

Chapter 2

Narrowing Disparities via the New Economic Model (NEM): Is Malaysia Set to Excel Beyond Its MDGs Targets MDGs

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Introduction

The report entitled “Malaysia – The Millennium Development Goals at 2010” confirmed that Malaysia had achieved most of its MDGs ahead of time while showing progress in moving towards some of the goals and targets that it has yet to achieve. This report, prepared by the UNDP in Malaysia in close cooperation with the Economic Planning Unit of the Prime Minister’s Department, reaffirms the 2005 findings that Malaysia’s achievements were indeed impressive in aggregate terms. Nonetheless, findings in this report also acknowledged that Malaysia still lagged behind in areas such as maternal mortality, women in managerial positions and female political representation, HIV/AIDS and the persistence of tuberculosis at a relatively high level.

Given the spirit and intent of the MDGs to promote equitable and inclusive development and taking into consideration Malaysia’s ambition to promote inclusive development and become a developed high-income nation by 2020, this chapter will focus on a key theme that brings together several issues raised in the report in the context to Malaysia’s recently announced Government Transformation Programme (GTP), the Economic Transformation Programme (ETP), the New Economic Model (NEM) and the Tenth Malaysia Plan (10 MP) that aim at guiding Malaysia in achieving vision 2020.

The key theme of narrowing disparities as outlined in second document of NEAC report on the NEM (Chap. 6) covers among others issues such as inclusiveness,

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affirmative actions, addressing the needs of the bottom 40% of households and reducing income disparity.

In addressing this key theme this chapter aim to contribute towards answering the question raised in the UNDP report with regard to poverty and inequality, as income inequality remained high despite Malaysia's success in bringing

Inequality in Malaysia

Development theorists have long been attentive to the issue of equity with development as is evident in the debate on redistribution with growth in the 1970s. The overall impact of economic development, who benefit, how and why, was subjected to detailed scrutiny. The conclusion was that economic growth, then considered synonymous with economic development, does not automatically ensure equity or redistribution of economic wealth and neither does it eliminate poverty. More importantly, it was established that access to the products of development may be determined by a complex interrelationship between economic, social and political factors.

Disparities between the rich and the poor, developed and developing countries appear to be on the rise as economies developed and technologies advanced. Inequality is a multidimensional phenomenon and covers a wide range of issues such as inequality of income, wealth, ownership of factors of production, credentials, welfare, opportunity, political domination or subjugation among others. Hence, to address the issues of inequality and to derive measures to correct disparities between individuals or countries requires an understanding of the economic, social and political dimensions that influence the distribution resources. The concept of inequality, however, has been largely influenced by definitions arising from mainstream economic thinking focusing on income disparities and distribution dominated by the work of Kuznet (1955). His inverted U-hypotheses stipulate that income inequality worsens in the early stages of development and becomes more equal as economies develop. Nonetheless a consensus has yet to be reached regarding its validity (Hayami 2001, p. 167).

The Need for an Integrated Framework

While poverty has been more popularly approached as a static social problem that requires appropriate social reforms particularly by means of public policy instruments, the theme in this chapter is to identify and locate the poor and address the relationship between social, economic and political inequality in the context of a broader structural change and economic development, while simultaneously providing the framework to address disparity as propagated by the NEM. The premise here is that the persistence of inequality must first be understood from a systems perspective, that is, from an understanding of the systems of social stratification that operates in society that produce and reproduce inequality and the poor through an

interplay of criteria. Systems of social stratification or systems of inequality and resource allocation refer to the mechanisms that categorise people, the rich or the poor, into groups that occupy different levels or strata in society. Membership of these groups or strata is therefore determined by a selection of shared group characteristics. While such a system is arguably specific to particular types of societies or economic systems, some common criteria have been identified and applied in numerous studies on inequality, distribution and poverty as the literature indicated. Given the role of the state in the development process within these systems, this chapter then contextualised the analysis of the MDGs within Malaysia's New Economic Model (NEM) that serve as a tool for socioeconomic engineering through public policy, possibly paving the way forward for Malaysia to excel even more.

Inequality is also a social construct. It builds on existing approaches and argued that the structuring of inequality and the creation of the poor is derived by a process deeply embedded in the social and productive structure of society and forms the basis of an interrelated system of stratification continually shaping the structure of inequality and creating the rich and the poor worldwide. Through this social process, certain groups suffer from relative deprivation in terms of owning less of desired attributes such as income, education, employment and political power while other groups own more. Relative deprivation and gains arising from group membership is also crucial. This can lead to differential access to economic, political and social resources depending on the social and political power of particular groups. Deprivation and poverty among indigenous people and other minority groups is yet another case in point as it leads to constraints to access, for example, as a result of school location, availability of transport, attitudes of parents and cultural and religious factors, among others. Likewise equal opportunity alone does not necessarily ensure equal access to economic and social resources. Relative deprivation among sociocultural groups may also be further aggravated through political deprivation as equality of citizenship may not automatically translate into equality of access to resources. Social processes therefore contribute towards creating the poor eventually leading to institutionalised differences between the poor and the rich within the social fabric of society. Inequality as a social construct means that it is not merely a number or an index. Inequality can be seen as a structure whereby group membership on that structure can be labelled as the rich or the poor "club" or strata and can be empirically identified within the social structure. By identifying these strata from the data, a picture inequality as a social structure can be derived (see Fig. 2.1).

