

## Next Steps in Tackling Poverty in Malaysia

### Reactions and Recommendations Following the UN Special Rapporteur's Statement

*Findings from the Roundtable Discussion on 5<sup>th</sup> September 2019 at MICCI Kuala Lumpur on Poverty in Malaysia based on the Statement by UN Special Rapporteur on Extreme Poverty & Human Rights, Professor Philip Alston's visit to Malaysia on 12-23<sup>rd</sup> August 2019*

#### THE REPORT: SUMMARY OVERVIEW

The UN Special Rapporteur's report is a hard-hitting analysis of the Malaysian situation, which must be taken seriously if it intends to move forward. A special rapporteur requires the permission of the government of the host country to visit. There are special rapporteurs in the areas of cultural rights, exploitation of children, and in this case, extreme poverty. They stand independent of the UN process and come in the form of academics or experts of a particular field. special rapporteurs conduct visits and background assessments with their team to develop the report. The report by Professor Philip Alston was compiled and published in 11-days based on visits to Kuala Lumpur, Selangor, Sarawak, Sabah, and Kelantan. During his visit, he met with state and federal government officials, international agencies, civil society, academics, indigenous communities, and people affected by poverty in urban and rural areas. This include disabled people, migrants, and refugees.

Areas visited by Professor Alston include:

- A soup kitchen, a women's shelter, informal schools, and a disability centre
- Families living in overcrowded low-cost housing
- Indigenous communities in Sarawak, Sabah, and Peninsular Malaysia whose livelihoods and way of life are under siege by authorities and corporate actors.
- Settlements of migrants and stateless people who do not have water or electricity and who risk arrest if they seek medical care.
- Refugee and migrant communities who are systematically excluded from social services and who lack basic rights and legal status.



*"The people I met with made it clear to me that any assertion that poverty has been eliminated flies in the face of the facts on the ground" - Professor Philip Alston*

## Outline of Report

- a) Thematic concerns (6 areas);
  - i. Poverty measurement,
  - ii. Data collection & transparency,
  - iii. Social Protection (social support, healthcare, education & housing)
  - iv. Income & cost of living
  - v. Civil & political rights of people in poverty
  - vi. Climate change
  
- b) People concerns (8 target groups)
  - i. Indigenous people
  - ii. Migrant workers
  - iii. Children
  - iv. Gender
  - v. Refugees
  - vi. Stateless people
  - vii. People with disabilities
  - viii. Older people
  
- c) Recommendations (11 items)

The report ended on a positive note pointing towards the 12<sup>th</sup> Malaysia Plan, the adoption of Shared Prosperity and Leaving No-One Behind as key policy themes, recognition by the government of the need for far-reaching reforms, and the intense current debates over the importance of strengthening social cohesion and national unity.

*Note: The report can be accessed at*

<https://www.ohchr.org/EN/HRBodies/HRC/Pages/NewsDetail.aspx?NewsID=24912&LangID=E>

## Observations from Roundtable Participants of Findings by the Special Rapporteur

Findings by special rapporteur were unsurprising as he reached out to economist, think tanks and academia in Malaysia. Therefore, many of his findings were based on what has already been said. The report recognises the progress Malaysia has made in the last few decades which is something it should be proud of. Yet, many have described the report by Professor Philip Alston, the United Nation's Special Rapporteur on Extreme Poverty and Human Rights, as frivolous but it was in fact a realistic assessment of the situation on the ground based on research and field visits. Much reaction against the report was due to misunderstanding. The Malaysian government has been emphasising the 0.4% poverty rate merely as a statistical means to promote their cause.

## More Accurate Indicators Needed

When a country reached high middle-income status, it cannot continue to measure progress against poverty lines created for low-income countries. Malaysia needs to revisit its poverty line, not only in terms of income, but also multidimensional poverty or relative poverty.

Target groups mentioned in the report will not be captured by the poverty line as these groups have different dimensions and manifestations. When the poverty line was introduced in 1969-70, it was quite apt as 1 in every 2 persons in Malaysia was classified poor. The poverty line has since become very restrictive and has not changed very much since its introduced as it only captures income poverty which is only one dimension of poverty. Expenditure is a component of the poverty line, but this criterion is not included in Malaysia. As a result, many people living in urban areas are officially above the poverty line, but their expenditures are high, which has not been captured.

