

Poverty Summary: Malaysia

Incidence of Poverty in Malaysia and MDGs

The Millennium Development Goals Report (MDGR, 2015) indicates that Malaysia has achieved most of the goals and objectives. Absolute poverty has been largely eradicated. The benefits of development have been felt at the national, regional, state levels, and in many cases, the community and individual levels. Remarkable progress in the country is observed in many areas, as revealed by the Millennium Development Goals Report for Malaysia in 2015. The reduction of absolute poverty (based on the national poverty line, which is twice higher than the MDG convention of USD1.25 per capita) from 16.5 percent in 1990 to 0.6 percent in 2014 is commendable.

Malaysia first launched its poverty eradication strategy in 1971, 30 years before the MDGs were introduced. In the first 15 years, it halved the incidence of absolute poverty. In the next 15 years, at the start of the new millennium, the poverty rate was brought down to 8.5 per cent. By 2014, the poverty rate had further declined to 0.6 per cent. Figure 1 shows Malaysia's achievements in poverty eradication since 1970.

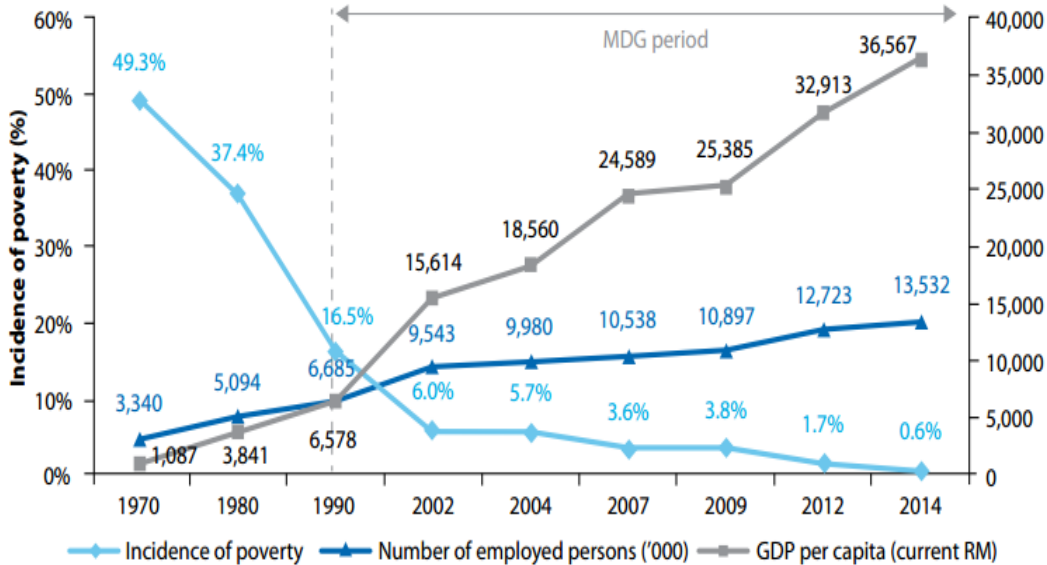


Figure 1: Incidence of Poverty, Number of Employed Persons and GDP Per Capita, 1970-2014

Source: Malaysia, DOSM, Malaysia Economics Statistics, Time Series 2013.

Malaysia, DOSM, Labour Force Survey, 2014.

Poverty rates in urban and rural locations declined during the MDG period with the most dramatic declines observed in rural areas as shown in Figure 2. Poverty rates in rural areas fell from 14.8 per cent in 1999 to 1.6 per cent in 2014. This corresponded to 25,400 households that were living below the poverty line in 2014. Essentially, the urban-rural poverty gap has largely closed. In terms of the intensity of poverty, improvements have been observed in urban and rural areas. In 2014, the rural and urban poverty gaps were 1.6 per cent and 0.3 per cent, respectively. The slight increase in rural poverty index between 2007 and 2009 is likely due to a decline in commodity (oil palm and rubber) prices and a slowing down of the global economy, a consequence of the global financial crisis.

With the national PLI as the benchmark, absolute poverty has been eradicated at the national level. Between 1999 and 2014, the national poverty incidence was brought down from 8.5 per cent to 0.6 per cent. The number of households living below the poverty line also fell from 409,300 to 40,000 between 1999 and 2014.