So, where are most Malaysians on the strata of inequality today? The majority of Malaysians can be found at the lowest level of the inequality structure or pyramid, as members of the working class. This is true for the Malays, Chinese and Indians as well as gender wise. Although apparently unintended, 20 years of affirmative action programmes through the New Economic Policy (NEP) appeared to be most successful in creating a sizeable Malay proletariat. Nevertheless, the middle class have also doubled in size, making up about a third of the Malaysian population. While the size of the Malay middle class has also grown tremendously, the Chinese share of middle-class membership remained largest and considerably higher than its share of the population. Despite the NEP's restructuring efforts, ethnic divisions have definitely

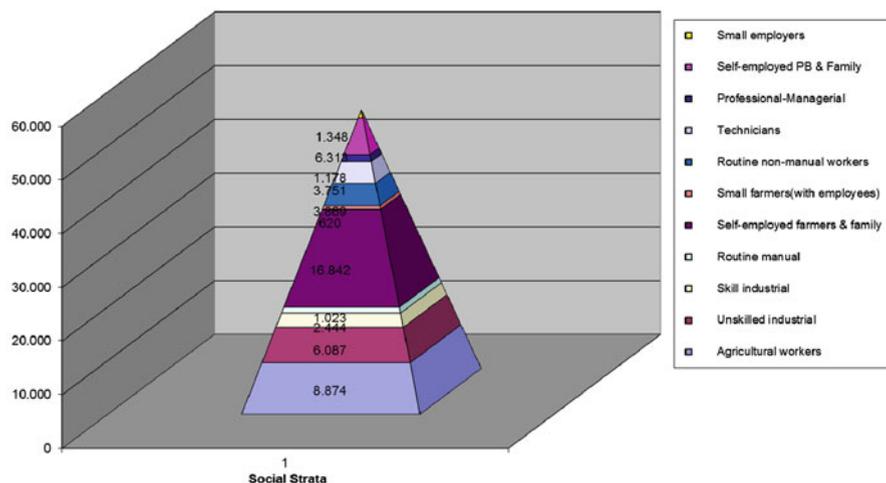


Fig. 2.1 Malaysia’s inequality pyramid (Source: Statistics Department and various other official statistics)

been maintained and reproduced in some segments of the class structure. The NEP appears to have had the most adverse effect on the Indian community. The size of the Indian working class, for instance, remained disproportionately large while there are cases where their membership of the middle class was reduced. Gender inequality, on the other hand, remained wide across the class spectrum. However, Malay women seemed to have benefited most from the NEP, albeit indirectly. While the majority entered the rank and file of the industrial working class, their entry into the lower middle class is particularly significant and appeared to have been at the expense of Malay men as well as men and women from the other races.

Perhaps the fundamental question that needed to be asked is what had actually changed to alter poverty and inequality in contemporary Malaysia. With regard to the elimination of the hard core poor, Malaysia has achieved this MDG objective and the overall poverty rate of 3.8% from an incidence of poverty of 50% in 1970. These are not small achievements. Nonetheless, the structure of inequality has not changed. The majority of Malaysia’s population is still found at the bottom of the inequality pyramid irrespective of race or gender. This is the structure of inequality left by the New Economic Policy (1970–1990). Education has undoubtedly facilitated the entry of Malaysia’s rural population into the rank and file of urban wage earners – the salaried middle classes and the working class. This structure of inequality also mirrors the inequality of income among those located on different positions within this structure. As evident from Fig. 2.2, the income gap between those at the bottom and the top of the inequality pyramid remained alarmingly large.

Given the above scenario, the commitment of the NEM to narrow disparities that has worsened over the last two decades is indeed welcome. The following section provides a brief overview of the main thrust of the NEM with regard to addressing inequality and narrowing disparity.

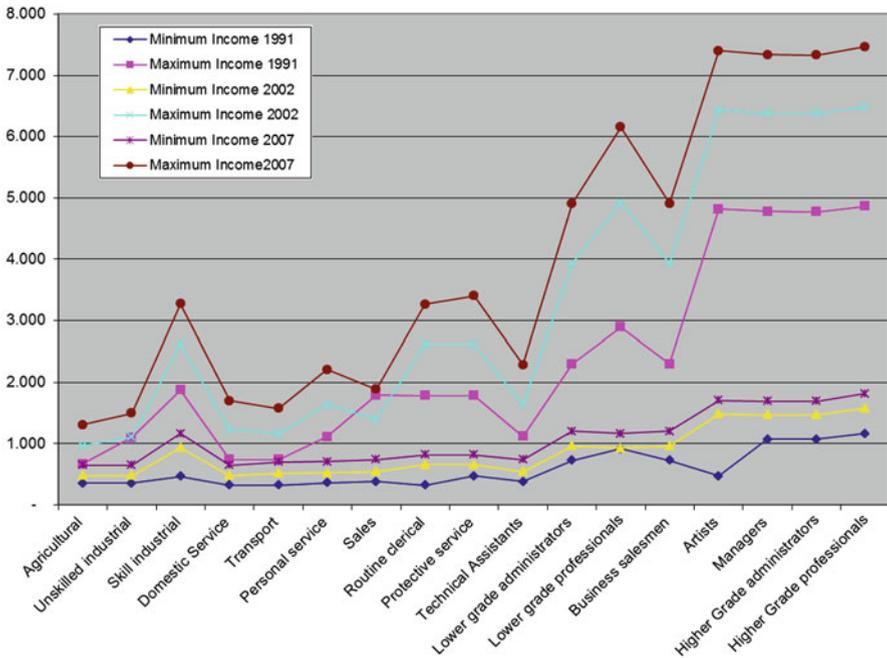


Fig. 2.2 Income gap by class 1991–2007 (Source: Statistics Department and various other official statistics)