There are still persistent pockets of poverty which require different kinds of approaches. These existing pockets of poverty are not homogenous as it depends on where they are geographically located. The poverty line is also a very poor indicator of urban poverty. It must be understood that the B40 is not a

homogenous group. This group needs to be desegregated even further to the lower B40 and the top B40 as their aspects of development differ.

There is a need to move away from using the present poverty line. A paradigm shift is needed in the way poverty is approached as the dimensions of poverty has changed. Indicators need to be applicable to allow stakeholders to deal with poverty constructive. Other tools can be used, such as the Liveability Index and Poverty Consensus which can be incorporated.

With the above considerations, multidimensional poverty is a more appropriate approach. For example, multidimensional poverty in the Malaysia Plans should include nutrition rates of the urban and rural poor, especially among children. A study conducted by UNICEF in 2018 found that Kuala Lumpur had a GDP similar to any developed country, yet there were pockets of poverty where 22% of children under the age of 5 have stunted growth and 11-12% who were at the risk of being malnourished. There were also a high percentage of children who had obesity. Nutrition and health have an impact on a child's cognitive and physical development which ultimately has an impact on the country's continued productivity. With an aging population, it is important for the government to have a stronger means of measurement.

Readjusting the standards of poverty is a means of effective communication. People need to understand that if the standards of poverty is increase, it does not mean that poverty has increased, but it is instead a reflection of what the situation is in a more accurate way.

### **Raise the Minimum Wage and Addressing the Wage Gap**

It has been long debated if a minimum wage of MYR980 is sustainable and reflective of the poverty situation faced by low-income families. Bank Negara (Malaysia's Central Bank) stated that the sustainable urban wage should be around MYR2,700, which is a more realistic figure for families living in urban centres to live and sustain. Regardless, efforts towards a more accurate indicator reflecting poverty needs to be accompanied by effective policies to eradicate poverty and improve standards of living for all people, rather than being to obsessed over the indicators themselves.

Despite aspiring to become a high-income nation, Malaysia still maintains a low-wage policy with a hope of attracting investments. With a low-wage policy, workers are indirectly subsidising the government.

The implementation of the minimum wage in 2013 led to a great increase in the number of families elevated from poverty and also increased labour share of GDP. Therefore, the government should increase the minimum wage to alleviate the poverty for a large segment of people. This way, it will not be solely be the burden of the government, but the private sector will be paying the minimum wage. This will have an effect on savings as earning ability is increased. For example, there will be greater savings under the Employers Provident Fund (EPF) when one gets old.

However, the minimum wage figure of MYR1,100 set by the Malaysian government is insufficient. The Malaysian Trade Unions Congress (MTUC) proposed a more realistic figure is MYR2,000 for Peninsula Malaysia, MYR1,700 for Sabah and Sarawak, averaging to MYR1,800 for the whole country.

Although GLCs were designed for public gain, they have been behaving like full-fledge corporates with no distribution of wealth. Even within the GLCs, the disparity of wages is high despite the high productivity of its workers. Regional issues have created "a race to the bottom". ASEAN needs to address the issue on how it deals with investments, which are pushing down wages by offering cheap labour simply to satisfy multinational corporations. All ASEAN countries should come up with a mechanism to raise worker benefits and the minimum wage whilst offering investors a good opportunity.

## Poverty of Education

Access to quality education is crucial. However, quality education no longer affordable, forcing poor families to rely on children to work. Secondary education should also be made compulsory. Schemes should be available to enable families in poverty to continue schooling.

Children need to be given knowledge, exposure and values to enable them to be confident to compete in the market place. This will increase the quality of human resources in the country, uplift the poor, and promote social mobility, breaking generational poverty.

More programmes need to be designed for orphans, such as skill development. The government can partner with foundations taking care of these children and mediate programmes to allow orphans to pursue higher education, in doing so contributing to efforts to alleviate poverty.

Not enough has been done for people with disabilities. Many are unable to attain good education, being turned away for their disabilities which has adverse lasting effects in terms of career prospects.

