proportion of households that saved, 73.5 % compared to 23.4 % that owned shares. Some 68.6 % owned four-wheel vehicles, which are used not only for transportation themselves to and from work but also as input in their productive activities such as the goods or workers utilised in their enterprises. Electrical goods such as washing machines, refrigerator, television and mobile phones which are normally considered as luxury items are widely owned among the respondents, including the poor. Only air-conditioners and personal computers are excluded from the consumption bundle of the poor in this survey.

Finally, the respondents were also asked on the coverage of the social protection system that is operating in Malaysia. **Table 18** indicates the accessibility of the various social safety nets to the respondents. It is surprising that more than half of the respondents (58.4 %) are covered by insurance and this include 23.1 % of the poor. Actually, the table reflects that a larger proportion of the lower income families subscribed to insurance than the higher income earners. Similar pattern are observed for the EPF, SOCSO, the pension scheme as well as the unit trust fund. As far as SOCSO is concerned, this is understandable since their earnings must be below RM2000 at the time of joining this organisation. It is possible that the higher income respondents are self-employed and thus contributions to these organisations are not compulsory.

The second half of Table 18 shows who benefits from the various forms of social assistance that is available in the country. Assistance from the Department of Welfare seems to be misallocated as only one person among the poor that managed to access it. Yet there are families with much higher household income, as much as between RM4001-RM5000 a month that indicated they receive assistance from the Department. The funeral fund and payments by *Baitulmal* reflects similar pattern. The former could be

Table 17
Distribution of Households by Income and Types of Assets

| Monthly H'hold Income (RM) | Shares | | Saving | | House | | Car/Van/Lorry | | Motorcycle | | Air-Cond | |
|-------------------------------|--------|-------|--------|-------|-------|-------|---------------|-------|------------|-------|----------|-------|
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No |
| 0-600 | | 12 | 3 | 10 | 2 | 13 | | | 3 | 10 | | 13 |
| % | | 2.40 | 0.60 | 2.00 | 0.4 | 2.60 | | | 0.60 | 2.00 | | 2.60 |
| 601-1000 | 6 | 34 | 22 | 18 | 4 | 26 | 15 | 26 | 22 | 19 | 5 | 36 |
| % | 1.20 | 6.90 | 4.40 | 3.60 | 0.80 | 5.20 | 3.00 | 5.20 | 4.40 | 3.80 | 1.00 | 7.20 |
| 1001-1500 | 19 | 72 | 58 | 33 | 15 | 50 | 41 | 40 | 51 | 40 | 3 | 88 |
| % | 3.80 | 14.50 | 11.60 | 6.60 | 3.10 | 10.00 | 8.20 | 10.00 | 10.20 | 8.00 | 0.60 | 17.60 |
| 1501-2000 | 16 | 94 | 72 | 37 | 22 | 41 | 69 | 51 | 59 | 51 | 14 | 96 |
| % | 3.20 | 19.00 | 14.50 | 7.40 | 4.50 | 8.20 | 13.80 | 10.20 | 11.80 | 10.20 | 2.80 | 19.20 |
| 2001-3000 | 34 | 89 | 100 | 24 | 21 | 18 | 106 | 44 | 80 | 44 | 14 | 110 |
| % | 6.90 | 18.00 | 20.10 | 4.80 | 4.30 | 3.60 | 21.20 | 8.80 | 16.00 | 8.80 | 2.80 | 22.00 |
| 3001-4000 | 13 | 38 | 50 | 3 | 14 | 6 | 47 | 21 | 32 | 21 | 10 | 43 |
| % | 2.60 | 7.70 | 10.00 | 0.60 | 2.90 | 1.20 | 9.40 | 4.20 | 6.40 | 4.20 | 2.00 | 8.60 |
| 4001-5000 | 17 | 22 | 35 | 4 | 11 | 2 | 37 | 20 | 19 | 20 | 12 | 27 |
| % | 3.40 | 4.40 | 7.00 | 0.80 | 2.20 | 0.40 | 7.40 | 4.00 | 3.80 | 4.00 | 2.40 | 5.40 |
| 5001-6000 | 5 | 10 | 13 | 2 | 6 | 1 | 14 | 7 | 8 | 7 | 6 | 9 |
| % | 1.00 | 2.00 | 2.6 | 0.40 | 1.20 | 0.20 | 2.80 | 1.40 | 1.60 | 1.40 | 1.20 | 1.80 |
| 6001-7000 | 2 | 2 | 4 | | | | 4 | | 4 | | 1 | 3 |
| % | 0.40 | 0.40 | 0.80 | | | | 0.80 | | 0.80 | | 0.20 | 0.60 |
| 7001-8000 | 3 | 3 | 6 | | 5 | | 6 | 3 | 3 | 3 | 3 | 3 |
| % | 0.60 | 0.60 | 1.20 | | 1.00 | | 1.20 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 |
| 8001-9000 | 1 | 1 | 1 | 1 | 2 | | 2 | 1 | 1 | 1 | 2 | |
| % | 0.20 | 0.20 | 0.20 | 0.20 | 0.40 | | 0.40 | 0.20 | 0.20 | 0.20 | 0.40 | |
| 9000 & Above | | 2 | 2 | | | | 2 | 1 | 1 | | | 2 |
| % | | 0.40 | 0.40 | | | | 0.40 | 0.20 | 0.20 | | | 0.40 |
| Total | 116 | 379 | 366 | 132 | 102 | 157 | 343 | 217 | 283 | 217 | 70 | 430 |
| % | 23.40 | 76.60 | 73.50 | 26.50 | 20.80 | 31.40 | 68.60 | 43.4 | 56.60 | 43.4 | 14.00 | 86.00 |

