

Chapter 9

Raising living standards of low-income households



“Living standards of Malaysians have improved significantly over the past 50 years. Today less than 4% of Malaysians live in poverty. Our aspiration is to eradicate extreme poverty and reduce the overall poverty rate, thus managing the polarity between the rich and the poor. Beyond aid, we will also enhance the productive capacity of low income households aimed at sustainably lifting them out of poverty. As lead minister, I will be accountable for ensuring these initiatives are implemented and that these ambitious targets are achieved. To do so, I seek the support of all Malaysians, to help us identify and register these families who need our assistance.”

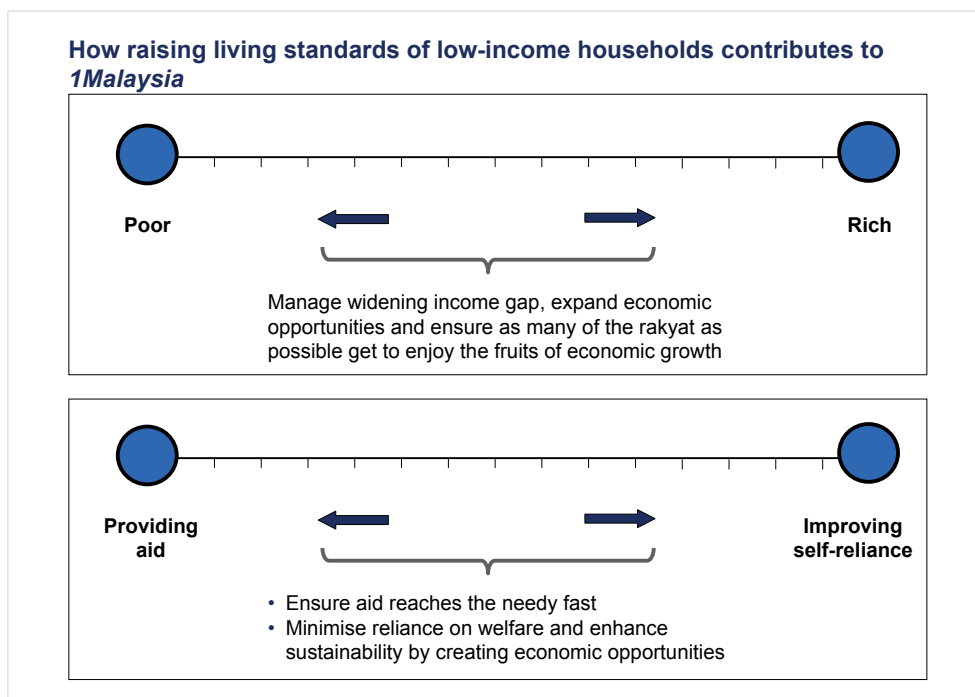
Dato' Sri Shahrizat Abdul Jalil, Minister of Women, Family and Community Development



9.1 Room to improve the lives of low-income households

While Malaysia intensifies its efforts to develop economically and become a fully developed nation by 2020, we must ensure that no Malaysian gets left behind. The possibilities of a widening income gap and of significant segments of the country not enjoying the fruits of economic growth are very real if we do not redress the issue of poverty. The importance of managing the polarity between the economically well-off and the disadvantaged has compelled us to designate the raising of living standards of low-income households as a NKRA. Within these efforts, we will also have to balance the polarities between providing direct aid to the needy and making economic opportunities available to them so they become self-sustaining (Figure 9.1).

Figure 9.1



As mentioned in Chapter 2, Malaysia has made significant strides in reducing the incidence of poverty. Malaysia's achievement is recognised globally – our country is classified by the UN³¹ as a success story in managing poverty. Those strides included measures such as:

- Opportunities for the rural poor to participate in collective farming schemes, run by the Federal Land Development Authority (FELDA)
- Allocation of training, funds and premises to support Bumiputera entrepreneurship via Majlis Amanah Rakyat and the Urban Development Authority
- Monthly welfare payments to the poor and the vulnerable, e.g., the disabled
- Micro finance through Amanah Ikhtiar Malaysia (AIM)
- Financial assistance for schoolchildren from poor families intended for textbooks, bags, uniforms and pocket money.