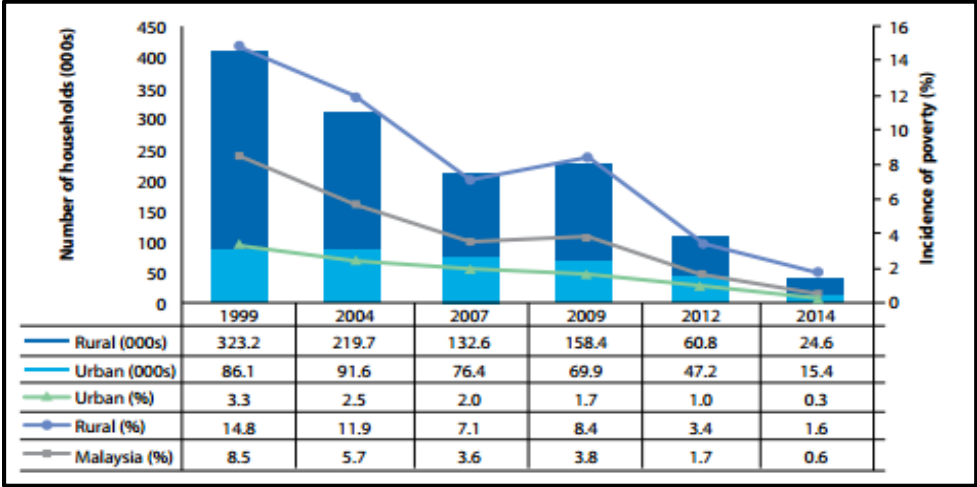


Figure 2: Poverty Incidence and Number of Poor Households by Strata, 1999-2014

Source: Department of Statistics, Malaysia, Household income and Basic Amenities Survey (various years).

In terms of the intensity of poverty, or the distance of poor households from the poverty line, improvements have also been observed. This is indicated by the narrowing national poverty gap index from 2.3 in 1999 to 0.1 in 2014 (Figure 3).

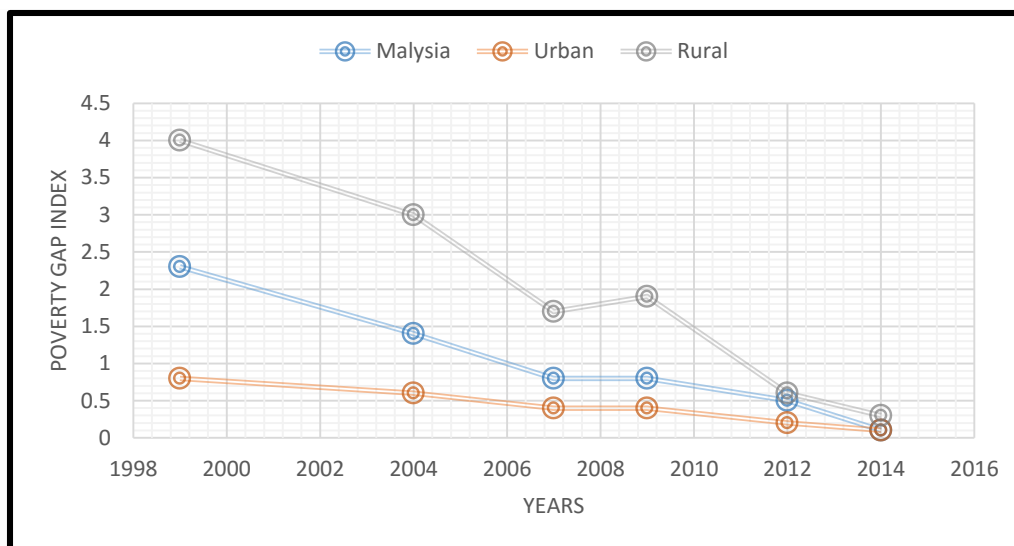


Figure 3: Poverty gap Index, National and by Rural/ Urban Location, 1999-2014

Source: Malaysia, Economic Planning Unit, Ninth Malaysia Plan; Ministry of Women, Family and Community Development, Statistics on Women, Family and Community 2013; Malaysia, estimated by UNCT using data from EPU's Statistics Unit, 2015.

