

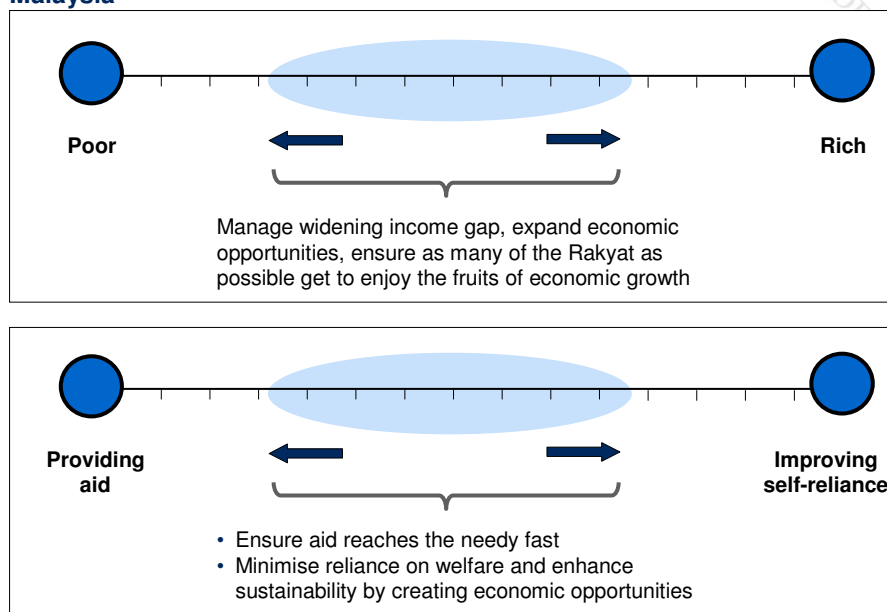
PEMANDU Lab Highlights: Low Income Households

“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 hardcore 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)



How raising standards of low income households contributes to 1 Malaysia



While Malaysia intensifies its economic development to become a fully developed nation by 2020, we must ensure that no Malaysian gets left behind in the slipstream. The possibilities of a widening income gap, and of significant sections 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 the Government to designate the raising of living standards of low income households as a NKRA. Within its efforts, the Government 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.

There is still room to improve the lives of low income households

Malaysia has made significant strides in reducing poverty. This achievement is recognised globally – we are classified by the UN and the World Bank as a success story in managing poverty. However, despite our long-term success in reducing poverty, we still face a situation where more than 200,000 households are classified as ‘poor’ and live on less than RM 750 per month. Worse, more than 40,000 households classified as ‘extreme (or hardcore) poor’ get by with even less than RM440 per month (or less than RM 15 per day). Trends in Malaysia’s Gini coefficient show that the gap between the affluent and the vulnerable are widening.

The imperative for addressing the situation on Low Income Households, and by extension poor and extreme poor, are both economic and social. Mitigating and managing conditions leading to poverty support economic growth, both by ensuring that productive human resources are available and ready to exploit opportunities, and also expanding the market base of consumers who are able and willing to spend on the country's goods and services. In addition, effective poverty mitigation leads to a higher quality of life for the rakyat, as well as social cohesion and harmony as a result of reduced crime rates and socio-political unrest.

The Government has therefore set its sights on the ambitious goals of completely eradicating hardcore poverty by end 2010, and further reducing poverty between 2010 to 2012. It is adopting the following three thrusts:

- Standardise the definition of low income groups, to ensure support is targeted at the right group of people
- Prioritise initiatives: Implement fast, high impact initiatives immediately and lay the groundwork for longer-term actions. These initiatives will use the twin levers of improving immediate welfare as well as building income-earning potential to ensure sustainability, i.e., 'Drive Productivity, Manage Aid'
- Put enablers in place to ensure effectiveness and efficiency of the delivery of poverty management programmes

The above thrusts of this NKRA focus on the social and economic aspects of addressing the issue of low income households. Other aspects could be equally important, and 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, other more general economic policies are being developed to promote higher value-added economic activities, thus providing opportunities to low-income households to secure higher-income employment. These are not addressed specifically under this NKRA but will be announced under the upcoming New Economic Model

The Government has standardised the definition of low income groups, with implications on the targeting and activation of support initiatives

The incidence of poverty has traditionally been determined 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 even the Food PLI are classified as living in hardcore poverty.