NEM and Inequality: Narrowing Disparities

Inclusive growth in the NEM is about ensuring that every Malaysian has an equal access and opportunity to be an active participant of the economic development. The focus is on uplifting the bottom 40% of Malaysian households with an average monthly income of RM 1,500 (US \$484)*. The policy recommendations are of two categories. The first is about the state’s provision of basic social services and social-welfare type of services. This includes having a good and reliable data set to track and monitor the poor. It is also recommended that an overarching social policy is established so that social assistance programmes are well coordinated and holistic. Accessibility to good healthcare and housing is still an issue for the bottom 40%, and NEM considers this as vital in achieving an inclusive growth. Therefore, the second thrust of the NEM is to promote capacity building as a category of policy measures. Access to better education is considered critical in raising the income and living standards of the poor in both, rural and urban households. The NEM then placed a heavy emphasis on providing educational and training opportunities for the bottom 40% to enhance their capabilities, and this is well reflected in the Tenth Malaysia Development Plan. This is in line with the basic principle of the NEM

* Note: In 2012 prices, US \$ 1: RM 3.1.

which promotes productivity, more value added and knowledge-based economic activities and should in turn raise the level of income of the bottom 40%.

However, rural education remains a challenge, and yet education is an important factor in ensuring better employment. In the NEM, it was proposed that as many Malaysians as possible must complete their basic education through to SPM. Notwithstanding the government's effort to improve the quality of rural schools under the Government Transformation Programme (GTP), more hostels were proposed in the NEM to house children from remote areas and thus present them the opportunity to obtain quality primary and secondary level education. To address the problem faced by households in remote areas that find it financially challenging to send their children to residential schools, NEM suggests for the government to provide adequate financial and social support to ensure that the children remained enrolled in such schools. Specific to rural communities, the NEM's policy measure is in line with the government's support under the National Key Economic Activities (NKEA) for Agriculture. The suggestion is to transform agro-based rural activities anchored upon market needs, economies of scale and value chain integration.

The new approach will be a "market-friendly affirmative action" that will ensure, wherever possible, that its implementation will not undermine the functioning of the market. The NEM advocates the use of transparent procedures and criteria to promote capacity building and the elimination of approaches that contribute to rent seeking and patronage. The capacity building is part of market enhancement effort to improve labour efficiency and reduce activities that rely heavily on unskilled foreign labour. The NEM seeks to encourage reward based on performance and to foster greater competition by removing excessive protection and promoting sectoral liberalisation. The newly introduced Competition Act and the Anti-Profiteering Act are well aligned to promote equal opportunity in the economy.

The NEM, MDGs and Inequality in Malaysia

The thrust of the NEM provides the policy context that will further illuminate Malaysia's performance in addressing widening inequality by narrowing disparities between groups, especially through measures that targets the needs of the bottom 40% of the population. In this context, three major focus of the NEM are highlighted in assessing Malaysia's progress in achieving its MDGs targets:

1. State provision/welfare (equal opportunity in access to quality health and housing)
2. Capacity building (access to quality education)
3. Market-friendly affirmative action irrespective of race focusing on bottom 40%

More specifically, the concluding part of the NEM emphasises pro-poor, inclusive growth to address income disparity and social inequality, while lifting the disadvantaged population out of poverty. Nonetheless, in this regard, attention is given to addressing transportation and housing needs as well as measures to break the poverty cycle through education. These will also lead to capacity building for the bottom

40% as a whole. One of the main concerns of the bottom 40% is access to affordable housing. The NEAC proposes that state level Housing Development Boards be established to work with stakeholders to address the housing needs and issues relating to this group. Another significant portion of household expenditure goes to transportation cost. Apart from providing affordable transportation, the NEM considers education and skills training to be crucial to enable access to better employment opportunities. In this context, the number of vocational, technical and community training institutions will be increased and allowing special consideration be given to students in the bottom 40% households in line with the 10 MP as more than half of the bottom 40% had no school certificate. The NEM's inclusive objective is focused on reducing disparity and uplifting the bottom 40% of households irrespective of race. The key features of this target group are as follows:

- **Income:** Households in the bottom 40% has an income of less than RM2,300 (US \$742) per month with a mean income of RM1,440 (US \$465) of which 73% is Bumiputera.
- **Size:** In 2009, there were 2.4 million households in the bottom 40% with an average of 3.8 persons per household. This implies that there are approximately nine million in this low-income category. Of this, 7.6% are classified as poor and 1.8% as hard core poor.
- **Geographical location:** 51% of the bottom 40% resided in urban areas and 48% in rural areas.
- **Education:** 52% of the bottom 40% had no school certificate.

