

# Poverty and Global Recession in Southeast Asia



edited by  
Aris Ananta and Richard Barichello

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INSTITUTE OF SOUTHEAST ASIAN STUDIES  
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## **HIGH COST OF LIVING AND SOCIAL SAFETY NETS FOR LOW INCOME GROUPS IN URBAN SARAWAK, MALAYSIA**

Ling How Kee and Wong Swee Kiong

Steady economic growth in the last four decades in Malaysia has successfully resulted in a decline of poverty incidence from 52.4 per cent in 1970 to 6.1 per cent in 1997 (Nair 2005), though regional, ethnic and rural-urban disparities remained. However, due to the impact of the 1997 Asian financial crisis, poverty incidence rose for the first time to 8.5 per cent in 1998 (EPU 2001). Nevertheless, the government managed to restore the economy by introducing strict fiscal policy, stimulating the market, and stabilizing the financial market (JBIC 2001). Consequently, the incidence of poverty was reduced to 5.7 per cent in 2004 and then to 3.6 per cent in 2007 (EPU 2009a).

However, the recent spike of inflation threatens to push low-income families in Malaysia below the poverty line. Based on a Bank Negara Malaysia (2008) report, the inflation rate in Malaysia as measured by consumer price index peaked in the third quarter of 2008. The inflation rate moderated to 3.9 per cent in January 2009 from its elevated level due mainly to the series of downward fuel price adjustments by the government and the more moderate increase in food prices (Bank Negara Malaysia 2009). However, declining inflation only means a declining rate of increase of price level. The price level

of goods and services remains very high and rising, implying a continuously higher cost of living, even during recession. On the other hand, the GDP growth rate in Malaysia in 2008 (at 2000 constant price) was 4.6 per cent. Due to the recent global recession, the growth rate dropped drastically to -6.2 per cent in the first quarter of 2009 and improved slightly to -3.9 per cent in the second quarter of 2009 (Department of Statistics 2009).

With this rising cost of living and declining growth rate, it is surmised that low-income groups, particularly those with large families in urban areas, feel the pinch. According to studies conducted by Ragayah (2002, 2004), urban households were more affected by the rising commodity prices compared to those in rural areas as the latter were more able to diversify their income sources and to turn to local food production to cushion the effects of rising costs. The questions to arise are: How does the high cost of living impact on the quality of life and the well-being of the low-income families in the urban areas? How do they cope? What are the social support systems available to help tide them over this difficult period? Are the existing social safety nets available to them?

This chapter examines the impact of the high cost of living on low-income groups and families in the urban regions of Sarawak, Malaysia. The discussion is based on data obtained from a study conducted between January and June 2009 in and around the vicinity of the capital city Kuching and around the town centre of the Samarahan Division. The objectives of the study were to explore how low-income families are affected by, and cope with, the rising cost of living, and whether existing social safety net programmes are available to them. Purposive sampling was used to select and interview groups of people in the lower rung of the occupation ladder and whose incomes are below RM2,500. The chapter discusses the implications of the findings on the existing social safety net and concludes with several recommendations on appropriate social security provisions for the lower income groups.

As postulated that urban low-income families face the risk of falling into poverty in the face of the current economic recession and rising cost of living, it is appropriate to examine poverty in Sarawak particularly urban poverty before we discuss the study.

## POVERTY IN SARAWAK, MALAYSIA

Malaysia introduced and adopted the poverty line income (PLI) to measure poverty since June 1977. Taking into consideration some of the limitations of the 1977 PLI approach, a revised methodology for PLI based on the Household Income Survey (HIS, or HES), which reflects the size, demographic

composition as well as the location of house (Ragayah 2007; UNDP 2008). Since then, the Department of Statistics Malaysia twice basis for official measures of poverty incidence. In calculating the PLI, a distinction is made components (UNDP 2008). A household is less than its own PLI (comprising both food and non-food components), which means that it lacks resources to meet the needs of its members in the household, whereas a household is considered poor if its income is less than the food PLI component.

PLI in Sarawak is consistently set on a higher level, taking into account the higher cost of living. The PLI in Sarawak, Sabah, and Peninsular Malaysia are as follows:

Sarawak is one of several states with high poverty rates, the others are Sabah, the east coast states (Kelantan, Terengganu and Pahang) and the states in the northern region (Kedah and Perlis) (Malaysia 2006). In the last two decades poverty has been declining from 21 per cent in 1990 to 7.5 per cent in 2002. Hard-core poverty has also succeeded in declining from 11,100 households (3.3 per cent) in 1990 to 1,100 households (0.6 per cent) in 2002 (EPU 2008).

TABLE 15.1  
Poverty Line Income for Sarawak, Sabah, and Peninsular Malaysia

Regions	Poverty Line Income	
	Poor	
	Household	Per capita
<b>West Malaysia</b>	720	180
Urban	740	185
Rural	700	160
<b>Sabah &amp; Labuan</b>	960	200
Urban	970	200
Rural	940	190
<b>Sarawak</b>	830	190
Urban	860	190
Rural	810	190

Source: EPU (2008).