In the past, one of the shortcomings we faced was agreeing on a common definition of poverty (e.g., PLI threshold) across ministries and agencies. This complicated the creation of concerted efforts to identify and assist poverty target groups.

Having referenced examples in other countries, and modified them based on Malaysia's specific socio-economic conditions, the Government has now standardised the definition of low income categories to be used by all ministries and agencies:

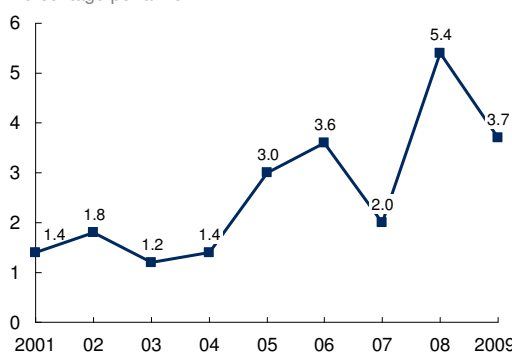
- **Low Income Households (LIH)** – all households that have a total income less than or equal to RM2,000 per month. This is based on the cut-off value that represents the 75% of median income in Malaysia. It is a uniform national number.

While some may perceive a monthly household income of RM2,000 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 1).

Figure 1

Rising cost of living is increasing pressure on households in general

Increase in Consumer Price Index 2001-2009*
Percentage per annum



"Consumers upset over fare increase"

Johor Baru: Many consumers are frustrated and upset over the Government's decision to allow bus operators to permanently incorporate the 30% surcharge into their fare. They feel the move is a financial burden, especially with the growing economic uncertainty with many people taking pay cuts and losing jobs."

The Star
Tuesday June 16, 2009

"Food and retail outlet operators blame suppliers"

Petaling Jaya: Food and retail outlets are not lowering their prices despite another drop in petrol and diesel prices because suppliers are not reducing theirs."

The Star
Thursday October 16, 2009

"Still paying the same prices"

Although fuel prices have come down, many still feel the pinch from the dramatic rise in the cost of goods. While the authorities predict prices will fall next year, consumers continue to tighten their belts."

The Star
Sunday December 28, 2008

1 Data Jan-Mar 2009

SOURCE: Department of Statistics Malaysia, thestar.com.my

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- **Poor** – all households that have a total income less than or equal to RM750 per month. This is based on the PLI and is a national average number
- **Extreme Poor** – all households that have a total income less than or equal to RM440 per month. This is based on the Food PLI and is a national average number

The positive implication of the redefinition is that the trigger for support initiatives will be much earlier, now starting at the LIH level, which is at a higher level of income than previous definitions of poverty. The 'poor' and 'extreme poor' categories are now used as prioritisation tools, identifying those who require immediate or urgent attention.

The Government will implement fast, high impact initiatives immediately and lay the groundwork for longer-term actions

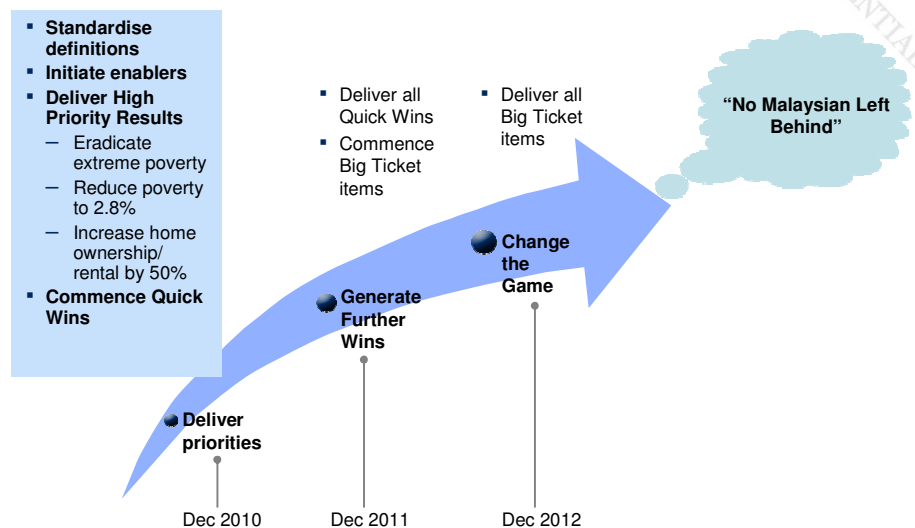
The Government will be introducing initiatives which are intensive, prioritised and coordinated to achieve the NKRA targets. Many of these initiatives were announced in the Budget for 2010.