The section below provides an overview of Malaysia's MDG achievements in the light of assessing if Malaysia is set to excel beyond its MDGs targets given the focus of the GTP and the NEM. It focused on the means to break the cycle of poverty, reducing disparity between groups in the context of uplifting the bottom 40% of the population such as health, education and housing and within this scope looking at areas where Malaysia is lagging behind in achieving the MDG goals. In the area of health for instance, Malaysia is slow in addressing maternal mortality, HIV/AIDS and the rise in tuberculosis. The issue of women in managerial and political positions will be assessed in relation to education. Issues regarding access to housing will be interpreted in the context of income gap between those at the top and the bottom of the structure of inequality. Malaysia's success story can be interpreted as the result of a coherent set of public policies directed at poverty eradication, employment and income generation, basic services such as universal education and health care, housing programmes for the poor as well as capacity building programmes in education and training. Malaysia is also set to achieve the MDG goals for universal primary education, reduction in child mortality, making progress towards improving maternal health, combating HIV/AIDS, Malaria and other diseases. Nonetheless, the goal of MDG1 remained big on Malaysia's development agenda as it covers intertwined issues relating to relative poverty and inequality, employment, gender and ethnicity in particular its impact on the bottom 40% of the population. As evident from the GTP and NEM outlined above, Malaysia continues to undertake measures to address the issue of poverty and inequality and to promote inclusive growth and development.

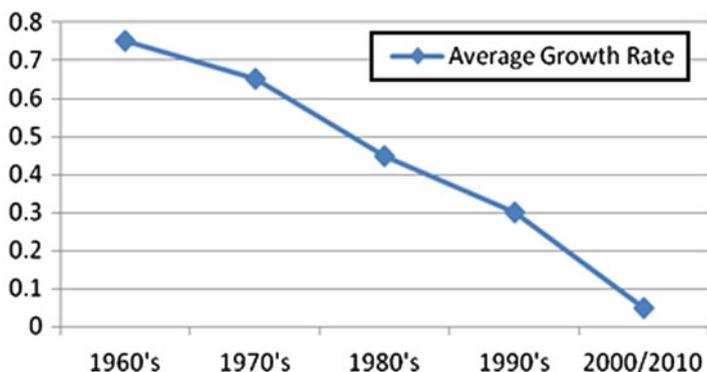


Fig. 2.3 Proportion of population below \$1 (PPP) average growth rate (Source: Ministry of Finances and Department of Statistics)

This section focuses on an overview of Malaysia's success in achieving the targets of the first Millennium Development Goals (MDGs) which is to eradicate extreme poverty and hunger and the goals of MDGs 4–6 on health. These MDGs are interrelated and are crucial in ensuring Malaysia's success in its transformation process.

MDG1: Eradicate Extreme Poverty and Hunger

MDG1 has three targets, which are to:

- 1A. Halve between 1990 and 2015, the proportion of people whose income is less than US\$1 a day.
- 1B. Achieve full and productive employment and decent work for all, including women and young people.
- 1C. Halve between 1990 and 2015, the proportion of people who suffer from hunger.

These three targets represent three facets of a single focus: a decent livelihood for all and the vision of equity and inclusiveness for all to share in the benefits of development. The national incidence of poverty for Malaysia fell by half by 2009, while the national poverty gap index also went down considerably between 1999 and 2007. By this measure, Malaysia has achieved target 1A of the first MDG goals. The fall in rural poverty has also surpassed the MDG target although the poverty rate in Sabah is highest in the country at 19.7% in 2009 while some states like Johor, Kedah, Pahang, Perak, Sarawak and Selangor recorded an increase in rural poverty. Among rural household, agriculture and fisheries had the highest incidence of poverty at 14% and accounted for over 57% of total poor rural households in 2009, a drop of 25% since 1990. Aggregated data on proportion of population living below USD1 per day (Fig. 2.3) and the poverty gap ratio average growth rate (Fig. 2.4) confirmed a steady decline from 1960 right to 2010.

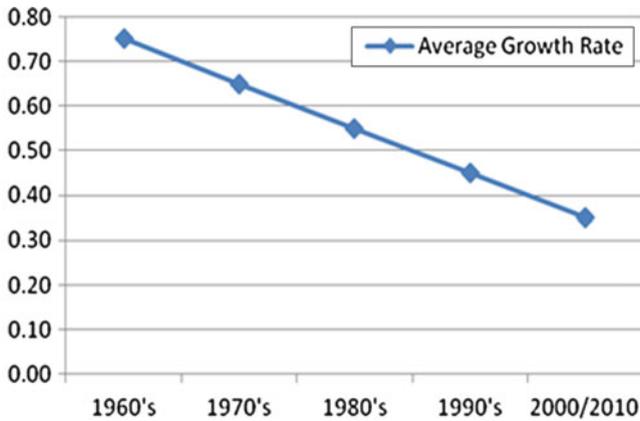


Fig. 2.4 Poverty gap ratio average growth rate (1960–2010) (Source: Ministry of Finances and Department of Statistics)

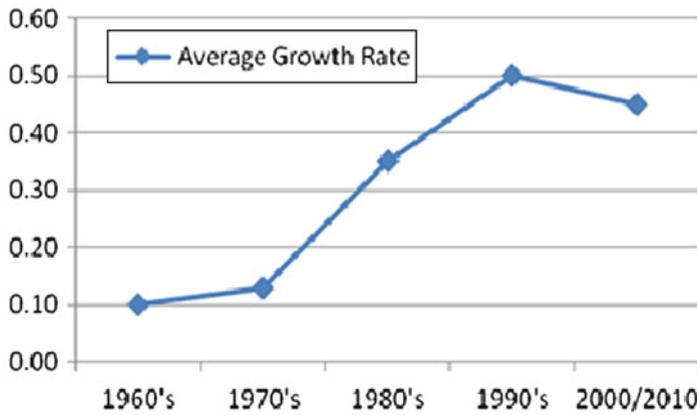


Fig. 2.5 Growth rate of GDP per person employed in Malaysia average growth rate (1960–2010) (Source: Ministry of Finances and Department of Statistics)

