

90 million at risk of poverty

Economic fallout from Covid-19 could push huge number currently on brink to fall into financial hardship

The world has made great strides in alleviating poverty in the past few decades. However, experts now fear that up to 90 million people worldwide, including hundreds of thousands of Malaysians, will fall into poverty if the Covid-19 crisis drags on.

According to Our World in Data, which conducts research and collates data in efforts to deal with the world's biggest problems, there were 1.9 billion people living below the poverty line in 1990.

By 2015, it had dropped to 750 million and the figure is expected to decline further to just 500 million by 2030.

In Malaysia, the poverty rate rose from 0.2% to 7.5% but only because the government raised the official poverty line income from RM980 to RM2,208 per month in July 2020.

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That leaves about 400,000 households still living below the poverty line.

However, any progress in eradicating poverty is expected to be reversed extensively by the economic fallout caused by the Covid-19 pandemic, economists told theSun.

According to them, a high number of Malaysians continue to hang on just above the poverty line and any crisis could easily push them through the cracks.

Sunway University Business School professor of economics Dr Yeah Kim Leng said any type of economic hardship, such as that caused by Covid-19, could easily cause many families to fall into poverty.

“Many families are actually earning just enough to pay for the bare minimum, thus avoiding the ‘poor’ description (given to those living below the poverty line),” Yeah said.

He cited a report by the Khazanah Research Institute that showed about 835,000 Malaysian households earn just about RM2,900 a month, making them extremely vulnerable to an economic shock.

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“At RM2,900, it is only RM700 above the official poverty line of RM2,200,” he added.

Another economist, Prof Dr Barjoyai Bardai, explained that whether a household stays above or falls below the poverty line depends on the ability to pay for necessities.

“We look at this as a ‘basket of goods’, which should include food, rental, clothing and transport. This is enough to meet a family’s needs,” he said.

However, a loss of income caused by retrenchment or pay cuts could make it more difficult, if not impossible, to afford this basket of goods. When that happens, the family is deemed to have fallen below the poverty line.

“To ensure that a family can have a decent standard of living, their income should be about RM2,900 a month.”

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However, he said there is now a need to revise the list of items in that basket of goods because some items that were considered a luxury in the past have become a necessity today. One of these items is access to the internet.

Barjoyai cited a Bank Negara Malaysia report stating that for a family of four to have a decent lifestyle, they need a living wage of at least RM6,000 a month.

But he pointed out that “living wages” differ from “poverty line wages”.

According to Bank Negara, a “living wage” is an income that is sufficient for a household to afford a minimum acceptable living standard, and that would include opportunities to participate in society, the opportunity for personal and family development and freedom from severe financial stress.

Unfortunately, there are many who, although still living above the poverty line, are far from achieving this level.

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The economic fallout caused by the Covid-19 pandemic could effectively make this unachievable for most.

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