

## **COMMENT | 12MP: As M'sia gets richer, do Malaysians become poorer?**

**Malaysiakini**

**27 October 2021**

**Raman Letchumanan**

COMMENT | An estimated 60 percent of Malaysians are poor or impoverished.

The Statistics Department announced on Aug 6 that 580,000 Middle 40 percent (M40) households slid down to the Bottom 40 percent (B40) group in 2020, because of a decline in their income due to Covid-19.

That makes up roughly 10 percent of total households, or B40 increasing to B50. In view of even more severe lockdowns in 2021, further downward shifts in M40 are expected, resulting in the bottom income group ballooning to B60.

Against this backdrop, the prime minister launched the much-awaited 12th Malaysia Plan (12MP) on Sept 27, touting “fundamental reforms in realising the spirit of Keluarga Malaysia that will truly transform the development strategy to achieve a prosperous, inclusive and sustainable Malaysia”.

Perhaps the most striking target of the 12MP is that Malaysia will attain high-

income nation status. The Gross National Income is targeted to reach RM57,882 (US\$14,842) per person by 2025, which is comfortably above the minimum threshold of US\$12,696 set by the World Bank for 2020.

This will translate to an average household income of RM10,065. Malaysia will indeed be a rich country, financially, by world standards. Even as for many other standards, we are literally scraping the bottom.

The question is whether Malaysians, in particular the above-mentioned B60 group, get to enjoy the benefits of a high-income economy.

Will their income and well-being rise in tandem with this increase in national wealth? In fact, a well-crafted social equity and safety net policy framework should ensure the poor enjoy proportionally greater benefits than the rich.

I have posed this issue as a question so as not to be pre-judgmental. Let's explore the facts and figures laid out in the 12MP to determine whether the poor Keluarga Malaysia will indeed be included in the prosperous life with sustainable income the nation enjoys.

**Mining the truth**

The 532-page 12MP is structured along three themes, four catalytic enablers, 14 game changers and 13 chapters. Within the 13 chapters, the information is compartmentalised into the performance of the 11MP, issues and challenges, and the way forward in terms of 12MP targets.

While this layout seems logical, the problem is the information gets dispersed across the various components, and even within a component section itself.

For example, on indicators, information on current status is found in the 11MP assessment, and targets are found in 12MP targets. Furthermore, these indicators do not always correspond with each other to assess trends over time.

Strangely, only “selected” indicators are shown, and I am not sure whether this was meant to be selective.

The serious drawback of this silo format is that it does not allow integrated, coordinated, and cross-sectional comparison and assessment of causal effects of policies. For example, to analyse the subject matter of this article, information has to be collated across the three themes, and from the 11MP and 12MP sections.

Talk about missing the forest for the trees.

Therefore, one can appreciate the inordinate time and effort to collate this simple integrated data table below. However, when information is presented as such, it gives a completely different picture than reading each section individually.

<b>Indicator</b>	<b>11MP Performance (2020)</b>	<b>12 MP Target (2025)</b>	<b>Notes</b>
Gross Domestic Product	RM1,417 billion	RM2,021 billion	
Gross National Income per capita	RM42,503	RM57,882	
Average Monthly Household Income	RM7,160	RM10,065	
Labour Productivity (growth/annum)	1.1%	3.6%	
Employee Compensation (% GDP)	37.2%	40.0%	
Malaysian Wellbeing Index (growth/annum)	0.5%	1.2%	
Gini Coefficient	0.407 (2019)	0.388	0.385 11MP target (2020)
B40 average monthly income	RM3,152 (2019)	RM4,200	RM4,430 11MP target (2020)
Relative Poverty (Below RM2,937)	16.9%	15.6%	834,559 households
Absolute Poverty (Below RM2,208)	5.6%	4.2%	378,283 households
Hard-core Poor (Below RM1,168)	0.4%	0%	27,158 households

The 12MP proposes to achieve a target of RM4,200 average income for B40 by 2025. But this income is even less than the 11MP target of RM4,430, which was not achieved. So, in nominal terms, the B40 will be poorer with the high-income economy. Taking into account inflation and purchasing power, the B40 will be further impoverished.

Despite the high-income status, the government only commits to eliminating hardcore poverty and makes minuscule reductions in absolute poverty and relative poverty. In fact, any responsible government should aim to eliminate all three poverty levels.

However, with the myriad policies, programmes and financial resources committed, there seems to be a mismatch and hardly any effect in alleviating poverty.