Table 17 (cont'd)

| Monthly Household Income | Washing Machine | | Refrigerator | | TV | | Handphone | | Personal Computer | |
|--------------------------|-----------------|-------|--------------|------|-------|------|-----------|-------|-------------------|-------|
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No |
| 0-600 | 9 | 4 | 12 | 1 | 10 | 3 | 4 | 9 | | 13 |
| % | 1.80 | 0.80 | 2.40 | 0.20 | 2.00 | 0.60 | 0.80 | 1.80 | | 2.60 |
| 601-1000 | 29 | 12 | 41 | | 41 | | 29 | 12 | 6 | 35 |
| % | 5.80 | 2.40 | 8.20 | | 8.20 | | 5.80 | 2.40 | 1.20 | 7.00 |
| 1001-1500 | 79 | 12 | 88 | 3 | 90 | 1 | 70 | 21 | 37 | 54 |
| % | 15.80 | 2.40 | 17.60 | 0.60 | 18.00 | 0.20 | 14.00 | 4.20 | 7.40 | 10.80 |
| 1501-2000 | 91 | 19 | 106 | 3 | 110 | | 91 | 19 | 36 | 74 |
| % | 18.20 | 3.80 | 21.20 | 0.60 | 22.00 | | 18.20 | 3.80 | 7.20 | 14.80 |
| 2001-3000 | 115 | 9 | 123 | 1 | 123 | 1 | 111 | 13 | 52 | 72 |
| % | 23.00 | 1.80 | 24.60 | 0.20 | 24.60 | 0.20 | 22.20 | 2.60 | 10.40 | 14.40 |
| 3001-4000 | 51 | 2 | 53 | | 53 | | 51 | 2 | 31 | 22 |
| % | 10.20 | 0.40 | 10.60 | | 10.60 | | 10.20 | 0.40 | 6.20 | 4.40 |
| 4001-5000 | 36 | 3 | 38 | 1 | 39 | | 36 | 3 | 24 | 15 |
| % | 7.20 | 0.60 | 7.60 | 0.20 | 7.80 | | 7.20 | 0.60 | 4.80 | 3.00 |
| 5001-6000 | 14 | 1 | 13 | 2 | 14 | 1 | 13 | 2 | 10 | 5 |
| % | 2.80 | 0.20 | 2.60 | 0.40 | 2.80 | 0.20 | 2.60 | 0.40 | 2.00 | 1.00 |
| 6001-7000 | 4 | | 4 | | 4 | | 3 | 1 | 2 | 2 |
| % | 0.80 | | 0.80 | | 0.80 | | 0.60 | 0.20 | 0.40 | 0.40 |
| 7001-8000 | 6 | | 6 | | 6 | | 6 | | 5 | 1 |
| % | 1.20 | | 1.20 | | 1.20 | | 1.20 | | 1.00 | 0.20 |
| 8001-9000 | 2 | | 2 | | 2 | | 2 | | 1 | 1 |
| % | 0.40 | | 0.40 | | 0.40 | | 0.40 | | 0.20 | 0.20 |
| 9000 & Above | 2 | | 2 | | 2 | | 2 | | 2 | |
| % | 0.40 | | 0.40 | | 0.40 | | 0.40 | | 0.40 | |
| Total | 438 | 62 | 488 | 11 | 494 | 6 | 418 | 82 | 206 | 294 |
| % | 87.60 | 12.40 | 97.80 | 2.20 | 98.80 | 1.20 | 83.60 | 16.40 | 41.20 | 58.80 |