While Malaysia does not have an explicit target for MDG 1B, which is to achieve full and productive employment and decent work for all, including women and young people, aggregated data (Fig. 2.5) on average growth rate of GDP per person employed in Malaysia between 1960 and 2010 showed impressive growth during the NEP period while moving towards a declining trend from the 1997 crisis onwards. In terms of halving the proportion of people suffering from hunger, there is no direct surveillance in Malaysia or time series data on the proportion of children or adults suffering from hunger. Data from the ministry of health’s clinic data is indicative that it is possible that Malaysia has cut by half, the proportion of children with moderate under nutrition or is likely to achieve it by 2015 (UNDP Report 2010, p. 27).

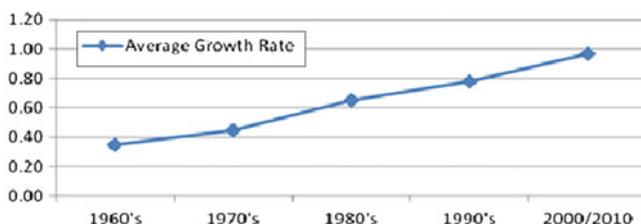


Fig. 2.6 Proportion of births attended by hospitals average ratio growth rate (1960–2010) (Source: Ministry of Health Malaysia and Department of Statistics)

MDG 4, 5 and 6: Health-Reducing Child Mortality, Improve Maternal Health and Combating HIV/AIDS and Other Diseases

The UNDP 2010 report also acknowledged that Malaysia is likely to achieve the target of reducing the under five mortality rate between 1990 and 2015. Nonetheless, she still lagged behind in addressing maternal health, HIV/AIDS, and the persistence rise in tuberculosis. In terms of improving maternal health, the target of the MDG is to reduce by three quarters between 1990 and 2015, the maternal mortality ratio (MMR) and achieve universal access to reproductive health by 2015.

The long-term MMR trend for Malaysia showed impressive declines between 1970 and 1990 recording a reduction from 140 per 100,000 live births to 20 within that period, a decline of 85% within 20 years. In 1991, however, confidential enquiries by the ministry of health reported an MMR of 44 per 100,000 live births for that year. MMRs are high among certain groups such as migrants and other Bumiputera categories. This report showed that maternal deaths was highest at 60%, among women who do not practice contraception and 10% in cases where deliveries were conducted by unskilled personnels. Long-term trends indicate that the proportion of maternal care and births attended by hospitals has steadily increased between 1960 and 2010, which is in tandem with the rise in the average ratio growth rate of public hospitals in rural areas and the rise in the average ratio of medical doctors per 10,000 people (Figs. 2.6, 2.7, 2.8).

The problem of HIV/AIDS in Malaysia is observed to be on the decline. Between 1990 and 1996, the number of newly detected HIV cases attributed to drug injections rose from 60 to 80%. By 2002, however, the number of new cases detected declined. The most at risk groups in this case are the drug abusers, female sex workers, homosexuals and the transgender population.

Tuberculosis on the other hand seems to be on the rise in Malaysia with an annual increase of 1–5%. In 2009, 18,102 new cases were registered, reflecting a notification rate of 64 cases per 100,000. The number of tuberculosis cases is markedly high in Sabah, although some reduction was observed between 1990 and 2009, while some states in the Peninsular has shown a small and gradual increase. Multidrug-resistant tuberculosis remained a treatment problem in Malaysia and worldwide. As such continued monitoring is required.

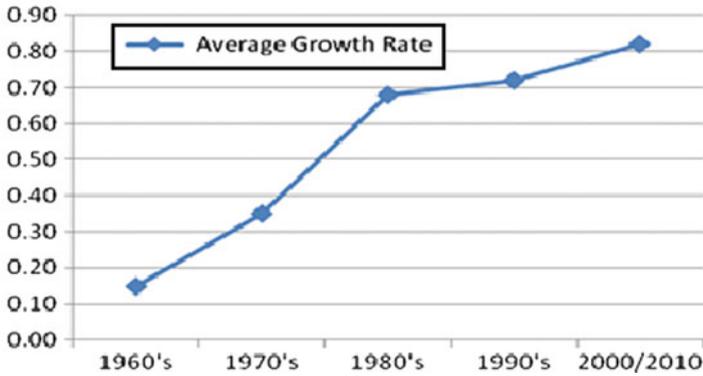


Fig. 2.7 Public hospitals expansion in rural areas average ratio growth rate (1960–2010) (Source: Ministry of Health Malaysia and Department of Statistics)