However, despite our success in reducing poverty, we still face a situation where more than 200,000 households are classified as poor, i.e., live on less than RM 750 per month. Worse, more than 40,000 households classified as extreme poor (previously known as hardcore poor) get by on less than RM 440 per month (RM 15 per day). Also, as discussed in Chapter 2, the gap between the rich and poor is widening.

The imperative for addressing low-income households is both economic and social. Mitigating and managing the conditions leading to poverty will support economic growth, both by ensuring that productive human resources are available and ready to exploit opportunities and by expanding the market base of consumers who are willing and able to spend on goods and services. In addition, effective poverty mitigation leads to an overall higher quality of life for the rakyat as well as social cohesion and harmony as a result of reduced crime and socio-political unrest.

31 "The Geography of Poverty", United Nations Department of Public Information (DPI/1782/POV) - March 1996)

We have therefore set our sights on the ambitious goals of completely eradicating extreme poverty by the end of 2010 and further reducing poverty between 2010 and 2012 through three steps:

- Standardise the definition of low-income groups, to ensure we target support at the right people (Section 9.2)
- Implement quick, high-impact initiatives immediately, and lay the groundwork for longer-term actions. These initiatives will improve immediate welfare as well as build income-earning potential to ensure sustainability (Section 9.3)
- Put enablers in place to ensure that our poverty eradication programmes are both effective and efficient (Section 9.4)

The thrusts of this NKRA focus on the social and economic aspects of addressing the issue of low-income households. Other aspects are covered elsewhere. For instance, extensive improvements to rural basic infrastructure are needed to enhance the quality of life of the rural poor – these are addressed in the Rural Basic Infrastructure NKRA. Meanwhile, we are developing other broad economic policies to promote higher value-added economic activities, thus providing opportunities to people from low-income households to secure higher-income employment. These are not addressed specifically under this NKRA but will be announced as part of the New Economic Model.

9.2 Common definition of low-income groups

We have traditionally determined the incidence of poverty by reference to a threshold Poverty Line Income (PLI). This PLI is based on what is considered to be the minimum consumption requirements of a household for food (constituting the Food PLI) and non-food items such as clothing, rent, fuel and power (making up the Non-food PLI). The proportion of households living below the PLI is the proportion living in poverty, while those living below the Food PLI are classified as living in extreme poverty.

In the past, one of the difficulties we faced was agreeing on a common threshold for the PLI across ministries and agencies. This made it difficult to work together to identify and assist poverty target groups. Having reviewed methods used in other countries, we came up with a definition based on Malaysia's specific socio-economic conditions that all ministries and agencies will use:

- **Low-income Households (LIH)** are households that have a total income less than or equal to RM 2,000 per month, which represents 75% of the median income in Malaysia.³² It is a uniform national number. While some may perceive a monthly household income of RM 2,000 as relatively comfortable, the reality is that the rising cost of living is increasingly squeezing this group's spending power and thereby causing increasing hardship (Figure 9.2).
- **Poor** are households with a total income less than or equal to RM 750 per month. This is based on the PLI and is a uniform national number.
- **Extreme Poor** describes households that have a total income less than or equal to RM 440 per month. This is based on the Food PLI and is a uniform national number.

³² According to the Household Income Survey, 2007

Figure 9.2



Now that we have redefined the threshold of low-income households, families will receive some kind of support at a higher level of income than previously. The categories of poor and extreme poor are now used to identify those who require immediate or urgent attention respectively.