The initiatives will be implemented in stages (Figure 2):

- To reduce poverty and eradicate extreme poverty by end 2010, the **Government** will immediately:
 - **Provide aid** to the poor: Expedite monthly welfare payments; provide support to increase home ownership among the rakyat with monthly household income below RM2,500. Housing support in the urban areas has been specially highlighted as shelter is recognised by the Government as a basic need of the rakyat, including the low-income.
 - **Increase productivity** of the poor: Deliver high intensity programmes, focussing on job creation, through Gerakan 1 Azam
- The Government does not want to only reduce poverty and eradicate extreme poverty, it also wishes to uplift the lives of low-income households who may not fall under the 'poor' and 'extreme poor' categories. To do so, it will implement further 'Quick Wins' by 2011 and 'Big Ticket Items' by 2012, centred around initiatives to **drive productivity**: education and training, health, micro credit, re-integration, etc

Figure 2

Uplifting low income household in 3 stages



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

Expedite monthly welfare disbursements, provide housing support and intensify capability building and job creation programmes

Providing aid: Empathising with the hardship of the poor and extreme poor, the Government has committed to distributing federal welfare assistance on the first day of each month (commenced 1 September 2009 for Peninsular Malaysia, commencing 1 January 2010 for East Malaysia).

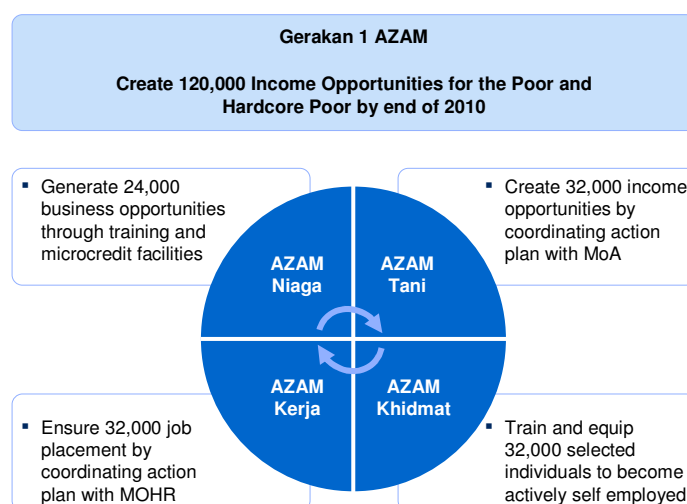
Also, as announced in the Budget for 2010, the Government will provide housing support to the needy among the rakyat. It will offer ~44,000 Dewan Bandaraya Kuala Lumpur (DBKL) and Jabatan Perumahan Negara (JPN) low cost houses for sale to current tenants, at ~RM21,500-35,000 per unit. It will also rent out 74,084 unit of low cost houses under JPN.

Increasing productivity: In addition, to equip the poor and extreme poor with the means to increase their income, the Government will intensify programmes aiming to deliver capability building and job creation. These include:

- Gerakan 1 Azam – this is a program to create 120,000 jobs through a mixture of employment and entrepreneurship (Figure 3). 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 3