Source: Survey

Table 18
Distribution of Households by Income and Types of Social Safety Nets

| Monthly Household Income (RM) | Insurance | | Employees Provident Fund (EPF) | | SOCSO | | Pension | | Unit Trust Fund | |
|-------------------------------|-----------|-------|--------------------------------|-------|-------|-------|---------|-------|-----------------|-------|
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No |
| 0-600 | 3 | 10 | 4 | 7 | 4 | 8 | 2 | 10 | | 12 |
| % | 0.60 | 2.00 | 0.80 | 1.40 | 0.80 | 1.6 | 0.40 | 2.10 | | 2.50 |
| 601-1000 | 17 | 24 | 16 | 22 | 13 | 24 | 6 | 34 | 1 | 39 |
| % | 3.40 | 4.80 | 3.30 | 4.50 | 2.60 | 4.90 | 1.20 | 7.00 | 0.20 | 8.00 |
| 1001-1500 | 56 | 35 | 55 | 27 | 49 | 36 | 14 | 72 | 7 | 81 |
| % | 11.20 | 7.00 | 11.20 | 5.50 | 10.00 | 7.30 | 2.90 | 14.90 | 1.40 | 16.60 |
| 1501-2000 | 54 | 56 | 62 | 38 | 51 | 49 | 19 | 85 | 9 | 97 |
| % | 10.80 | 11.20 | 12.70 | 7.80 | 10.40 | 10.00 | 3.90 | 17.60 | 1.80 | 19.90 |
| 2001-3000 | 71 | 53 | 80 | 34 | 73 | 46 | 24 | 99 | 11 | 112 |
| % | 14.20 | 10.60 | 16.30 | 6.90 | 14.90 | 9.40 | 5.00 | 20.50 | 2.30 | 23.00 |
| 3001-4000 | 36 | 17 | 43 | 9 | 31 | 18 | 15 | 34 | 4 | 47 |
| % | 7.20 | 3.40 | 8.80 | 1.80 | 6.30 | 3.70 | 3.10 | 7.00 | 0.80 | 9.60 |
| 4001-5000 | 32 | 7 | 27 | 9 | 24 | 12 | 9 | 29 | 3 | 35 |
| % | 6.40 | 1.40 | 5.50 | 1.80 | 4.90 | 2.40 | 1.90 | 6.00 | 0.60 | 7.20 |
| 5001-6000 | 12 | 3 | 10 | 4 | 12 | 3 | 3 | 12 | 2 | 13 |
| % | 2.40 | 0.60 | 2.00 | 0.80 | 2.40 | 0.60 | 0.60 | 2.50 | 0.40 | 2.70 |
| 6001-7000 | 4 | | 4 | | 3 | 1 | 1 | 3 | 1 | 3 |
| % | 0.80 | | 0.80 | | 0.60 | 0.20 | 0.20 | 0.60 | 0.20 | 0.60 |
| 7001-8000 | 6 | | 4 | 1 | 4 | 2 | 2 | 4 | 1 | 5 |
| % | 1.20 | | 0.80 | 0.20 | 0.80 | 0.40 | 0.40 | 0.80 | 0.20 | 1.00 |
| 8001-9000 | | 2 | 1 | 1 | 1 | 1 | | 2 | | 2 |
| % | | 0.40 | 0.20 | 0.20 | 0.20 | 0.20 | | 0.40 | | 0.40 |
| 9000 & Above | 1 | 1 | 2 | | 2 | | 1 | 1 | | 2 |
| % | 0.20 | 0.20 | 0.40 | | 0.40 | | 0.2 | 0.20 | | 0.4 |
| Total | 292 | 208 | 308 | 152 | 267 | 200 | 96 | 385 | 39 | 448 |
| % | 58.40 | 41.60 | 62.90 | 31.00 | 54.40 | 40.70 | 19.90 | 79.70 | 8.0 | 91.8 |

