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[Islamic Renaissance Front](#) and [Projek Dialog](#)

WE are often told of how the bottom 40% of households in Malaysia earn RM 1500 or less on average. But we don't hear as much about the fact that this bottom 40% represents 2.6 million households, or to be more exact, 12.4 million Malaysians.

The biggest bracket within that bottom 40% are comprised of 3.3 million Malaysians earning RM 1000 – 1500. The so-called middle class, the middle 40%, is represented by 2.4 million households, (or 10.4 million Malaysians) but incomes here average at only RM 3,770 per month.

At the same time, the top 20% of household earnings in Malaysia is 270% more than the middle class, and 680% more than the lowest 40%, peaking at an average of RM 10, 208 per month.

This, it goes without saying, also translates into a gap in income shares. 33.1 percent of all incomes generated in Malaysia is concentrated at the top 10 percent of households. Only 2 percent of incomes have trickled down to the bottom 10 percent. This trend has grown for some time now, as the disparity between top and bottom incomes has widened considerably in absolute terms since 1990 (where the intra-bumi gap is most pronounced, but more on that later).

Note that taking incomes into consideration by themselves will only reveal a small part of the story, as that does not include expenditure over time, in which case inflation and debt repayment would also have to be factored in.

All this, needless to say, puts the current level of poverty in worrying perspective. In the first place, we can question if the current rate of RM 763 for Peninsula Malaysia, RM 912 for Sarawak and 1048 for Sabah is realistic, an adequate reflection of how poverty should be defined, given the amount of wealth generated at the national level over the past twenty years and the many projects of ambitious expenditure that has inspired.

The poverty line income, after all, is supposed to indicate the least acceptable living condition that a citizen should not fall under. So the RM 763 per month, per household, for example, is supposed to include, at least, shelter, food, sanitation, health, shelter, access to media and information. With all that in mind one would be right to suspect that the current rate of RM 25.45 per day, per Peninsular household (RM 5.80 per day per head), suggests a lack of awareness – or possibly, even the lack of seriousness – underlying current measures of poverty alleviation.

Or it could just be the refusal to accept the fact that the path to national development has just not brought Malaysians together: adopting the relative poverty rate used by the OECD, as less than half of median income, would significantly raise Malaysia's poverty rate from 3.8 % to 23%. Updating Malaysia's measure of poverty would reveal that 1 out of every 5 Malaysians can be considered poor.

Locating the outrage

It is to say the least bizarre, that a country boasting one of the tallest buildings in the world, an F1 circuit with a city that globally ranks fourth for shopping, that recently hosted a conference of Forbes billionaires at that, can have such staggering inequality. Along with the evidently rising cost of living, it compels the question of how exactly the average Malaysian is getting by everyday.

For this, one would have to look at the high rate of borrowing, without which the average citizen here would not be able to own a house, a car or go shopping. The fact that 77% of Malaysia's GDP is constituted by household debt is often cited enough to much calm. But less noted is how this has been steadily rising throughout the same phase that saw the rise of income inequality in Malaysia: it was 33% in 1997, and then it became 47% in 2000, 67% in 2006 and 76% in 2010. More worryingly is the ratio of Malaysia's household debt to disposable income which currently stands at 140%, making it one of the highest in the world, above even the US crisis level of 123%.

What is tolerating this worrying rate is the somehow sustained confidence by hopeful banks that these debts will be one day repaid. But whether or not that can happen depends on incomes rising, or at least matching levels of inflation. In the meantime, before the days of financial panic sets upon us, debt will fill in the blanks of consumption where stagnant incomes cannot. Put simply, the rising level of debt in the thick of economic difficulties shows the placating effect it has in enabling the consumer to suspend his or her confrontation with economic depression. All this of course says little of the lending that takes place in the informally, among friends and family, or worse, from independent, unlicensed lenders.

But there is only so much that lending and borrowing can do. We know that the poor, be it in times of inflation or austerity, with their meagre savings, with little to no opportunities for investments, already live straightjacketed by hardships

. And how much can the middle class conviction in hard work spare, at the end of the day? Most working adults rarely earn in isolation, as eventual expenditure over time will depend on the size and health of his or her family or dependants. With human capital - which cannot be sold, banked or pledged as collateral - counting for very little in the long run, surviving the anxieties of a competitive job market is an uphill battle.