## Lack of Coordination Towards Poverty Efforts

Efforts to eradicate poverty is not synchronised as everyone is undertaking their own initiatives with their own sources of funding. This is very ineffective and leads to much wastage. Despite the existence of these programmes, many people are still left out due to the lack of a monitoring and evaluation framework in many of these programmes. Although there are KPIs, is it not the same as a monitoring process.

Poverty eradication programmes should not be centralised from Putrajaya as it is unrealistic for the federal government to be determining efforts among the various states as these efforts will not be tailored to the state's needs, which could then lead to wastage. Having such efforts state-centric would be more realistic as it would allow them to channel more resources effectively and allow them to take greater ownership.

It is unclear which level of government is responsible for poverty works. Present means of local government is not transparent or inclusive enough to effect meaningful results towards poverty eradication. It is also unclear which agency is tasked to look after rural poverty which was once under the purview of the Ministry of Rural Development.

The poor need to be consulted at the early stages of an aid programme. Often, a programme is conceptualised before consulting the poor, following which will have no interest nor ownership as they are unaware of what is happening. They must be consulted of what they need. Unfortunately, it is often the case that the voices of the poor are not transmitted to those who are able to do something about it.

## Access to Data

Desegregated data is urgently required to enable academics to make good appropriate recommendations. It is not only important to know how many, but also who and where they are to allow the identification of geographical disparities, and examine the exclusion of certain groups, some of which, such as the LGBT community, which faces discrimination.

Access to data needed, not just for researchers, but for the other government agencies. More surveys and data collection are needed. Desegregated data will show that the most marginalised groups are the indigenous Orang Asli (indigenous community).

## **The Stateless Factor**

Children of Malaysians who are “stateless” and without citizenship (as they were born overseas) are denied access to education and healthcare, leading to marginalisation.

Refugees should be provided work permits. The fact of the matter is that they are already working in the informal sector. If they get arrested, it will lead to deportation for working illegally. Despite many being registered under the UNHCR programme, these refugees can still be deported. There are as many as 123,000 of such refugees living below the minimum wage. Children of refugee also do not have access to national schools. Attending informal schools lead to a lack of certification. This scenario keeps children of refugees in poverty.

Allowing refugees to work will create more jobs and lead to additional fiscal revenue. They will perform even better if their children have access to public schools. This would require the government to lift current restrictions to the CRC and CEDAW, as well as to ratify the UN Convention on Socioeconomic and Cultural Rights.

## **Provision of Amenities and Housing**

The government has an obligation to give back to the poor through the provision of amenities such as affordable healthcare and housing. Greater access to water will allow rural communities to be more productive when they are able to save time drawing water from remote sources.

There have been instances of force evictions which occur as a result of city expansion into areas with squatters. Residents in these areas will be evicted to high-rise ghettos with deplorable living conditions. As a result, they lose whatever they have and is thrust into poverty. Even those with houses from poor communities are at risk with foreclosures, especially low-cost strata properties, as banks are strict on loan defaulters. Some of these defaulters may not have serviced their loans for 2 to 3 months, merely caught out by the economic downturn, losing their jobs and lack social security. This happens more so in urban areas as such properties can fetch a price 3 to 4 times higher than the original purchase price. There must be a genuine effort from the government to provide housing which the poor can realistically afford and not jettison these unaffordable properties unto them and causing them to a default.

Rural communities still lack access to healthcare facilities or lack of specialist. Many in East Malaysia have to bring their ill family members to Peninsula Malaysia for treatment, which they cannot afford. Although the Multidimensional Poverty Index takes account of access to healthcare facilities, it does not account for the level of appropriate services required.

## **Plight of the LGBT Community**

There is institutional discrimination of the LGBT community, such as endless campaigns to boycott LGBT products. This makes this community vulnerable and able to fall into poverty. Such stigma is reinforced institutionally. For example, although the LGBT community have access to healthcare, they are listed under a category of individuals who are involved in “deviant behaviour”. They lack equal rights, access to employment, social security, ability to savings and are put into a situation where they are unable to care for their families. Many are forced into prostitution. Desegregated data should also include poverty issues faced by the LGBT community.

## **Relook and Develop More Effective Targeted Subsidy Mechanisms**

Motorist using RON95 petrol are still, in effect, receiving cash handouts. This is a very regressive and ineffective system as all using it from all income levels receive subsidies. Instead, it needs to be more targeted.