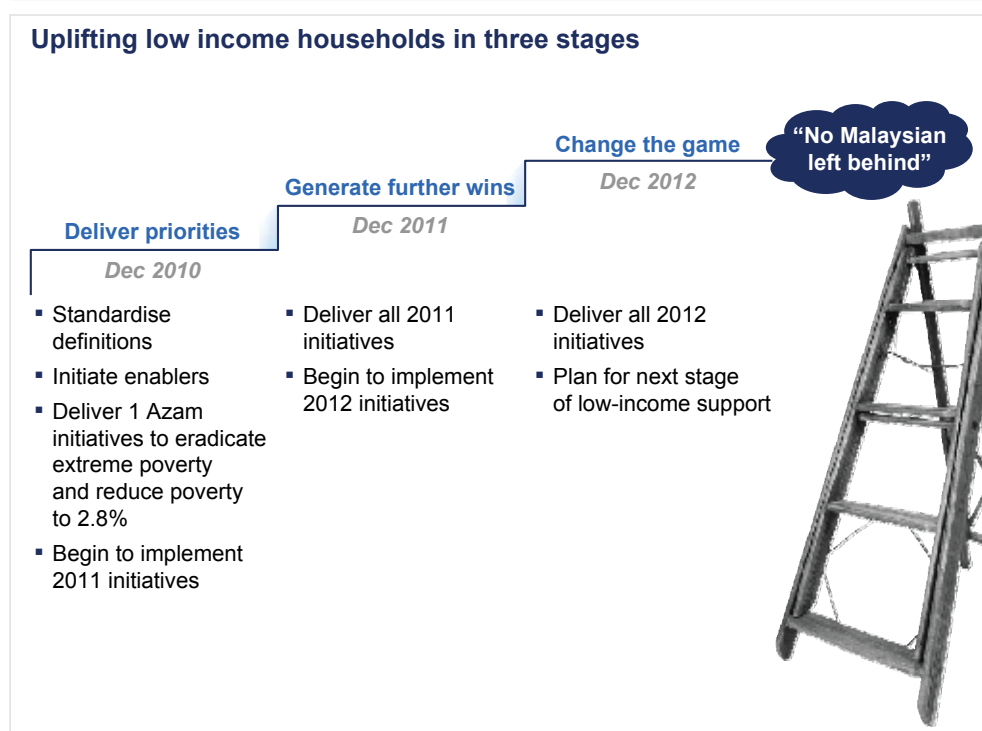


9.3 Implementation of fast, high-impact initiatives

We will be introducing initiatives that are intensive, prioritised and coordinated to achieve the NKRA targets, many of which were already announced in the Budget for 2010. These initiatives will help us to achieve the NKRA targets; more initiatives will be introduced (and existing ones modified) based on results of implementation on the ground. The initiatives will be implemented in stages in 2010, 2011 and 2012 (Figure 9.3):

- To reduce poverty and eradicate extreme poverty by the end of 2010, we will immediately:
 - **Provide aid to the poor:** Expedite monthly welfare payments and provide support to increase home ownership among the rakyat. Housing support in urban areas has been highlighted as we recognise that shelter is a basic need of all rakyat, including those with low incomes.
 - **Increase productivity of the poor:** Create jobs through Gerakan 1 Azam
- In addition to eradicating extreme poverty and reducing poverty, we want to uplift the lives of low-income households who do not fall into the poor and extreme poor categories. To do so, we will deliver other initiatives centred on driving productivity in the areas of education and training, health, microcredit, re-integration of drug addicts and ex-convicts into society, etc. while continuing to deliver aid to those who need it.

Figure 9.3



To manage the polarity between aid and self-reliance, we will ensure that aid is gradually linked to participation in employment or participation in entrepreneurship programmes. This means that we will only provide aid to those who are actively seeking work or setting up businesses, and this aid will be phased out when they have a steady stream of income. For the disabled, we would continue to provide aid, while helping them transition into mainstream economic activities if possible.