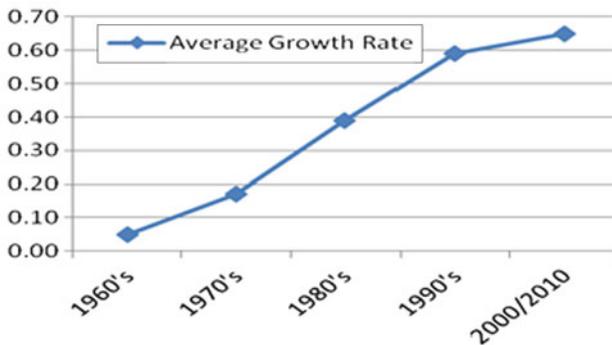


Fig. 2.8 Number of medical doctors by each 10,000 people average ratio growth rate (1960–2010) (Source: Ministry of Health Malaysia and Department of Statistics)

Capacity Building: Access to Quality Education and Gender Equality

MDGs 2 and 3 aimed at achieving universal primary education and to promote gender equality and empower women. Education as a whole is crucial in achieving other MDG objectives for instance those relating to reducing poverty, enhancing employment, improving health, combating aids and uplifting the income and standard of living of the bottom 40% of the population. While Malaysia is close to achieving the MDG2 target, it still lagged behind in terms of proportion of women in managerial positions and female political representation.

Nonetheless, the long-term trend in net enrolment ratio in primary education for instance indicates a steady growth from the 1940s right through to 2010. A similar trend is observed in net enrolment in higher education and the growth of higher education institutions for the same period (Figs. 2.9, 2.10, 2.11).

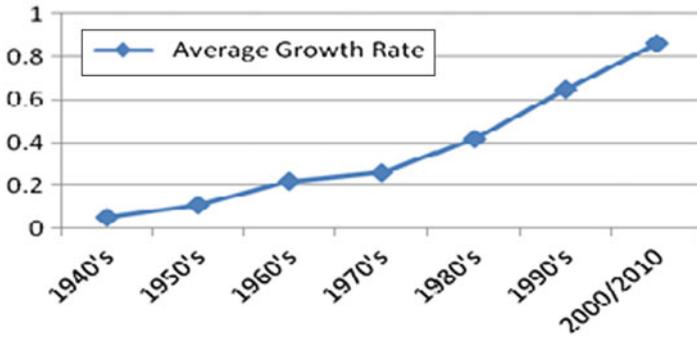


Fig. 2.9 Education to elementary school growth rate (1940–2010) (Source: Ministry of Education Malaysia, Higher Ministry of Education Malaysia)

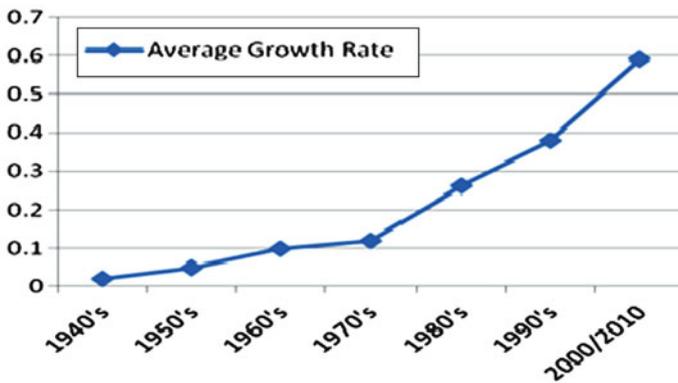


Fig. 2.10 Higher Education growth rate (1940–2010) (Source: Ministry of Education Malaysia, Higher Ministry of Education Malaysia)

The demand for higher education in Malaysia has been met through the liberalisation of education policy that saw the growth of private educational institutions superceding the role of the government as a higher education provider from the late 1990s (Fig. 2.12). Throughout the same period, the number of Malaysian students studying abroad observed a marked increase from the 1980s onwards (Fig. 2.13).

Segregated by gender, data for men and women in higher education indicate an increasing trend for women and a declining trend for men. In urban areas, women have exceeded men in higher education since the 1990s while a similar trend looks likely to be repeated for the rural areas (Fig. 2.14).

Gender Inequality

MDG3 is measured through four indicators. The first is the ratio of girls to boys in primary, secondary and tertiary education. The second is gender wage parity and the

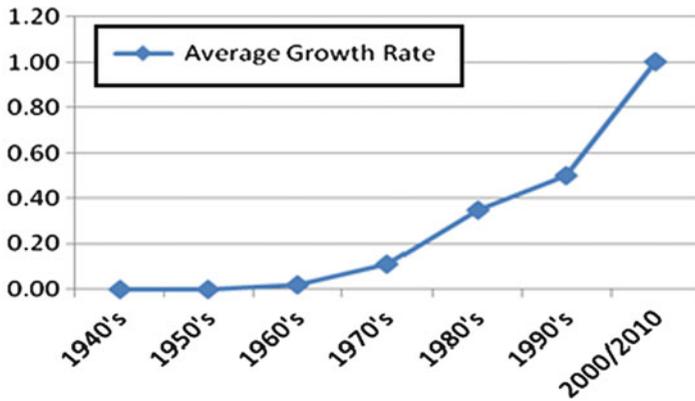


Fig. 2.11 Higher education institutions growth rate in Malaysia (1940–2010) (Source: Ministry of Education Malaysia, Higher Ministry of Education Malaysia)

Fig. 2.12 Higher education institutions growth rate between private and public institutions in Malaysia (1940–2010) (Source: Ministry of Education Malaysia, Higher Ministry of Education Malaysia)