## Social Protection

Despite numerous social protection programmes operated by government agencies, many have still fallen through the cracks. Many of the poor are unable to access aid due their own ignorance. Some are unable to seek assistance from the relevant government agencies, unable to leave their homes, unbanked, or are simply not included in social protection databases.

More social workers needed as there are only 700 qualified social workers in Malaysia. Therefore, the government must invest in full time social workers based in B40 areas to empower the poor. With them in place, social workers will be the best persons to assess the situation, making government programmes more appropriate and more targeted rather than having funds disperse to organisations which work in silos. The shortage of social workers is compounded by a lack of interest to pursue a career in social work due to the lack of career prospects and poor salaries. Yet, Malaysian society is in need of well-trained people on the ground.

Social protection schemes need to enable women to seek employment as there is an opportunity cost involved when they are not working. Women also have to look after the elderly, sick, or children.

People in the informal sector not have pension, making them more vulnerable as they will eventually lack sufficient savings as they get older.

## Key Role of Government

The Malaysian government must be bold to take on issues which are important rather than fear political fallout. They should not be too concerned about a redefinition of poverty, if it were to rise from 0.6% to 20% if it provides a far more accurate assessment of poverty. Changes in statistics when poverty rates increase due to a change in indicators can be explained. It needs to have the consistency, commitment, and patience to effect policy changes.

More education is needed in parliament to educate politicians on existing issues to explain the impacts of poverty eradication programmes. Politicians should speak up against the real issues regarding poverty and raise the matter until solutions are in effect.

The government and community groups must get more discussion about this report to obtain more feedback on the appropriate means forward. Role of media crucial in keeping the advocacy effort alive.

## Other Considerations

- Not enough attention has been given to urban poverty, with much attention focused on rural poverty. With increasing urban migrations, urban poverty must also be given equal attention.
- Greater awareness is needed by all on the poverty issue. All Malaysians should go down to the ground and witness these harsh realities for themselves.
- The business community should also place greater emphasis on the SDGs now that the ESG goals are a key requirement for Bursa reporting, signalling the rise of the social capitalism movement.
- Eradicating poverty cannot be the sole responsibility of the state and federal government. Instead, a more holistic approach is needed to make it the responsibility of society overall.

## Recommendations

- Elements of the poverty index needs to be relooked. The government should set up a multi-stakeholder taskforce to review the poverty index to redefine the poverty line. This should include government, academic researchers, think tanks and civil society organisations. Use of the Multidimensional Poverty Index is a more appropriate means of measuring poverty.
- Increase minimum wage to MYR2,000 for Peninsula Malaysia and MYR1,700 for Sabah and Sarawak.
- ASEAN countries should develop a collective mechanism to raise worker benefits and the minimum wage.
- Quality education programmes much be provided and inclusive towards those in poverty, orphans, stateless children, refugees, and people with disabilities.
- Poverty eradication errors need to be decentralised from Putrajaya, but centralised at the local/state government level to prevent necessary duplication of efforts and ensure more effective monitoring.
- Desegregated data needs to be made available for more appropriate analysis.
- Provide stateless individuals living in Malaysia with proper identification.
- Provide refugees with legal means of employment.
- Provision of basic amenities, such as clean water, healthcare, and housing, are still lacking in many parts of Malaysia,
- A social protection sector expenditure review must be conducted to determine if current expenditures can be rationalised as a myriad of schemes are not having the intended redistributive effects. A rationalisation exercise will lead to more effective means of funding.
- Basic rights of the LGBT community need to be respected.
- More effective means of subsidies for the poor need to be developed as present mechanism benefit the wealthy.
- The government should continue collaborating collaborate with NGOs and CSOs to synergised efforts to avoid a duplication.
- More social workers needed to carry out more effective social aid and assistance programmes.
- The government should establish a Royal Commission on poverty which can make a more comprehensive study on new strategies and approaches to overcome poverty. Alternatively, the government to establish a Poverty and Inequalities Commission to ensure inclusive development so that no one is left behind.
- Review Taxation Mechanism. A stronger progressive taxation and progressive distribution policies must be considered. Tax levels can be increased to provide necessary revenue to finance poverty eradication schemes. For example, there are huge pulls of corporate zakat which is not being utilised. Innovative financing methods must be considered.