Indeed, rural households who were engaged in agriculture, forestry and fisheries accounted for 65 per cent of total poor rural households in 2014 and the second highest (UNCT's calculations, 2014) poverty incidence at 2.8 per cent. Nonetheless, this represented an improvement compared to 1990 when poverty incidence was 25 per cent amongst rural households in agriculture and fisheries, which accounted for over 60 per cent of total poor rural households. (Malaysia, MDGR, 2010).

Incidence of Poverty by Gender

In many parts of the world, female-headed households are at higher risk of being in poverty than male-headed households. In Malaysia, this gap exists but is narrowing as poverty rates have fallen for both groups. In 2009, the poverty incidence of female-headed households was 4.1 per cent compared to male-headed households at 3.7 per cent. As of 2014, the poverty rate of female headed households was 0.8 per cent, while that of male-headed households was 0.6 per cent. This suggests that female-headed households have benefited from poverty reduction programmes and such efforts should be continued after proper assessment of their effectiveness.

Incidence of Poverty based on Education Level

As important as work is to women, an important corollary is the role of education in getting employment. Educational studies have shown that education gives a person better lifetime chances and therefore socioeconomic success. At the lower rungs of society, education is even more important. Table 1 shows the importance of education for Malaysia. Amongst the poor, their educational status was mostly at the primary level with a rising trend for those with secondary education.

Table 1: Poverty by Education of Head of Household, 2004–2014

Education of household head	Incidence of Poverty %			
	2004	2007	2009	2014
Primary or less	3.9	6.9	7.9	1.8
Secondary	0.5	0.3	0.2	0.0
Post-secondary or tertiary	Proportion of Poor Households %			
Primary or less	67.0	61.9	61.2	51.9
secondary	31.6	36.5	37.6	46.2
Post-secondary or tertiary	1.4	1.6	1.3	1.9

Source: calculated by UNCT using Household Income and Basic Amenities Surveys, 2004, 2007, 2009, 2014.

Child poverty

Child poverty is of particular concern because of its long-term effects on cognitive, physical and emotional development as well as on health. A 2004 study co-published by the Ministry of Education (MOE) and the United Nations Educational, Scientific and Cultural Organization (UNESCO) found that almost 85 per cent of students who dropped out were from poor families, which was correlated with low interest, low academic achievement, and discipline problems. These factors have far-reaching implications for the future employment of these children as they lack the necessary skills and capacities necessary to enter the workforce. This will in turn increase their vulnerabilities to staying in poverty.

Child poverty exists because they are members of poor households. Breaking this cycle is therefore important to ensure the sustainability of the poverty reduction achievements. Table 2 shows the proportion of children living in poverty. It is estimated that 1.3 per cent of children under five are living below the poverty line, while 1.7 per cent of children under 15 belonged to this category. This translates to an estimated 135,000 children under 15 years living under the poverty line. Taking into account all children under 18, it is estimated about 157,000 children are living below the poverty line.

Table 2: Proportion and Number (000s) of Children in Poverty (selected years)

Year	Children under 5	Children under 15	National poverty rate
1989	28.3% (676.7)	29.3% (1,966.4)	16.5%
2007	8.1% (178.4)	9.4%(724.9)	3.6%
2014	1.3% (33.3)	1.7%(135.0)	0.6%

Note: Data in parentheses are estimated numbers of all children under 15, in thousand. Derived from Economic Planning Unit; Statistics Unit, Household Income and Basic Amenities Survey, various years.

Source: Malaysia, MDGR 2010 (for 1989 and 2007 figures); EPU, derived from Household Income and Basic Amenities Survey 2014

Poverty Incidence by State in Malaysia

Table 3 shows that the incidence of poverty by state also revealed a significant drop. Sabah recorded a significant reduction from 19.7% to 8.1% followed by Perlis from 6% to 1.9% and Terengganu from 4% to 1.7% for the same period. The W.P. Putrajaya achieved zero poverty status in 2012. Concurrently, the incidence of poverty in Kelantan and Kedah also continue to decrease, from 4.8% to 2.7% and 5.3% to 1.7% respectively (DOSM & MDGR, 2015).