9.3.1 Initiatives for 2010

Providing aid

Empathising with the hardship of the poor and extreme poor, we have committed to distributing federal welfare assistance on the first day of every month, rather

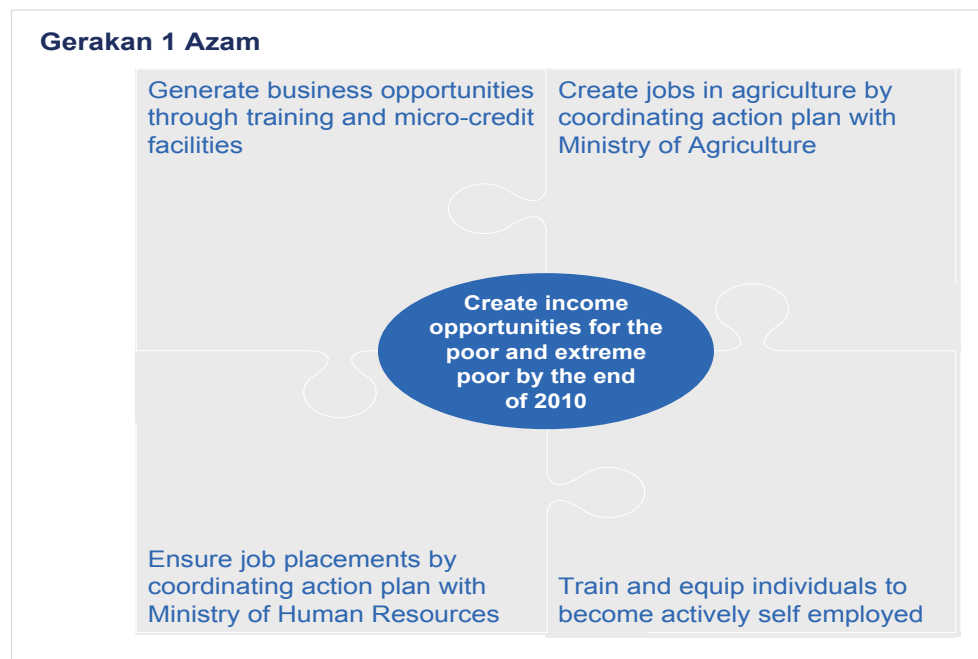
than irregularly as before. This policy commenced 1 September 2009 for Peninsular Malaysia and 1 January 2010 for Sabah and Sarawak.

Also, as announced in the Budget for 2010, we will provide housing support to the needy. First we will offer to sell about 44,000 Dewan Bandaraya Kuala Lumpur (DBKL) and Jabatan Perumahan Negara (JPN) low-cost houses to current tenants, at a price of about RM 21,500 to RM 35,000 per unit. Second, under JPN we will offer to rent out 74,084 houses at a low price.

Increasing productivity

In addition, to equip the poor and extreme poor with the means to increase their incomes, we will intensify our programmes to build the capabilities of these people and create jobs. This will include Gerakan 1 Azam, a new programme to create jobs through a mixture of employment and entrepreneurship (Figure 9.4). It incorporates the various schemes announced in the 2010 Budget, e.g., the establishment of 300 Kedai Desa as well as the Skim Pembangunan Kesejahteraan Rakyat.

