

The Dual Household Crisis - Cost Of Living & Debt
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Deputy Prime Minister Muhyiddin Yassin indicated that the government will soon introduce measures to counter inflation in the country.

While one welcomes the DPM's statement but it needs to be pointed out that Malaysian's, especially the middle and lower middle classes including the working classes are confronted with a deep structural dual crisis: cost of living coupled with a debt crisis.

At present, the nation is faced with an indebted middle and working class that is unable to support families with their present wages and remuneration. In fact, families are borrowing to finance their quality of life and standard of living.

Wage trends in Malaysia indicate 2.6 percent growth annually during the past 10 years compared with the increasing cost of living during the same period. Also, a World Bank study showed that about 34 percent of all Malaysian workers earned less than RM700 a month, levels below the poverty line of RM720 per month.

The National Economic Advisory Council indicates that "the bottom 40 per cent of households have experienced the slowest growth of average income, earning less than RM1,500 per month in 2008.

Put differently, wage stagnation faced by the middle and working class has failed to keep pace with wider economic growth since the last 10 years.

Also, the middle and working classes have not benefited from the country's growth but in fact are forced to absorb the increasing cost of living through debt. Thus the economy is not working in favour of the middle and working classes.

Household debt has spiralled out of control for the same ten year period. Household debt to GDP has increased from 69.1 percent in 2004 to 76.6 percent in 2009. These debt figures will be much higher if we include borrowing from middlemen and Ah Longs.

Bank lending to households increased by 12 percent in 2010 and is expected to increase by 5 percent in 2011. In 2010 household borrowing from banks amounted to 55 percent of total lending by banks.

Households incur debt to pay for the purchase of homes, vehicles including credit card repayments.

The decade old wage stagnation coupled with government subsidy cuts together with recent high food prices including other commodities has further squeezed the living standards of the middle and working classes in the country.

A recent study by the Consumer Research and Resource Centre (CRRRC) on 6 types of vegetables bought by households indicate a price increase between 40-50 percent. These vegetables include kangkung, kacang buncis, sawi, tomato, kacang panjang, and cabagge.

Thus, it is urgent that the government establish a high level commission to study and

recommend policies in order to stop the deterioration in the quality of live and standard of living of the squeezed middle and working classes.

The high level commission needs to investigate and propose ways to deal with the imbalance in income distribution with a view of establishing a living wage for Malaysian workers. And as matter of principal the living wage should be far higher than the poverty cut-off point.

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(The views expressed above are strictly that of the author and does not in any way represent the opinion of Malaysian Mirror.)

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