

Poor men in a rich country?

By Ahmad Rafdi Endut

IN TANDEM: A high-income nation status in the next 6 years must be complemented with income equality among Malaysians

FOR the past two weeks, the media has been buzzing with the issue of homelessness. This new attention was sparked by Federal Territories Minister Datuk Seri Tengku Adnan Tengku Mansor, who had wanted to ban soup kitchens within a 2km radius from the Golden Triangle, as well as forbidding others from giving alms to beggars and fining them if they are caught doing so.

The news surrounding the soup kitchen seems to provide evidence that there is a huge income disparity in the country. With many cases of homelessness in the country, it begs the question whether the country is doing enough to reduce inequality and moving towards a high-income nation.

Why is there inequality in Malaysia? After all, Malaysia is blessed with abundant natural resources, from petroleum to commodities, such as palm oil. As 11.5 million out of 30 million people are youths, this is an essential ingredient for the country to flourish and become a rich nation.

If we examine history, everybody knows that the New Economic Policy (NEP) was a proactive measure introduced by the government to ensure that poverty would be eradicated by restructuring society from the divide-and-rule strategy of the British.

The policy has had some mixed results along the way. The most notable was the failure of Bumiputeras to achieve 30 per cent equity ownership and tackling the issue of income inequality. However, we cannot deny that the policy reduced the poverty rate from as high as 49.1 per cent in the 1970s to 1.7 per cent in 2012, as reported by the 2012 Household Income Survey.

Then comes the Economic Transformation Programme (ETP) under the New Economic Model (NEM), which set a target of achieving per capita income of US\$15,000 (RM48,000) by 2020 from the current US\$9,970. I believe that achieving the target is doable; however, it is incomplete due to several reasons:

FIRST, for the past 15 years, the contribution of wages and salaries to Malaysia's gross domestic product has been between 26 per cent and 32 per cent. Contrast this with other Asian countries, such as Korea and Japan, with contributions of 46 per cent and 52 per cent, respectively. This means that Malaysians are not getting the bulk of the country's production into their pocket. This is to be made worse by the forecast by ETP that wages over the GDP for National Key Economic Areas will drop as low as 21 per cent in 2020.

SECOND is the issue of high purchasing power. High income does not necessarily mean better economic well-being. A simple analysis shows that fresh graduates in 1980s could earn an estimated RM1,000 per month and with that salary, one can afford to buy a car with 12 months' salary or a decent double-storey house in the city with 56 months' salary.

Now, a fresh graduate earns RM2,500 per month or 2.5 times higher than graduates of the 1980s. With that salary, they can afford to buy a car with 71 months' salary or a decent double-storey house on the outskirts of the city with 140 months' salary. In other words, we can say that the cost of living has spiralled upwards and the purchasing power of the average salaried has slumped.

THIRD is income equality. The Gini coefficient, which measures the degree of disparity between the highest and the lowest income group, remains high at 0.44 to 0.43 in the past 20 years. Income

growth has shown that the top 20 per cent of households have overtaken the middle 40 per cent and the bottom 40 per cent.



Pertiwi volunteers handing drinks to people queuing for food in Kuala Lumpur. There is still a large income gap in Malaysia

However, earning a salary of RM10,000 a month will put an earner among the top four per cent and in the same group as Malaysia's billionaires. With 73 per cent of the households earning below RM5,000, this alone shows that income disparity is the main concern for developing into a high-income nation.

Achieving a high-income nation status is indeed something that is achievable within the next six years. Nevertheless, it must be achieved along with income equality among Malaysians. We cannot declare a high-income status when in reality, the majority of Malaysians do not have anywhere near the US\$15,000 mark, as this will seriously raise a million and one questions about the sustainability of high-income nation status. We do not want to end up living on the streets and become part of the homeless statistics.

Ahmad Rafdi Endut is a Senior Analyst at ISIS Malaysia