

Tackling Urban Poverty

Since the introduction of the New Economic Policy 1971-1990 (NEP), Malaysia has achieved outstanding progress in poverty eradication. During this period the poverty incidence has dropped from 52.4 percent in 1970 to 15 percent in 1990. This index remains in a declining trend with the latest figures showing a drop from 8.5 percent in 1999 to 5.7 percent in 2004. However, the incidence of poverty has always been much higher in the rural than in the urban areas. The incidence of poverty in the rural areas shrank from 14.8 percent in 1999 to 11.9 percent in 2004, while the urban areas experience a decline in poverty incidence from 3.3 percent and 2.5 percent. Obviously, more attention has been given to rural poverty than to urban poverty.

Large-scale urbanisation is a global phenomenon and Malaysia is no exception. The rate of urbanisation has gone up due to the increases in migration, the growth of new urban areas and the extension of administrative urban boundaries. Economic interest is the dominant factor in pressuring the urbanisation process at mega scale. The rapid rates of urbanisation have swelled the ranks of the urban poor in the country. The migration of low-income groups from the rural into the urban areas, the influx of foreign workers and the increase in unemployment have contributed to the rise in urban poverty, adding to pressures on urban services, infrastructure and the environment. As a result, poverty, which has long been predominantly a rural phenomenon, has become more urbanised. Although urban poverty in Malaysia is not a serious phenomenon, it is far more harsh and extreme than rural poverty. Low levels of education or skills, lack of employment opportunities, low wages, large family size and lack of basic amenities are among the factors that cause urban poverty.

In the Ninth Malaysia Plan 2006-2010 (9MP) the poverty line income (PLI) was revised to RM687 and RM698 for the urban and rural areas, respectively. However, the cost of living generally tends to be higher in the urban than in the rural areas, as food, transportation and housing are more expensive. Therefore, urban household require higher incomes than rural households to avoid poverty and access to basic amenities,

health care, childcare and children's education. There are many households that do not have access to basic amenities even though they earn incomes above the PLI. These households suffer from conditions associated with poverty.

The higher costs of living in the cities have forced the urban dwellers especially low-income earners to take on additional jobs for extra income or work overtime. A monthly salary of RM1,200 – RM1,500, which is about average for this category of workers, is not sufficient, given that house rentals alone cost about half of these amount in the cities. The local authorities do provide city hall houses, but the number is limited. Both spouses have to take up second jobs, as supplementary income is needed for family survival. While, at the same time, a similar salary in smaller towns can give the income earners higher standard of living due to lower costs of living. In the metropolitan areas, this salary level is insufficient. Involvement in two or three jobs not only affects the quality of services, but also increases the stress levels for individual workers, which in turn affects the health status. The quality of family life is also adversely affected and this can give rise to various social problems among youth resulting from a lack of parental supervision. The greater dependence on cash incomes makes urban households more vulnerable to income and price changes. Although the incidence of urban poverty has declined from 3.3 percent in 1999 to 2.5 percent in 2004, many problems and challenges still exist. Households that are classified as 'near poor' also require policy attention as they are the most vulnerable groups and are likely to slide into poverty.

The poor are particularly vulnerable to the impact of financial and economic crisis under globalisation. The globalisation process is changing the economies, environments, cultures and societies that would affect the urban poor adversely. Studies have shown that the actual impact of the economic crises on the social sector in Malaysia is multi-faceted. It ranges from impacts felt at the household (micro) level with changes in employment, income and prices; at the macro level with changes in the incidence of poverty and income distribution; and at the ideational level with changes in policy and traditional ways of viewing poverty. Thus, the government needs to be better prepared for future possible economic shocks, to assist the poor and those with incomes barely

above the PLI from falling back into poverty.

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