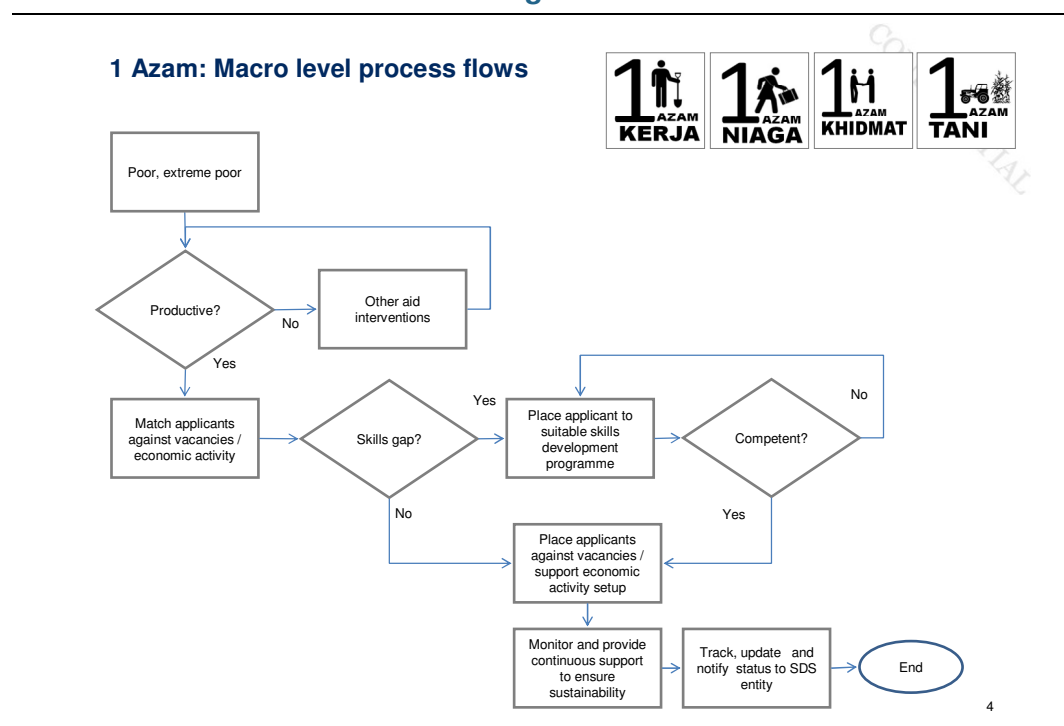
Gerakan 1 AZAM



1 Azam is in fact a comprehensive programme, based around the concept of ‘Driving Productivity, Managing Aid’, of lifting the living standards of the poor and extreme poor (Figure 4):

- Assess productiveness (ability to work). If not productive (e.g., physically / mentally ill), provide the necessary aid and rehabilitation to return to productiveness
- Match productive individuals against available vacancies and other suitable economic activities (e.g., farming, small business)
- Provide training where skills gaps are observed
- Monitor and provide continued short-term support (e.g., coaching)
- Remove from support list when income is established

Figure 4



The following are the detailed initiatives under Gerakan 1 Azam:

1 Azam Kerja: This is aimed at helping to match the poor and extreme poor to available jobs and to take advantage of employment opportunities in sectors where Malaysians are not prevalent. The Government will facilitate job placement for low-skilled positions such as domestic maids, petrol pump attendants, security

guards, waiters / waitresses and construction workers. To achieve this, the Government will:

- Freeze the hiring of foreign workers in selected industries for a limited time period
- Engage with employers to encourage them to prioritise Malaysians in filling up the above 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: This will encourage entrepreneurship and the setting up of small *goods* businesses, e.g., food businesses and online businesses e.g., home cooked food supplies. The Government will provide training and funds to support setup of such small ventures. This will be modelled on similar successful programmes by agencies such as Amanah Ikhtiar Malaysia (Figure 5).

1 Azam Khidmat: Similar to 1 Azam Niaga, this programme will facilitate the setting up of small *service* businesses. These include innovative service-based businesses e.g., mobile canteens, mobile car wash, day care centres for the elderly and for children, post-natal care services, low-skill home based assembly businesses. Then Government will assist with the required training and funds

1 Azam Tani: This will support the poor and extreme poor to become involved in small, short pay-back agricultural projects e.g., poultry farming, aquaculture. Again, the Government will provide training and funds to support setup

Figure 5

1 Azam will be modelled on similar success stories of Government support programs



- Name, age, location: Norida, 45, Terengganu
- Business: Sale of noodle soup and drinks
- Government support received: RM 2000 start-up capital from Amanah Ikhtiar Malaysia



- Name, age, location: Norfarina, 20, Kedah
- Business: Tailoring
- Government support received: RM 6,000 equipment grant



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Implement Quick Wins by 2011 and Big Ticket Items by 2012 to 'Drive Productivity and Manage Aid'

These are medium-term, high impact initiatives, to assist low income households, including vulnerable groups like the disabled and senior citizens. As discussed earlier, these initiatives aim to ensure the most effective delivery of aid to low income households. At the same time, the earnings potential of those households will be built up to ensure their sustained ability to uplift their own livelihoods.