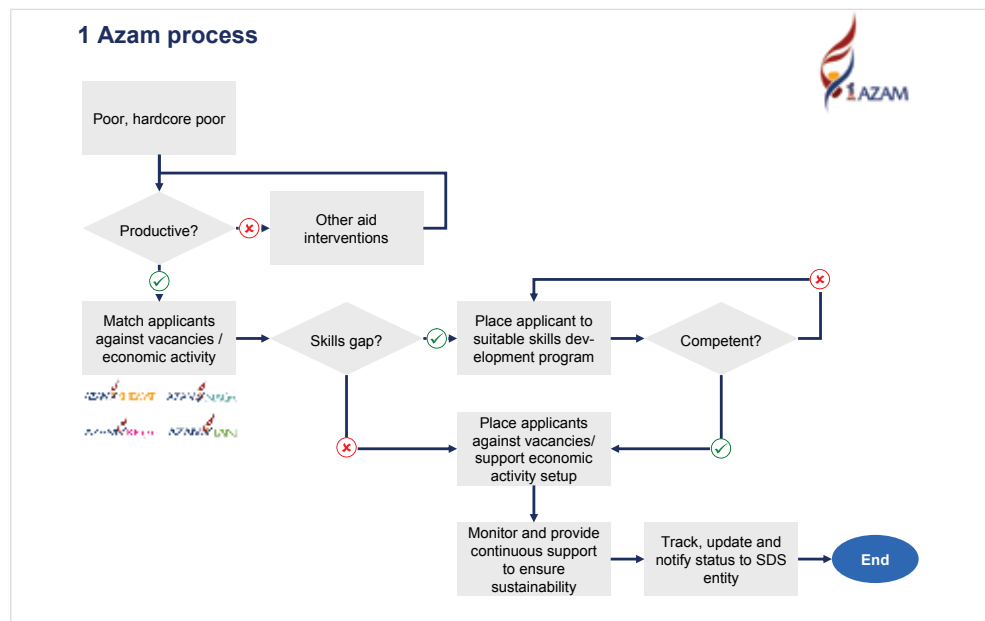
Figure 9.4



1 Azam is in fact a comprehensive programme, based around the concept of driving productivity and managing aid to lift the living standards of the poor and extreme poor (Figure 9.5). The main steps are:

- Assess productiveness (ability to work), and for those who are either physically incapacitated or mentally ill, provide the necessary aid and rehabilitation so they can become a productive person
- Match productive individuals against available job vacancies and other suitable economic activities (e.g., farming, small business)
- Provide training for those who do not have the needed skills
- Monitor and provide continued short-term support (e.g., coaching) when a person gains a job or starts a business
- Remove from support list when income is established.

Figure 9.5



The following are the detailed initiatives under Gerakan 1 Azam:

1 Azam Kerja will help to match the poor and extreme poor to available jobs and encourage them to take advantage of employment opportunities in sectors where Malaysians are not prevalent. We will facilitate job placement for low-skilled positions such as domestic maids, petrol pump attendants, security guards, waiters and construction workers. To achieve this, we will:

- Freeze the hiring of foreign workers in selected industries for a limited time period
- Encourage employers to prioritise Malaysians when filling those low-skilled positions
- Set up JobsMalaysia Centres and JobsMalaysia Points to match jobseekers with available jobs
- Offer skills development programmes to the poor and extreme poor, via community colleges and various Institut Kemahiran

1 Azam Niaga will encourage entrepreneurship and the setting up of small goods businesses, e.g., food businesses, such as home cooked foods, and online businesses, similar to successful programmes run by agencies such as AIM. We will provide training and funds to support the setup of small ventures (Figure 9.6).

1 Azam Khidmat is similar to 1 Azam Niaga but will facilitate the setting up of small service businesses including innovative service-based businesses, e.g., homestay training programmes, mobile canteen, mobile car wash, day care centres for the elderly or for children, post-natal care services and low-skill home based assembly businesses. We will assist with the required training and start-up funds.

1 Azam Tani will support the poor and extreme poor to become involved in small, short pay-back agricultural businesses, e.g., poultry farming, aquaculture. Again, we will provide training and funds to support the set-up.

Figure 9.6

1 Azam will be modeled on similar successful government support programmes

EXAMPLE

- Norida, 45, Terengganu
- Business: sale of noodle soup and drinks
- Government support received – RM 2,000 start-up capital from Amanah Ikhtiar Malaysia



- Norfarina, 20, Kedah
- Business: tailoring
- Government support received – RM 6,000 equipment grant



9.3.2 Initiatives for 2011

Further initiatives will be implemented by the end of 2011 to drive productivity and manage aid.