Table 18 (Cont'd)

| Monthly H'hold Income (RM) | Dept. of Welfare Assistance | | | Funeral Fund | | | Baitulmal* | | | Gratuity | | |
|----------------------------|-----------------------------|-------|-------------------|--------------|-------|-------------------|------------|-------|-------------------|----------|-------|-------------------|
| | Yes | No | Once, but no more | Yes | No | Once, but no more | Yes | No | Once, but no more | Yes | No | Once, but no more |
| 0-600 | 1 | 10 | | 1 | 11 | | 3 | 9 | | 1 | 11 | |
| % | 0.20 | 2.00 | | 0.20 | 2.30 | | 0.60 | 1.80 | | 0.20 | 2.30 | |
| 601-1000 | 4 | 36 | 1 | 4 | 35 | | 3 | 37 | | | 40 | |
| % | 0.80 | 7.40 | 0.20 | 0.80 | 7.20 | | 0.60 | 7.60 | | | 8.20 | |
| 1001-1500 | 4 | 84 | | 15 | 73 | | 7 | 80 | 1 | 1 | 87 | |
| % | 0.80 | 17.20 | | 3.10 | 15.00 | | 1.40 | 16.40 | 0.20 | 0.20 | 17.90 | |
| 1501-2000 | 5 | 100 | 1 | 14 | 92 | 1 | 15 | 90 | 2 | 5 | 101 | |
| % | 1.00 | 20.50 | 0.20 | 2.90 | 18.90 | 0.20 | 3.10 | 18.40 | 0.40 | 1.00 | 20.80 | |
| 2001-3000 | 4 | 120 | | 30 | 93 | 1 | 14 | 109 | 1 | 3 | 119 | |
| % | 0.80 | 24.60 | | 6.20 | 19.10 | 0.20 | 2.90 | 22.30 | 0.20 | 0.60 | 24.50 | |
| 3001-4000 | | 51 | | 10 | 41 | | 3 | 48 | | 1 | 50 | |
| % | | 10.50 | | 2.10 | 8.40 | | 0.60 | 9.80 | | 0.20 | 10.30 | |
| 4001-5000 | 2 | 34 | 2 | 6 | 31 | 1 | 3 | 33 | 2 | 2 | 35 | 1 |
| % | 0.40 | 7.00 | 0.40 | 1.20 | 6.40 | 0.20 | 0.60 | 6.70 | 0.40 | 0.40 | 7.20 | 0.20 |
| 5001-6000 | | 15 | | 3 | 12 | | | 15 | | 2 | 13 | |
| % | | 3.10 | | 0.60 | 2.50 | | | 3.10 | | 0.40 | 2.70% | |
| 6001-7000 | | 4 | | | 4 | | | 4 | | | 4 | |
| % | | 0.80 | | | 0.80 | | | 0.80 | | | 0.80 | |
| 7001-8000 | | 6 | | 3 | 3 | | 1 | 5 | | 1 | 5 | |
| % | | 1.20 | | 0.60 | 0.60 | | 0.20 | 1.00 | | 0.20 | 1.00 | |
| 8001-9000 | | 2 | | 1 | 1 | | | 2 | | | 2 | |
| % | | 0.40 | | 0.20 | 0.20 | | | 0.40 | | | 0.40 | |
| 9000 ke atas | | 2 | | 1 | | | | 2 | | 1 | 1 | |
| % | | 0.40 | | 0.20 | | | | 0.40 | | 0.20 | 0.20 | |
| Total | 20 | 464 | 4 | 88 | 396 | 3 | 49 | 434 | 6 | 17 | 468 | 1 |
| % | 4.10 | 95.10 | 0.80 | 18.10 | 81.30 | 0.60 | 10.00 | 88.80 | 1.20 | 3.50 | 96.30 | 0.20 |

Source: Survey.