The initiatives have been differentiated by ease of implementation: Quick Wins will be delivered by end 2011, and Big Ticket Items by end 2012.

Quick wins fall into the following areas:

- **Basic amenities:** The Government will expand electricity and water supply to low-income households in rural areas. This will be done in tandem with the Rural Basic Infrastructure initiatives. An example of such efforts is the Skim Program Lonjakan Mega. These cover rural economic and infrastructural expansion projects, e.g., expanding water supply to low income households

- **Awareness-building:** The Government will enhance awareness of low-income households of the various support programmes available to them. This is so that they will be able to take advantage of those programmes. Various channels will be used, including Open Days and new media like blogs
- **Education and training:** The Government will
 - 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 through the latter's corporate social responsibility programmes.
 - Provide training and reskilling to eligible low-income households to improve their economic value. This includes training and developing 2,000 women entrepreneurs by 2011, enabling the women to become economically self-reliant.
- **Health:** The Government will
 - Increase the number of urban, rural and mobile clinics (at least one per state) to cater to rural low-income households. This is to maintain the level of health of these households so that they can continue with their economic activities. As a start, the Budget for 2010 has allocated RM 10 million to establish 50 '1Malaysia' community clinics in urban areas
 - Expand financial support for eligible low-income households to purchase artificial limbs and prosthetics. The Government will also improve access to prosthetics by setting up at least one prosthetics centre per state. This is to help enable those in need of prosthetics to return to mainstream economic activity
- **Job placement:** The Government will
 - Help match eligible low-income households to job in GLCs and other private sector companies. It will provide training and continuous coaching to help them succeed in their jobs. The Government will also continue to encourage employers to prioritise Malaysians in filling up positions where foreign workers are still prevalent (as discussed under 1 Azam Kerja above) and develop tax and other incentives for them to do so
 - Create employment opportunities via the setting up 'Jimat 1Malaysia' provision stores. The Government is aiming to set up 50 such stores by 2010, and one in every district (daerah) by 2011
- **Micro-credit:** The Government will develop a mechanism to provide micro-credit to eligible low-income households. The provision of micro-credit will

facilitate low income households to start up small businesses and wean them from dependence on long-term monetary assistance. Applications and disbursements will be handled in cooperation with banks as well as outlets of GLCs like Pos Malaysia offices and Petronas petrol stations. At least 1 pilot project will be introduced per state by Q1 2011

- **Transition / re-integration:** The Government will provide support to re-integrate marginalised groups back into society. Such groups include ex-convicts, ex-drug addicts, etc. Measures to be implemented include provision of temporary shelters (Anjung Damai), counselling, skills training and programs to build community support for their re-integration

Big ticket items, meanwhile, would cover similar areas but over a longer period:

- **Basic amenities:** The Government will build new and upgrade existing basic sanitation infrastructure in low-income household areas (urban and rural). This is to help such households to live healthily so that they are able to study and work effectively
- **Education:** The Government will
 - Increase awareness among low-income households of the importance of pre-school education, and provide financial support to enable children from eligible households to attend pre-schools. The Government targets 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 eligible low-income households. Currently assistance is provided mainly in the form of cash; converting this assistance to goods form will prevent opportunities to misuse the aid. The Government targets for 100% of eligible students to receive this aid by 2012
 - Provide additional hostel capacity to enable students who require accommodation (e.g., those from rural areas) to continue with their studies, preventing dropouts due to distance and financial constraints
 - Train and develop a further 2,000 women entrepreneurs among low-income households by 2012 (making it 4,000 in total between now and 2012)
- **Health:** The Government will 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 to be offered under the 2010 Budget (as discussed above), the Government will further make housing available to the poor and extreme poor.
 - It will provide 50,000 new and restored houses to the poor and extreme poor, especially in rural areas, by 2012. In addition, 14,000 houses will be provided to Orang Asli by 2012. These are in line with the housing measures discussed in the Rural Basic Infrastructure Lab
 - It will also offer assistance on down-payments, legal fees and low-interest rate loans to eligible low-income households who are not recipients or purchasers of low-cost homes provided by the Government
- **Insurance:** Cognisant that existing insurance schemes in the market are largely unaffordable for the extreme poor, the Government will partner with selected private sector institutions (e.g., Takaful Malaysia) to offer a 1Malaysia Insurance scheme. The packages will cover areas such as education, death and critical illness. The target is for all extreme poor households to enjoy insurance coverage by 2012
- **Minimum Wage:** The Government will work towards setting a minimum wage by 2012, enabling all Malaysians to earn at least the PLI. Currently the PLI is RM 7.50 per month (as discussed earlier), thus the minimum wage would be RM 4.70 per hour based on a 40-hour working week. This would help maintain a minimum acceptable standard of living for low-income households