- **Basic amenities:** Expand the supply of electricity and water to low-income households in rural areas. This will be done in tandem with the Rural Basic Infrastructure NKRA discussed in Chapter 10. An example is the Skim Program Lonjakan Mega, which covers rural economic and infrastructural expansion projects
- **Awareness-building:** Enhance awareness of low-income households about the various support programmes available to them, so they can benefit from those programmes. Various channels will be used, including Open Days and new media like blogs (which low-income households can access through government Internet centres).
- **Education and training:**
 - Adopt schools in areas where low-income households are prevalent and improve the schools' infrastructure and learning environment. This will be done in partnership with the corporate sector.
 - Provide further training and reskilling to eligible low-income households to improve their likelihood of earning income.
- **Health:**
 - Increase the number of urban, rural and mobile health clinics (at least one mobile clinic per state) to cater to low-income households. This measure will help to maintain the health of people in these households so that they can continue to earn incomes. As a start, the Budget for 2010 allocates RM 10 million to establish 50 *1Malaysia* community clinics in urban areas.

- Expand financial support for people in low-income households to purchase artificial limbs and prosthetics. We will also improve the availability of prosthetics by setting up at least one prosthetic centre per state so that those who need prosthetics can return to work.
- **Job placement:**
 - Continue to match people in low-income households to jobs in companies, including GLCs. We will intensify training and coaching to help them succeed in their jobs and will also continue to encourage employers to prioritise Malaysians when filling positions where foreign workers are still prevalent and develop tax and other incentives for them to do so.
 - Create employment opportunities by setting up Jimat 1Malaysia grocery stores. We aim to set up 50 such stores by 2010 and one in every district by 2011.
- **Micro-credit:** Develop a mechanism to provide micro-credit to eligible low-income households to help them start small businesses so that we can wean them from long-term financial aid. Applications and disbursements will be handled by banks as well as outlets of GLCs like Pos Malaysia post offices and Petronas petrol stations. At least one pilot project will be introduced per state by Q1 2011.
- **Transition / re-integration:** Provide support to re-integrate marginalised groups, such as ex-convicts and ex-drug addicts, into society. We will provide temporary shelters (Anjung Damai), counselling, skills training and programmes to build community support for the re-integration of these people.

9.3.3 Initiatives for 2012

Further initiatives will be implemented by the end of 2011 to drive productivity and manage aid.

- **Basic amenities:** Build new and upgrade existing basic sanitation infrastructure in low-income household areas in both urban and rural areas. This measure will help affected households to live more healthily so that they are able to study and work effectively.
- **Education:**
 - Increase awareness among low-income households of the importance of pre-school education, and provide financial support to enable children from low-income households to attend pre-schools. Our target is for 100% of eligible age children from low-income households to be enrolled in pre-schools by 2012.
 - Provide school uniforms and accessories (e.g., shoes, school bags) to students from low-income households. Currently we provide assistance mainly in the form of cash; supplying goods will prevent any opportunity to misuse the aid. Our target is for 100% of eligible students to receive this aid by 2012.
 - Provide additional subsidised hostel capacity to enable students who require accommodation (e.g., those from rural areas) to continue with their studies, despite financial hardship.
 - Train and develop a further 2,000 women entrepreneurs among low-income households by 2012 (Together with earlier initiatives such as 1 Azam, we will develop a total of 4,000 women entrepreneurs between 2010 and 2012).

- **Health:** Intensify assistance to patients requiring dialysis treatment. This will involve providing financial aid, setting up more dialysis centres and providing transportation to/from those centres.
- **Housing:** Beyond the housing support offered under the 2010 Budget (as discussed above), we will make more housing available to the poor and extreme poor.
 - As mentioned in Chapter 10 (Improving Rural Basic Infrastructure), by 2012, we will provide 50,000 new and restored houses to the poor and extreme poor, especially in rural areas, as well as 14,000 houses to the Orang Asli.
 - Offer financial assistance for housing down-payments and legal fees and low-interest-rate loans to low-income households who are not recipients or purchasers of low-cost homes provided by the Government.
- **Insurance:** Partner with selected private sector institutions (e.g., Takaful Malaysia) to offer a *1Malaysia* Insurance scheme, so that the extreme poor can be protected by insurance, which is largely unaffordable for them. The policies will cover areas such as education, death and critical illness. Our target is for all extreme poor households to enjoy insurance coverage by 2012.