Note: * Islamic institution dealing with the collection and disbursement of zakat.

based on contributions and recipients are not subject to a means test, but it is ridiculous for *Baitulmal* to provide assistance to some household that is in the RM7001-RM8000 income category while three quarters of the poor did not receive any of their assistance. Recipients of gratuity are normally government servants that are under the pension scheme, who are paid at the time they reached retirement age.

6. Conclusion and Policy Recommendations

The discussion in this paper shows that Malaysia was still able to eradicate urban poverty despite the fact that the nation underwent a rapid urbanisation process. However, there are cogent arguments why the problem of urban poverty needs to be revisited, particularly in view of the fact that financial crisis like that of 1997-1998 are expected to recur more frequently with liberalisation and globalisation. Moreover, the low incidence of urban poverty may be understated since it is underestimated by using the national PLI and without differentiating urban and rural PLI. The two PLIs are expected to differ due to the different cost of living, family size and consumption patterns between the two areas.

The financial crisis also exposed the inadequacy of the social protection systems available in this country, especially those for the urban poor who are much more vulnerable than their rural counterpart. Although various forms of social security and social safety nets systems exist, most of them might not be accessible to the poor. Thus, the government needs to be more prepared for such crisis to assist the poor and the vulnerable—those just above the PLI—from falling back into poverty. For this purpose, the following recommendations are forwarded for consideration:

- In order to properly identify the urban poor, the PLI must be revised to reflect the differences between the urban and rural households as well as regions, particularly in terms of the differences in the cost of living, consumption pattern and family size. A per capita income rather than a household income would be more accurate in identifying the poor. Moreover, the vulnerable must also be ensured that they do stay out of poverty. The Government has since May 2004 undertaken this task but the required data necessary for calculating the revised PLI based on the

revised methodology can only be done when the appropriate data are collected in the 2004 Household Income Survey and Household Expenditure Survey.

- Table 3 and Table 4 show that poverty incidence is still high in certain states even with the present method of estimation. And these states are also associated with high incidence of urban poverty. While the Government is paying attention to this issue, it must allocate more effort and resources to those states with the high incidence. The 8MP has forwarded specific measures to target the different pockets of poverty, which is a move in the right direction since they would be more suitable and effective than the general programmes that were useful when poverty was widespread. However, poverty eradication is getting more difficult since these pockets of poverty comprise those that are most difficult to be freed from this shackle. Other than agriculture workers, the groups with the highest incidence of poverty include the aged (more than 65 years old) and household headed by single mothers.
- The characteristics of urban poverty revealed that a majority of them were either unemployed or self-employed and with low level of education. Education and training is one of the most effective poverty measure and the 8MP is right in emphasising this. Still, it must be borne in mind that the new knowledge-based or k-economy necessitate workers to be more flexible in facing the rapid changes in the economy. Hence, they might need a more broad-based rather than skill-specific training which might become obsolete very fast. At the same time, the Government needs to narrow the digital divide between the poor and the non-poor. The tuition vouchers that are currently being distributed to poor rural families to assist their school-going children must also be extended to the urban poor.
- The Government must encourage and promote the culture of “giving back to society” by groups like based on school networks or other informal groups by sponsoring their schooling costs or providing them with tuition.

- One of the main strategies to fight urban poverty is to provide low cost housing. While this helps to fulfill one of the basic needs, the implementation raises a few questions. First, the houses or flats that are constructed under this scheme are too small, especially in view of the fact that the poor tends to have larger household size. Second, these dwellings also have limited space and recreational areas to be used for community or recreational activities, such as general purpose hall, sports centre or playground since the developers of this type of housing are exempted from having to provide these facilities. Third, even if the developers are required to provide certain facilities, sometimes they try to find excuses from providing these facilities since the return to constructing low cost houses are minimal compared to medium or high cost houses. The developers build the low cost houses only because of the quota requirement. Finally, the criteria for eligibility for these dwellings must also be revised since the income criteria is too low and singles who satisfy the other criteria should be made eligible. These weaknesses must be examined and overcome so that these problems can be overcome.
- Another concern related to the urban poverty problem is the increasing share of non-citizens among the poor in the Malaysian poverty landscape. In 1990, the non-citizens constituted about 7.0% but their share rose to 12.6% and 17.5% of the total poor in 1995 and 1997, respectively. Most of these people are located in the urban areas where there is relatively more job opportunities, both in the formal and informal sectors. However, since many foreigners were repatriated back to their respective countries during the crisis, their share in the Malaysian poverty incidence moderated to 14.2 % in 1999. Their presence in large numbers in the urban areas stretched the amenities, particularly housing, to the limit. Thus, foreigners not only contribute to the locals being left in poverty, but also to the rise in poverty incidence. Hence, certain steps must be taken so as to reduce Malaysia's dependence on these workers. The Eighth Malaysia Plan 2001-2005 (Malaysia 2001) concentrates on policies of eradicating pockets of poverty among Malaysians. However, what are the policies regarding foreign workers? If they are not covered by the poverty eradication strategies, their presence might bring about other social problems.