The Government will put in place enablers to ensure delivery of initiatives

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

- **Create unified Social Development Services (SDS):** Integrate relevant agencies involved in planning, delivery and monitoring poverty mitigation services into a single entity. This is to improve efficiency of coordination as well as to provide convenience to the rakyat (who now need to visit or interact with a single agency for all welfare services)

As a start, the former Ministry of Federal Territories has been tasked with integrating programs and services aimed at eradicating urban poverty, and is now known as the Ministry of Federal Territories and Urban Wellbeing.

- **Set up Independent SDS Inspectorate:** The Inspectorate will investigate and prosecute welfare fraud
- **Integrate databases:** Consolidate all databases containing data of LIH into e-Kasih; designate this as the sole database for LIH, and the ICU as the sole manager of this database (as announced in the 2010 Budget). This is to facilitate easier identification, approval and tracking of low-income households
- **Implement SDS Card / Vouchers:** Issue cards / vouchers to those in the Poor and Extreme Poor categories. This would serve as an identification document, facilitate crediting of aid, and enable only those in need to benefit from subsidised public services (e.g., healthcare, education). With such cards, the Government will ensure that all Government aid arrives safely at 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 end 2010
- **Reduce processing time** for approval of first-time applications and disbursement of aid, from the current 2 months to 7 days. The Government will identify opportunities to streamline processes and strengthen coordination between agencies. The target is to process 100% of applications and disbursements within 7 days by 2012. Some progress has already been made – the process of approving the rakyat's applications to be listed in the low-income households database now takes 7 days. The challenge now is to extend this win to other aid application and disbursement processes

The Government commits to meeting the following KPI targets

To measure the Government's success and track its progress in raising the living standards of low income households, it hereby commits to achieving the following outcomes:

Focus area	KPI	Current	2010
Hardcore poor	Incidence of hardcore poverty	49,000 households (Oct 2009)	0 households
Poor and vulnerable	Incidence of poverty	3.8%	2.8%

Early signs of progress seen on low income households

The Government acknowledges that there is a long way to go to address low-income households, but early progress has been encouraging. For instance, through greater inter-agency coordination, the process of approving the rakyat's applications to be listed in the low-income households database now takes 7 days compared to 2 months previously (as discussed above).

In addition, as mentioned earlier, the Government has started distributing federal welfare assistance on the first day of each month since 1 September 2009 in Peninsular Malaysia. Also, it has begun offering low-cost home units for sale to existing tenants at RM 21,500-35,000 per unit – which is up to 75% less than the market value – to increase the home ownership rate among low-income households.

These are small, early steps. The Government expects to implement many more initiatives, and improve the rakyat's lives, over the next 12-36 months.

The rakyat can help to register low-income households in e-kasih

For low income households to participate in the Government's programs (e.g., Gerakan 1 Azam) and receive financial aid, they must first be registered in the e-kasih system. However, identifying and registering these households in the database is challenging given their sheer numbers, dispersion across the country and lack of access to the internet. To accelerate and increase the reach of these programs, the rakyat is requested to identify any household they know who may be eligible to receive assistance, and help register them in e-kasih through the internet. This could be done in 3 simple steps:

- Visit <https://www.ekasih.gov.my/Pendaftaran/Pages/BorangPendaftaranRingkas.aspx>
- Enter the details (names, IC numbers, income levels, contact details) of the household
- Enter your own name and contact details and click send