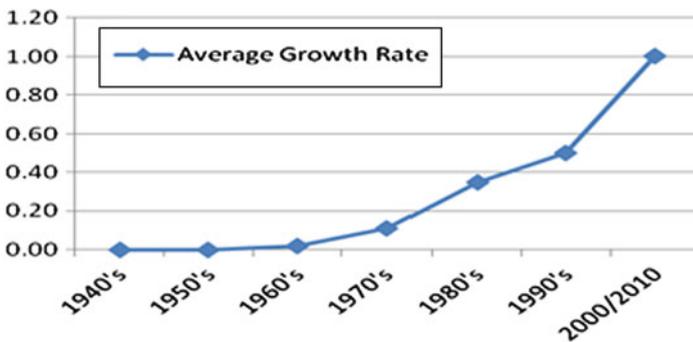
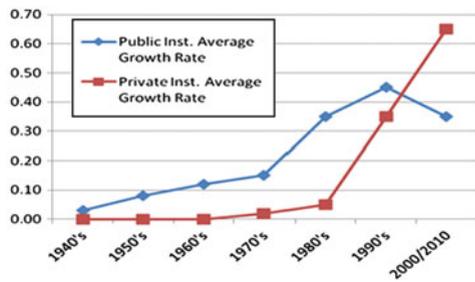


Fig. 2.13 Number of Malaysian students in overseas growth rate (1940–2010) (Source: Ministry of Education Malaysia, Higher Ministry of Education Malaysia)

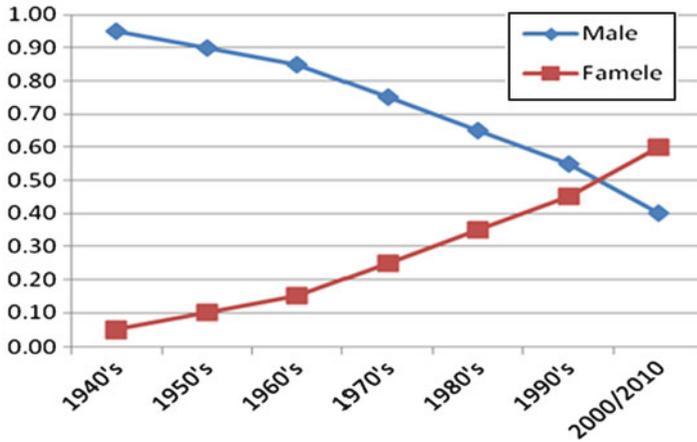


Fig. 2.14 Gender in Malaysia education growth rate in Malaysia (1940–2010) (Source: Ministry of Education Malaysia, Higher Ministry of Education Malaysia)

proportion of women at different levels of the occupational structure. The third is the proportion of women in decision-making positions in both the public and the private sector, while the fourth is the reported violence against women as measured by domestic violence and rape. The Malaysian gender gap index developed by UNDP recorded an improvement in gender inequality from 0.34 in 1980 to 0.25 in 2009. The index on education and health, however, registered very low inequality of 0.041 and 0.121, respectively. The index for economic participation showed moderate inequality of 0.246 and the index for the empowerment of women a high inequality of 0.578.

Given the above trends and indicators, the following section take a look at the role of education in enhancing Malaysia's progress towards achieving the MDG goals and fulfilling its aspiration under the NEM and the potential role of gender ideology in inhibiting the progress of MDG3 which aim to promote gender equality and empower women as well as increasing the proportion of women in managerial positions and female political representation.

Education: The Gender Trap

Development planning in Malaysia has ensured the expansion of educational opportunities for all, especially since the 1970s. One significant impact of the expansion of education has been an overall increase in the country's literacy rates and a narrowing of the gap between literacy rates of men and women. The increase in school attendance among females over the two decades is also significant and, by 1991, the percentage of females who had ever attended school had risen to 80% compared with 88% for males. This proportion was only 58 and 76%, respectively, in 1970 (Population and Housing Census 1970, 1980, 1991).

Although gender disparity in education has been reduced, gender stereotyping is nevertheless still prevalent in the Malaysian education system. From an early age, boys and girls attending schools were taught gender-specific roles as part of the socialisation process.

Thus, it can be observed that schooling and training have a major influence in reinforcing the sexual division of labour through the manipulation of gender ideology whereby men and women are believed to have different and specific masculine and feminine roles in society. Gender ideologies in turn define the types of occupations men and women do. If gender has the overriding role in determining the occupational positions of men and women, and as occupations are widely used as a proxy for class positions, arguably it is gender that determines the social class position of men and women and not occupation. As such, by “trapping” men and women into predetermined roles before they enter the labour market, gender ideologies, acquired through education and socialisation are responsible for gender segmentation in the labour market and serve to perpetuate class inequality between men and women.

Gender inequality acquires more prominence if we compare differences at higher levels of educational attainment. While differentials are generally minimal for the younger age group (30 and below), gender imbalance in educational attainment appear to increase with age and at higher locations on the education pyramid. Among those with university degrees, 6% are males compared to 3% females. At the lowest level of the credential structure on the other hand, both males and females have a similar share of 41% of lower secondary qualification (SRP). The gender gap has, however, been significantly narrowed for the intermediate groups (SPM, STPM and diploma and certificate holders) (Population and Housing Census 1991, p. 122, Table 5.13). Hence, despite the expansion in educational opportunities for both men and women in Malaysia, the entry of women into tertiary education up to the early 1990s is still arguable slow, and this can at least partly explain their inability to enter the PMC. This situation, however, has been reversed over the last decade whereby female entry into tertiary level education has far exceeded that of males. In fact, the seriousness of gender imbalance in favour of women has caught the attention of academics and policy makers. Figures for 2005 on labour force by educational level and sex indicated that females with tertiary level education far exceeded that of males at 24.1 and 16.2%, respectively (Nagaraj et al. 2007). The implications of this reversal need to be examined more closely in relation to the corresponding occupational positions.