In our reviews of how other countries protect low-income households, we noted that some countries use a minimum wage to safeguard low-income workers. We are studying this as another potential way to help individual Malaysians stand on their own feet and not require any government assistance. The minimum wage could be based on the PLI of RM 750 per month, which would work out to be an hourly wage of RM 4.70 based on a 40-hour working week. While we have begun to conduct feasibility studies, any action would not occur before 2012, and even then it would be introduced gradually, so as not to adversely affect employers.

9.4 Enablers to ensure delivery of initiatives

To enable the above initiatives to be delivered effectively and efficiently, we will also implement the following structural changes:

- **Create unified Social Development Services (SDS) entity:** Integrate agencies involved in planning, delivery and monitoring social welfare services into a single entity. This would improve our own efficiency in coordinating welfare services as well as provide convenience to the rakyat, who would interact with a single agency and visit a single service centre for all social welfare services. Service centres could be located in post offices to enable easy access for the rakyat.
- **Set up independent Social Development Inspectorate:** The Inspectorate will investigate and prosecute welfare fraud as well as handle complaints by low-income households against the SDS entity
- **Integrate databases:** Consolidate all databases containing data of LIH into e-Kasih, designate this as the sole database for LIH and designate the ICU as the sole manager of this database (as announced in the 2010 Budget). This will facilitate easier identification, approval and tracking of LIH. Following that, only households that appear in e-Kasih will be eligible for government support. One of our priorities, therefore, is to work with the rakyat and with NGOs to ensure that all low-income households are registered in e-Kasih.

- **Implement SDS Card or Vouchers:** Issue smart cards or vouchers to people who are categorised as poor and extreme poor. This would serve as an identification document, facilitate crediting of aid and ensure that only those in need benefit from subsidised public services (e.g., healthcare, education). With such cards, we can ensure that all aid arrives safely into the hands of the intended recipients. A pilot project will be launched in Kedah, targeting 100% ownership and usage among poor and extreme poor households by the end of 2010.
- **Reduce processing time for disbursement of aid** to first-time applicants from the current two months to seven days. We will identify opportunities to streamline processes and strengthen coordination between agencies. The target is to process 100% of applications and disbursements within seven days by 2012.

9.5 Commitment to meeting the KPI targets

To measure our success and track our progress in raising the living standards of low-income households, we commit to achieving the following outcomes (Table 9.1):

Focus area	KPI	Baseline	2010
Extreme poor	Number of households in extreme poverty	44,000 households	0 households
Poor	Incidence of poverty	3.6%	2.8%
Low-income households	New women entrepreneurs trained	N/A - target represents increment	2,000 additional

9.6 Early signs of progress seen on low-income households

We acknowledge that there is a long way to go to improve the living standards of people in low-income households, but early progress has been encouraging in housing, distribution of payments and processing of applications as mentioned earlier. We have begun offering low-cost houses for sale to existing tenants at RM 21,500 to RM 35,000 per unit – up to 75% less than the market value – to increase the home ownership rate among low-income households. Since 1 September 2009, we are distributing federal welfare assistance on the first day of each month in Peninsular Malaysia. And an early result of greater inter-agency coordination is that an application to be listed in the low-income households database now takes only seven days compared to two months previously.

These are small, early steps, but we fully intend to implement many more initiatives to improve the rakyat's lives over the next 12–36 months.

9.7 How the rakyat can play a role in helping low-income households to receive government aid

For low-income households to receive financial aid and other government support from programmes such as Gerakan 1 Azam, they must first be registered in the e-Kasih system. However, identifying and registering these households in the database is challenging given their sheer number, dispersion across the country and lack of access to the Internet. Members of the public can help to accelerate and increase the reach of these programmes by identifying any household they think may be eligible to receive assistance and helping them to register in e-kasih via the Internet. There are three simple steps:

- Visit www.ekasih.gov.my
- Enter the details (names, IC numbers, income levels, contact details) of the people in the household
- Enter the name and contact details of the person helping that low-income household to register, and click “Send”



