

Huge income gap a '1Malaysia' a challenge
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Widening income inequality is a major obstacle to the unity and solidarity that '1Malaysia' envisions.

Since Merdeka (Independence) in 1957, the top 20% of income earners in Malaysia have benefited much more from economic growth than the bottom 40%. It is significant that the report of the National Economic Advisory Council (NEAC) on the New Economic Model (NEM) admits that, 'The bottom 40% of households have experienced the slowest growth of average income, earning less than RM 1,500 per month in 2008.'

The wage trend in Malaysia recorded only an annual 2.6% growth during the past 10 years, compared to the escalating cost of living during the same period. It explains why almost 34% of about 1.3 million workers earn less than RM700 a month, below the poverty line of RM 720 per month – a point emphasised by the Minister of Human Resources, Dr S Subramaniam, recently.

It is not difficult to fathom why workers earn so little and why income disparities are so glaring. The huge influx of unskilled, lowly paid foreign labour into the country since the late eighties has played a big part in depressing wage levels at one end of the spectrum. At the same time, the liberalisation of the financial sector and the privatisation of public enterprises in Malaysia as in so many other countries have led to the elevation of incomes at the other end of the spectrum, thus contributing to widening inequalities.

The government is attempting to respond to the challenge by reducing our dependence upon foreign workers and by improving wage levels and working conditions in certain sectors of the economy. It plans to increase the percentage of the bottom 40% households with SPM qualification and above, from 30% in 2009 to 45% in 2015. Both government and private companies are expected to help workers garner new skills that will enable them to earn better incomes.

While there is a degree of support for these measures, many private employers, it appears, are against one of the fundamental demands of workers unions for ameliorating the plight of the poor – namely, a basic minimum wage for all workers. 90% of countries have laws that provide for a minimum wage in one form or another. In most cases, various criteria are taken into account, including the needs of the workers and their families, the prevailing economic situation, and the social environment.

Many economists and sociologists today feel that the term 'minimum wage' itself, which is the product of an earlier era, should be replaced with the term 'living income' and linked to the dignity of the human being. A living income is a minimum level of income by which all human beings can provide for themselves and their dependents the five basic material human needs – food, housing, clothing, health care and education. These needs are vital for protecting human dignity.

It is because governments, the owners of capital, and other powerful elements in the upper strata of society have failed to protect the dignity of the masses that there is growing alienation and discontent in many parts of the world. China is an example of a country whose phenomenal growth rates since the early nineties have benefited a minority, rather than the majority, which is why social unrest is on the rise, as the respected Chinese Academy of Social Sciences acknowledges.

Similarly, India's much lauded economic success has not transformed the lives of its teeming millions. A recent United Nations study has shown that one-third of the world's poor live in conditions of utter destitution in that country. It is one of the reasons for the rapid spread of the Naxalite rebellion in various districts in India. Even the 'red shirt' protest movement in Thailand that galvanised a huge segment of the rural poor has been described by some analysts as an expression of the anger and disillusionment of the marginalised.

The bottom 40% in Malaysian society is nowhere as desperate as the poor of China or India or Thailand. Nonetheless, there is alienation. Some of this alienation manifested itself through the ballot-box in the

March 2008 general election. The tremendous increase in crime rates, and numerous cases of social delinquency that surfaced between 2006 and 2008 may also have been the consequences of alienation and marginalisation.

It is also quite possible that a segment of those at the bottom of the heap – especially the youths — feel marginalised by a society which they perceive panders more to the glitz and glitter of the elite than to their yearning for recognition and respect. How the alienation of the poor and those who are struggling to make ends meet will express itself in the next few years, no one knows.

This is why it is imperative that the government continues to address the challenge of low incomes and widening inequalities in society. It should not be distracted by a small group motivated by self-interest and blinded by a myopic notion of 'market forces determining wages.' If '1Malaysia' is premised upon inclusiveness, it must not only ensure a living income for the bottom 40% but also reduce the yawning economic and social disparities that are an affront to human dignity.

The writer is chairperson, 1Malaysia Foundation board of trustees.

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