Report prepared and compiled by

Professor Datuk Dr Denison Jayasooria  
Co-Chair, Malaysian CSO-SDG Alliance

Voon Zhen Yi  
Research Director, Kingsley Strategic Institute for Asia Pacific

## Appendix 1: Notice and Agenda of Roundtable Discussion



**ROUNDTABLE DISCUSSION ON POVERTY IN MALAYSIA**  
RTD based on the UN Special Rapporteur on extreme poverty & human rights,  
Prof Philip Alston's Report delivered on August 23, 2019

ORGANISED BY KSI AND THE MALAYSIAN CSO SDG ALLIANCE

Date: Sept 5, 2019 (Thursday)  
Time: 3pm to 5pm  
Venue: BoardRoom  
c/o Malaysian International Chamber of Commerce & Industry (MICCI)  
C-8-8, Level 8, Block C, Plaza Mont' Kiara  
No. 2, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur.

Prof Philip Alston made a eleven-day visit to Malaysia on the invitation of the Malaysian government. During this time he met up with government officials, civil society representatives, academicians and grassroots communities. He visited Sabah, Sarawak and Kelantan. On the last day of his visit he issued a 20 page statement on August 23, 2019 and his final report will be tabled at the Human Rights Council in June 2020.

His report drew mixed reactions. The Prime Minister welcomed the report and said that the government will study it especially the poverty measurement. However the Minister for Economic Affairs expressed disappointment on the Special Rapporteurs comments on the poverty measurement used by Malaysia which has captured low poverty figures results in not just low reporting but also weakness in the implementation to poor communities in Malaysia.

In this context KSI and the CSO SDG Alliance is hosting a discussion to critically review the UN Special Rapporteur's report, noting the analysis on poverty measurement, the specific target groups neglected in poverty measures as well as review the nine specific recommendations made.

As this is the first major independent assessment of poverty in Malaysia by a UN Special Rapporteur, it is of utmost importance that we take the views seriously, drawing practical implications for effective delivery and input into the Twelfth Malaysia Plan (2021 to 2025).

## **PROGRAM**

- 2.30 pm : Arrival and Registration
- 3.00 pm : Word of Welcome by **Tan Sri Michael Yeoh (KSI)**
- 3.10 pm : Introduction & Key summary of the UN Poverty Report on Malaysia (2019) by **Prof Datuk Dr Denison Jayasooria**
- 3.30 pm : Panel Discussion
- Ms Marianne Clark-Hattingh,**  
**UNICEF Representative for Malaysia**
- Prof Dr Sulochana Nair**  
**Vice Chancellor, Binary University**
- Dr. Kenneth Simler**  
**Senior Economist, The World Bank**
- Mr Sivarajan Arumugam**  
**Secretary General, Parti Sosialis Malaysia's (PSM)**
- Dr Muhammad Abdul Khalid\***  
**Economic Adviser to PM**
- Emeritus Prof. Datuk Norma Mansor\***  
**Director of Social Security Research Centre (SSRC), UM & President, Malaysian Economic Association**
- 4.20 pm : Open Discussion
- 4.50 pm : Concluding Reflections & Recommendations

For further details & registration please contact:

Caroline Cheong at [caroline@kasi.asia](mailto:caroline@kasi.asia)

Voon Zhen Yi at [voon@kasi.asia](mailto:voon@kasi.asia)

Note:

\* to be confirmed

*The views presented in this report may not necessarily represent that of the Kingsley Strategic Institute for Asia Pacific or its partners.*



**Kingsley Strategic Institute for Asia Pacific**

A-07-09, Plaza Mont' Kiara  
2 Jalan Kiara, Mont Kiara  
59000 Kuala Lumpur  
Malaysia

Email: info@kasi.asia

© Kingsley Strategic Institute for Asia Pacific 2019

[www.kasi.asia](http://www.kasi.asia)  
[www.facebook.com/ksinsti](https://www.facebook.com/ksinsti)  
[www.linkedin.com/company/ksinstitute](https://www.linkedin.com/company/ksinstitute)  
[www.twitter.com/KSInsti](https://www.twitter.com/KSInsti)  
[www.instagram.com/kingsleyinst](https://www.instagram.com/kingsleyinst)