

Inequality Summary: Malaysia in the Regional and Global Context

According to a study on inequality and income distribution in 141 countries between 1990-2008 by Ortiz and Cummins (2011, p.7), middle income countries appear the most unequal. They noted that the top quintile controls more than 80 percent of global income contrasted by a paltry percentage point for those at the bottom (p.19). Additionally, the Gini index trends showed that Eastern Europe/ former Soviet Union and Asia had the largest increases between 1990 and 2008. Latin America remains the region with the highest level of income inequality, although the region is marked by significant improvement since 2000. Nonetheless, the Gini measure for a few countries in Asia such as Thailand, Malaysia, Philippines and Mongolia noted a decline in inequality (ibid, p.27).

Malaysia's Gini Index exceeded 0.5 from 1970 to 1979. Although now declining, it remained high in the eighties, fluctuating at around 0.46 up to 2004, going down to 0.43 and 0.42 in 2012 and 2014, respectively (Economic Report, various years). The Gini Index for an advanced capitalist country like the United States for example is also high at 0.451 for 2012. Concerns for growing inequality and lack of upwards mobility, social security provisions and how they have impacted the bargaining power and purchasing power of the American middle classes, underlined the State of the Union Address of President Barak Obama. Measuring inequality from a social stratification perspective using occupational and income data, this study showed that majority of Malaysians, including fractions of the middle classes, dominates the bottom strata where vulnerability is strongest despite the apparent decline in the Gini Index. This finding raised concern regarding the welfare of all Malaysians at the bottom of the inequality structure (Shamsulbahriah, 2015).

Malaysian Data: Gini Coefficient by Ethnic Group

One of the main challenges for socio-economic development is the persistence of income inequality. Using the Gini coefficient as a measure of inequality, fluctuations in 1999-2012 appear to be somewhat insignificant. Table 1 shows the Gini coefficient by ethnicity for Malaysia from 1999 to 2014. The analysis of the income Survey of 2014 households (HIS) data from the World Bank showed that the income gap between ethnic groups had narrowed, but not yet completely eradicated (MDGR 2015).

Table 1: Gini Coefficient by Ethnic Group, Malaysia, 1970-2014

	1970	1974	1976	1979	1984	1987	1989	1992	1995	1997	1999	2002	2004	2007	2009	2012	2014
Malaysia	0.513	0.530	0.557	0.505	0.483	0.456	0.446	0.459	0.456	0.459	0.443	0.461	0.462	0.441	0.441	0.431	0.401
Ethnic Group																	
Bumiputera	0.466	0.476	0.506	0.468	0.464	0.447	0.429	0.442	0.441	0.448	0.433	0.435	0.452	0.430	0.440	0.421	0.389
Chinese	0.466	0.520	0.541	0.474	0.452	0.428	0.419	0.420	0.428	0.416	0.434	0.455	0.446	0.432	0.425	0.422	0.405
Indians	0.472	0.451	0.509	0.460	0.419	0.402	0.390	0.402	0.404	0.409	0.413	0.399	0.425	0.414	0.424	0.443	0.396
Others	0.667	0.665	0.630	0.598	0.570	0.663	0.404	0.556	0.414	0.555	0.393	0.449	0.462	0.545	0.495	0.435	0.433

Source: Economic Planning Unit (EPU)

Household Income by Ethnicity

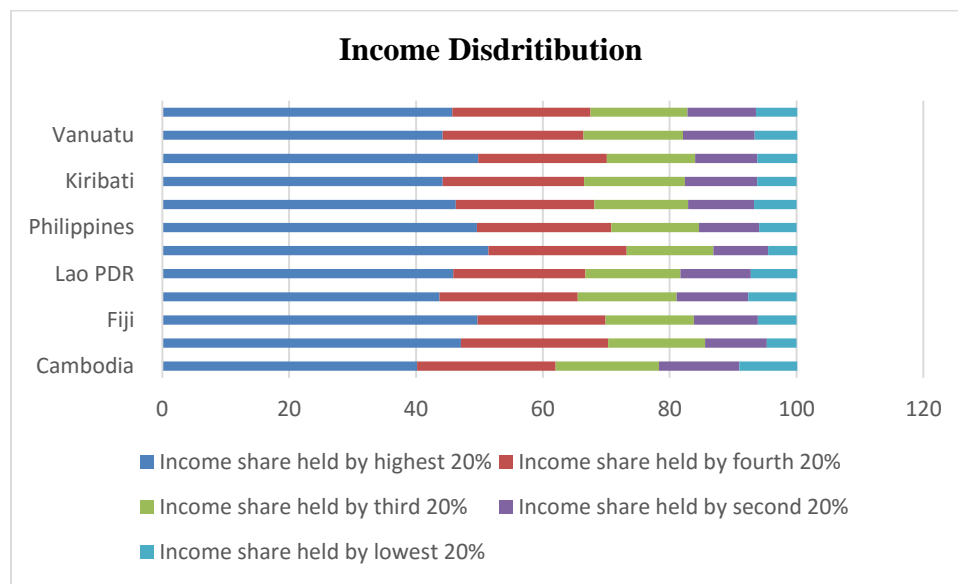
Overall mean monthly income of Malaysia has grown by 10.82 % from RM 5,000 in 2012 to RM 6,141 in 2014. The mean monthly household income for Bumiputera grew by 11.57% per annum from RM 4,457 to RM 5,548, for Chinese it increased at the rate of 9.74% from RM 6,366 to RM 7,666, and for Indians at the rate of 9.25% per annum from RM 5,233 to RM 6,246, for others it increased at the rate of 25.07% from RM 3,843 to RM 6,011. In 2009, the B40 households had a mean monthly income of RM 1,440; in 2012, their income had risen to RM 1,847 and further to RM 2,537 in 2014 (11MP).

Table 2: Mean Monthly Gross Household Income by Ethnic Group, Strata and State, Malaysia, 1970-2014

	1970	1974	1976	1979	1984	1987	1989	1992	1995	1997	1999	2002	2004	2007	2009	2012	2014
Malaysia	264	362	505	678	1,098	1,083	1,169	1,566	2,020	2,606	2,472	3,011	3,249	3,686	4,025	5,000	6,141
Ethnic Group																	
Bumiputera	172	242	345	492	844	868	940	1,268	1,604	2,038	1,984	2,376	2,711	3,156	3,624	4,457	5,548
Chinese	394	534	787	1,002	1,552	1,488	1,631	2,192	2,890	3,738	3,456	4,279	4,437	4,853	5,011	6,366	7,666
Indians	304	408	538	756	1,107	1,105	1,209	1,604	2,140	2,896	2,702	3,044	3,456	3,799	3,999	5,233	6,246
Others	813	1,299	1,268	1,475	2,957	2,992	955	1,163	1,284	1,680	1,371	2,165	2,312	3,561	3,640	3,843	6,011

Source: Economic Planning Unit, Malaysia (EPU)

Figure 1: Distribution of Income or Consumption by Quintile in East Asia & Pacific



Source: Poverty & Equity Databank and PovcalNet

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