In terms of equitable distribution of income, the Gini coefficient has hardly moved, again falling back to the 11MP target.

However, labour productivity and employee compensation, the value of work produced, is projected to increase greatly, which should lead directly to higher income for workers.

The fact that the B40 income remains stagnant, implies workers are not compensated according to the value-added. It is a mystery therefore the well-being index can improve two-fold annually over the 12MP period.

The irrefutable conclusion is that as Malaysia becomes rich, Malaysians especially the B40 get even poorer.

This finding is hardly surprising if we consider recent events. The government faces fierce protests, even threats, from employers to increase the minimum wage of RM1,200 by even as little as RM50.

Hospital Bahagia Ulu Kinta cleaners had to go on strike for a measly RM30 monthly increment from a government contractor. Our economy has prospered on cheap foreign labour, and it seems they determine Malaysian wage levels and labour standards.

For all the promises made in the 12MP, why can't the government commit to increasing the minimum wage to match the Poverty Line Income of RM2,028? This is not a handout, but indeed the fair wages due considering the 12MP targets, in particular attaining the high-income status.

On a side note, how I wish our MPs had debated the 12MP based on such

integrated analysis, rather than ministry by ministry silos. How many would have actually read the 12MP?

### **Rich taxed, but the poor pay**

The government claims they take care of the poor by exempting them from income taxes and providing them with all kinds of subsidies and financial incentives. In fact, paying the workers their due pay, according to productivity, is much more efficient than providing subsidies.

The government is now proposing to tax the rich, for example, by taxing windfall profits. Big corporations have a way of sustaining their level of income and passing on any additional costs to the consumers.

The banks which were making billions in profit and paying their top management millions in compensation during this pandemic could not be convinced to offer interest-free loan moratoriums to the needy.

Likewise, glove companies made record profits but were treating their workers as forced or even slave labour. GST and e-commerce tax, while widening the revenue base, will burden the poor regressively as consumers of final goods and services. Yet the 12MP proposes another dedicated tax to finance poverty

alleviation programmes.

As regards subsidies and incentives, I have argued in my opinion piece of July 15 how the RM88 billion Covid-19 direct fiscal injection could have provided monthly cash or equivalent monetary benefit of RM1,000 per month for 22 months for the B60 families.

But most of the funds get spirited away through mismanagement, overheads and leakages via a multitude of programmes and delivery agents.

The prime minister himself seemed surprised there are too many agencies and programmes targeting the poor, but with no coordination or consultation. The 12MP now proposes another layer of bureaucracy by “establishing a special unit staffed by competent personnel to address poverty in a holistic manner”.

Weren't the bloated executive and civil service not competently handling this matter all this while?

The solution is simple and straightforward, but will the government take this pro-poor, pro-equity and pro-development approach - just pay the wages due commensurate to the effort put in by the workers?

As the 12MP targets show, with increasing labour productivity and employee compensation to GDP, the wages should rise in tandem. There is no need to collect and then channel the money back through programmes and incentives to eradicate poverty or to raise the standard of living.

### **Would T10 care for B60?**

In conclusion, let me provide this scenario. If we were to consider the declared income of elected officials (Parliament and state assemblies), senior civil servants, top echelon leaders of political parties, and other high ranking public officials, they will easily fall under the Top 10 percent (T10) income group (RM19,781 and above).

The executive (such as ministers and deputies) and top officials of government-linked public and private enterprises would easily make up the top one percent. Just look at their asset declarations, and the exposé by Muar MP Syed Saddiq Syed Abdul Rahman on the salary and perks they receive.

Basically, this T10 run the government and set public policies. Recent events, like the Pandora Papers exposé, the 1MDB debacle, daily reports of corruption and power abuse, indicate they care more for themselves in the name of assisting the B60.

Election season is upon us. Former prime minister Najib Razak has fired the first salvo warning the grassroots not to carve luxury and material goods. Keluarga Malaysia will hear all the right things, but only during elections.

It is up to each of the B60 especially to ponder, whether you want to feed the T10 with cake and icing in return for bread crumbs. The decision is yours and you have only yourself to blame.

Malaysians cannot be segregated by divisive politics, race, and religion, for Malaysia will fail even with a high-income tag.

**Copyright © 1999-2012 Mkini Dotcom Sdn. Bhd**

Source: <https://www.malaysiakini.com/columns/596864>