In terms of social security and social safety nets, this paper forward the following recommendations^{xi}:

- The EPF should maintain its prime function as an old age savings institution. Over the years, new functions have been added piecemeal, such as house ownership and computer procurement. These purchases should be left to private bank loans as proposed by Lee (2001), withdrawals for housing or computer purchase, or children's education, should be administered as a zero-interest loan, so that the EPF member is obliged to replenish his/her account, but at a much more comfortable rate than any bank can offer. The body also has to restore the eroded public confidence in the safety and profitability of its investments. Fund management and expenditures of SOCSO should also be monitored, to ensure it is transparent and efficient.

For the self-employed poor, the government may want to consider contributing the employers' share while they themselves contribute the workers' share. The fund can then be used to pay apprenticeship training and re-training in the event of unemployment.

- Insurance or savings for retirement for the self-employed should be encouraged, whether through the EPF or private financial institutions. Opportunities for people in this group of occupations to register and contribute to obtain SOCSO coverage have not been available. SOCSO has conducted studies on the feasibility of extending coverage to such workers, estimated to comprise 1.5 million. This is a positive step that should be pursued.
- Facilities for unemployed or retrenched job-seekers should be expanded. The Manpower Department presently has only 49 network centres across the nation. By opening more centres and improving services, the number of registrants and beneficiaries can be substantially increased. Importantly, these outlets can play a key role in channeling information and intermediating between workers and employers.

- The MTUC's proposal of a National Retrenchment Fund should be seriously taken up. As a preventive step, retrenchment should be discouraged as an early means of coping with adversity. Retrenchment was one of the main causes of increased incidence of urban poverty during the financial crisis. Indeed, guidelines provided by the Ministry of Human Resources stipulate that retrenchment should be used as a last resort, and suggests other avenues for coping with market downturns. These guidelines are useful, but there are also risks, for the legal requirement that employers compensate retrenched workers may compel employers to coerce workers to accept other terms of termination or to resign.
- The accessibility of the present available assistance as indicated by our survey suggests that the allocation of the available social assistance might not efficient. Hence, there is a need to ensure that those really deserving help would be able to access help. Otherwise, the Government's objective of eradicating hardcore poor in five years' time might not be achieved and it would also contribute to worsening the situation of rising inequality.

It is hoped that the newly elected Government in Malaysia is just as serious in implementing poverty eradication measures as they are in their policy statements. As they are consulting professionals, academics as well as NGOs, for input on how to deal with urban poverty, the prospect for improving the quality of life for this segment of the populace at least seems promising.

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End Notes

ⁱ This was the first year for which data was available for the whole of Malaysia.

ⁱⁱ Those families with less than half of the poverty line income.

ⁱⁱⁱ Social protection is defined to include the social safety nets, which are the informal or less formal systems of social protection, and the formal social security or social insurance system (see Hort 2000).

^{iv} The figures for 2002 are from the Mid-term Review of the Eighth Malaysia Plan (Malaysia 2003), which provides figures for Malaysian citizens only.

^v Respondents refer to heads of the households.

^{vi} Which can be translated as Poverty Eradication Foundation

^{vii} Adapted and summarized from Ragayah, Lee and Saaidah (2002).

^{viii} Statement by the Chairman, EPF Board, 21 January, 2002.

^{ix} For the first half of the Eighth Malaysia Plan, the income eligibility criterion for assistance is set at RM1200 and below per month per household (Malaysia 2001a).

^x Zakat may be granted to the destitute, poor, zakat collectors, new converts and travellers, and for payment of debts, freeing of slaves and upholding the religion.

^{xi} Extracted and summarised from Ragayah, Lee and Saaidah (2002).