Circumstances too, can always intervene: Retrenchment, illness, pregnancy or injury can unsettle the lives of even the most cautious spenders. They can find another job, but whether that will pay better, or even as much, is not always a certainty.

Low wage workers, in the meantime, have no real choice but to insist on minimum wages by and large on their own, against the combined resistance of the Malaysian Employer's Federation *and* the mass of consumers annoyed at the thought of rising prices. The assurance of a meager RM 900 per month (as including benefits) that the workers finally won speaks volumes on which side the government eventually fell on after ten years of negotiations. This says little about the increasing trend for employers to now legally opt for short term contract labor, which is a loophole to hire and fire at will without at all having to meet any employer insurance obligations.

It is a rarity at any rate, that the working class are taken seriously in a country with a sizeable middle class. Indeed, their agendas, however broadly operate in separate trajectories, with the former more inclined towards welfare and social services and the latter by and large averse to

taxes. They are by default marginalized not only by their small numbers but their small purchasing power.

This is perhaps particularly more damning in Malaysia, where the poor are made to compete with low paying migrant workers for low skilled employment, which only further strengthens the spatial separation between the Malaysian haves and have nots. Indeed, the class bubble is in many ways subconsciously self-reinforcing. How much we earn determines a great deal of what we can afford, and this in turn dictates where our money will be spent, effectively segmenting further the social orbits of those of high and low income brackets. The wealthy Malay will be far more likely to end up in the same gated community as the wealthy Chinese than the high-density flats where poor Malays live side by side with migrant workers.

As Malaysia's economy slows down, the strain of everyday financial survival will be expressed at some point, somehow. The reality that prosperity and advancement, the promise of any market economy, is a distant dream for millions of Malaysians means that much hard work – which takes up the majority of any earnest employee's time, if not life – is being unrecognized. Herein lies the *real* problem, and the point at which the sense of powerlessness ferments.

But the absence of class consciousness in Malaysian politics suggests, worryingly, that cultural and ethnic concerns are poised to dominate the discourse of economic insecurities. This is no accident. Class politics have been forcefully suppressed to the wayside of Malaysian discourse over the past 30 years, when national trade unions and left parties were brutally suppressed while the rural Malay poor were actively patronized by the state. This effectively ensured that more and more Malays identified themselves in ethno-sectarian terms while standing behind the strong state that supposedly functioned to protect their interests. As middle class comforts seeped in so were the recently boosted privileges seen in more defensive lenses, appreciated against the possible threat of non-Malay usurpation, aided in no small part by a hegemony that encouraged at best only cold interracial relations.

The circumstance to exploit sentiments to cloak economic issues is already ripe at any rate. Malay households constitute 56% of those earning less than RM 1500 a month. A recent study done at IKMAS at UKM showed that an average Bumiputera can rely only on one month of financial reserve in the event of unemployment.

Possible Ways Forward

Beyond the flawed status quo and wet dreams of an unbridled free market, lies another alternative: Saya Anak Bangsa Malaysia and Hakam have come together, with the support of the Islamic Renaissance Front and Projek Dialog, to campaign for the adoption of a Social Inclusion Act. This act calls for the establishment of the Social Inclusion Commission which will be spearheaded by seven experts on the subject of welfare and growth with equity.

What makes this commission unique is that it will be elected by a bipartisan parliamentary committee, effectively creating a bottom-up approach in the problem solving process for poverty alleviation, income inequality, institutional discrimination and more inclusive welfare, among other things.

True, the social inclusion act is just a modest beginning: it has no pretensions of being able to solve the problem of economic marginization in a country as complex as Malaysia, overnight. But having such a commission will at the very least give the discourse on social exclusion a more centered basis, as it will not merely be determined by the whims of one person, or be so dispersed as to be handled by several ministries at one time, with no real planned coordination on how resources will be spent and to what exact aim.

It is a small step for the long march towards a more just and equitable Malaysia, but this need not be seen as a flaw for it is perhaps high time we realize that impatient and hasty development, the very base desire to get rich quickly, at all cost, was what led to this mess in the first place. It is high time that reason and moderation be given the driving seat.