Table 3: Poverty Incidence % by State in Malaysia (1999-2014)

State	1999	2002	2004	2007	2009	2012	2014
Johor	3.1	2.5	2.0	1.5	1.3	0.9	0.0
Kedah	14.2	9.7	7.0	3.1	5.3	1.7	0.3
Kelantan	25.2	17.8	10.6	7.2	4.8	2.7	0.9
Melaka	29	1.8	1.8	1.8	0.5	0.1	0.1
N. Sembilan	4.1	2.6	1.4	1.3	0.7	0.5	0.4
Pahang	9.8	9.4	4.0	1.7	2.1	1.3	0.7
Perak	6.8	6.2	4.9	3.4	3.5	1.5	0.7
Perlis	13.6	8.9	6.3	7.0	6.0	1.9	0.2
P. Pinang	0.7	1.2	0.3	1.4	1.2	0.6	0.3
Sabah	23.4	16.0	23.0	16.0	19.7	8.1	4.0
Sarawak	10.9	11.3	7.5	4.2	5.3	2.4	0.9
Selangor	1.9	1.1	1.0	0.7	0.7	0.4	0.2
Terengganu	22.7	14.9	15.4	6.5	4.0	1.7	0.6
WP Kuala-Lumpur	0.4	0.5	1.5	1.5	0.7	0.8	0.1
WP Labuan	-	7.1	2.6	4.2	4.3	1.1	1.1

Source: Malaysia Millennium Development Goals Report (2015)

Incidence of Poverty by Ethnic Group

Malaysia is a multi-ethnic and multi-cultural country consisting of 61% Malays, 30% Chinese, 8% Indians, and 1% others. She is distinctive because of her diversity of races, religions, cultures, and characterized by long term political stability. Poverty reduction among Malaysia's ethnic groups, is discussed below.

The incidence of poverty amongst Malaysia's ethnic groups decreased by at least half from 1999 to 2014. The rate fell for Bumiputera (12.3 percent to 0.8 percent), Chinese (1.2 percent to 0.1 percent), Indians (3.4 percent to 0.6 percent) and others (25.5 percent to 0.9 percent) between 1999

and 2014 (Figure 4). Based on further disaggregation of Bumiputera , Other Bumiputera have higher poverty rates than other ethnic groups in Malaysia with the Orang Asli poverty rate was 34 percent in 2014, while that of Bumiputera Sabah 20.2 percent and Sarawak Bumiputera was 7.3 percent , as reported in the 11MP (2016-2020).

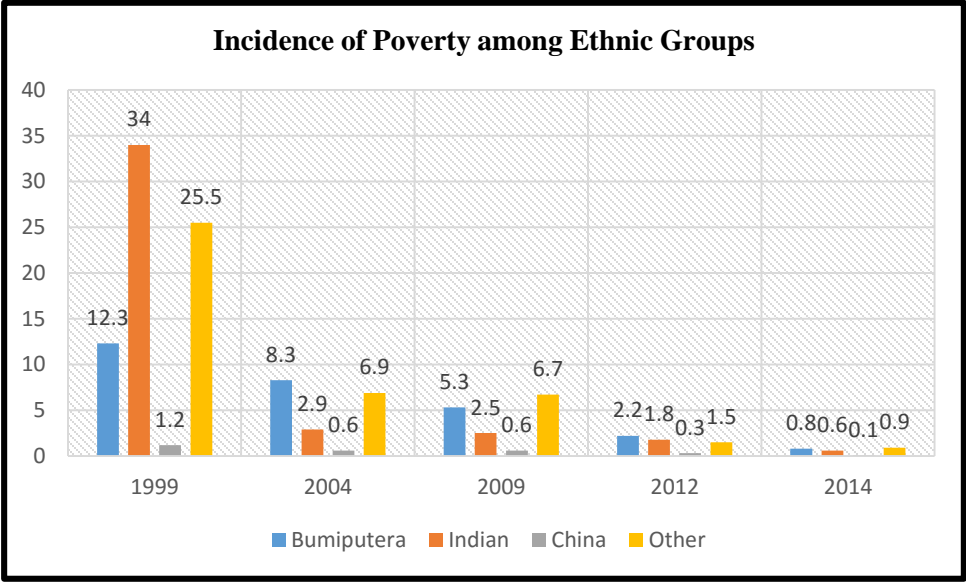


Figure 4: Poverty Incidence by ethnicity, 1999-2014
Source: 11Malaysia Plan (2016-2020).

Pockets of Poverty by Ethnic group

It is widely acknowledged that Malaysia has achieved remarkable success in poverty reduction by using various policy instruments hence reaching its MDGs targets. However, significant challenges remain in eradicating pockets of poverty despite efforts made to date. As stated by MDGR 2015, these pockets of poverty still exist in rural areas and amongst households in certain states, amongst certain ethnic groups, gender and age group as summarised in Table 4 and shown in figure 5 below:

Table 4: summary of pockets of poverty in Malaysia, 2014

National level	Poverty incidence of 0.6 per cent
Rural poverty	Rural poverty is 1.6 per cent or 24,600 households. Majority of poor rural households are in the agriculture, forestry and fisheries sector (65.2 per cent) and the poverty incidence for this sector is 2.8 per cent.
Poverty at state level	All states have poverty rates of less than 1 per cent, except Sabah at 4.0 per cent and WP Labuan at 1.1 per cent. Poverty rate in rural Sabah is 7.4 per cent.

Ethnicity	Bumiputera 0.8 per cent; Indian 0.6 per cent; Chinese 0.1 per cent; Others 0.9 per cent; Other Bumiputera: Orang Asli 34 per cent; Bumiputera Sabah 20.2 per cent; Bumiputera Sarawak 7.3 per cent (all in 2014, from the 11MP).
Child poverty	Children under five, 1.3 per cent; children under 15, 1.7 per cent.

Source: MDGR, 2015

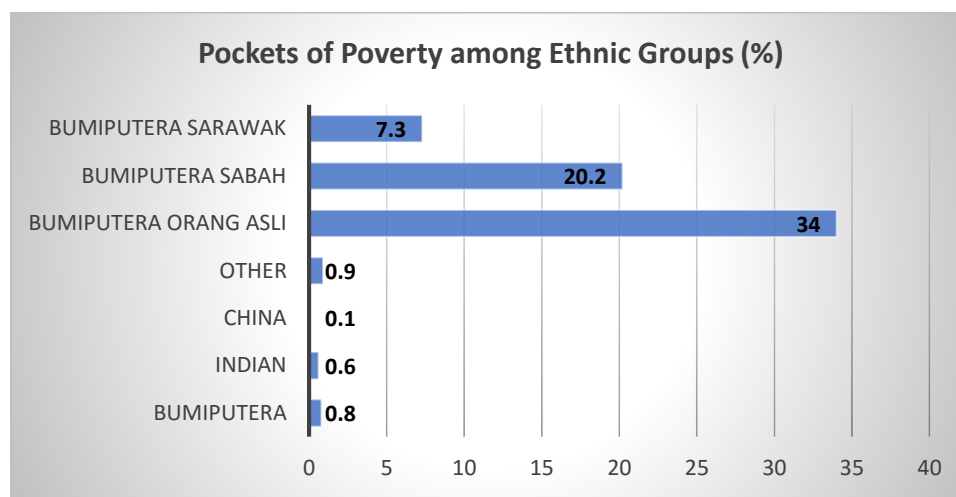


Figure 5: Pockets of poverty among ethnic groups in Malaysia
Source: Millennium Development Report (MDGR, 2015)

References:

1. <http://povertydata.worldbank.org/poverty/region/EAP>
2. Based on the UNCT's calculations using Household Income and Expenditure Survey 2014 data, the highest poverty incidence (5.2 per cent) was amongst rural households engaged in work where activities of households as employers and undifferentiated goods-and-services producing activities of households for own use. However, this accounted for only 0.6 of total poor rural households in 2014.
3. Malaysia, MDGR 2010, p.13
4. <http://www.epu.gov.my/en/household-income-poverty>
5. <http://www.my.undp.org/content/malaysia/en/home/library/mdg/malaysia-millennium-development-goals-2015-report-.html>
6. <http://rmk11.epu.gov.my/index.php/en/>

7. https://www.statistics.gov.my/index.php?r=column/cone&menu_id=UIVlbUxzUWo0L3FEaWZmUVg4ZFQzZz09