Labour Force Participation Rates (LFPR)

The LFPR for women has definitely increased since the 1970s, with the expansion of the Malaysian economy, boosted by the intensive industrialisation policies particularly in the manufacturing sector. The improvement in overall educational level, the decline in fertility rates, later age of marriage and the decline in agricultural employment

have all given rise to the need for new sources of income. The male LFPR is, however, generally higher than that of females. In 1991, it was twice the female rate for age group 30 and above. The male LFPR climbed steeply from age groups 15–19 to 20–24, remaining fairly constant at over 90% until age 54. A declining trend is observed for older age groups. Female LFPR on the other hand is highest at age group 20–24 followed by 25–29, which also corresponds to the age of female workers entering the manufacturing sector. Their LFPR in these two age groups, however, is only 60 and 50%, respectively. A declining trend was observed for females of 30 years and above. By 1991, the LFPR of males remained double that of females at 83.8 and 41.9%, respectively. The above trends replicates those observed in the 70s and 80s (see Population and Housing Census 1970, 1980, 1991).

The increase in women's LFPR in the past two decades was observed to be only limited to the younger age group of 20–29 years. Furthermore, this increase was not evenly distributed across the occupational structure. As reflected in their class position, women's employment remained concentrated in traditional female occupations. Even when women were employed in similar occupations to men, for instance, in the teaching professions, they are likely to be concentrated at the lower end of the occupational ladder.

Gender and the Distribution of Employment

Significant differences in the pattern of male and female employment in Malaysia still exist today. Despite changes in the past two decades, the gendered employment structure has undoubtedly been reproduced. A look at the distribution of employment by industry and sex shows that women are largely employed in manufacturing, services, wholesale-retail and agriculture. A tremendous increase is observed in the employment of women in the manufacturing, service and commerce between 1975 and 1990. The greatest disparity between male and female employment is still in the mining sector, construction and transport and communications. Except for social and related community services, personal and household services, which employ more women than men, large differentials in terms of male and female employment pattern is maintained in all the other sectors. The gap is narrowing significantly only in the manufacturing sector (Seventh Malaysia Plan 1996–2000). Hence, once again, it can be concluded that gender patterns of employment have not changed significantly since the post-independence period. Where significant female entry is observed, women remained confined to traditional segments.

The distribution of the work force by sex and occupation in 1995 also shows women to be still under represented in administrative, managerial and higher professional occupations. Only half of those employed in administrative and managerial occupations are women. Three main occupational groups appear to be employing more women than men by this year. Clerical and related occupations employed more than twice the proportion of males, and the professional and technical group employed 14% females and 8% males, while the proportion of male and female sales workers was equalised at 11% (Seventh Malaysia Plan 1996–2000). There is,

therefore, no clear break from earlier trends. Women continue to be concentrated in clerical employment, and while there has been an increase in their participation in the professional and technical groups, based on the class framework discussed earlier, they are most likely to be located in the lower professional group. A sales occupation on the other hand appears set to become a female domain if the growth rate for 1970–1980 is anything to go by.

The “housewives” category which is not surprisingly 90% female is considered to be outside the labour force in the census classification. This is a reflection of the value or the lack of value accorded to women’s work in the economy and implies that the increase in women’s participation in the work force has yet to be accompanied by a reduction in their domestic responsibility. This also means that women’s decision to enter paid employment will continue to be influenced by their domestic and childcare responsibilities and the availability of reliable and affordable quality childcare services. Under such circumstances, the options available to women appear to be limited. Henceforth, the relationship between the domestic or private sphere of reproduction and the public sphere of production will need to be transformed if the occupational mobility and class mobility of women is to be ensured.

Gender and Wage Differentials

According to the occupational wage surveys 1977 and 1980, almost 90% of females were in the lowest wage category of M\$174–M\$374 (US \$56–121) (£36–£78) per month with a corresponding figure of only 30% for males. On the other hand, the percentage of females earning M\$600 (US \$194) (£125) and above actually declined for the same period. This implies that despite the Equal Pay for Equal Work act of 1969, wage differentials by gender still persisted in Malaysia. Data on occupational wages for 1970 and 1980 indicate that wage differentials for major industrial sector widen as one approaches the top level of the employment pyramid. Furthermore, for all the manufacturing industries surveyed, no women were found to be employed at the highest level in the managerial category. Unless differentials in educational attainment were clearly indicated, these differentials are more likely to be explained in terms of sexual discrimination, prejudices and stereotyping and attitudes towards women’s work. Men are still considered to be the main bread winner in the family and implying that women are less capable than men. Data on average earnings by gender between 1974 and 1983 further support this view. In 1977, for instance, female professional accountants earned about half the male salary (occupational and wage surveys, 1970 and 1980, ministry of labour). Gender wage differentials at lower levels of the occupational structure are also high. For a similar period female typists, clerks and foremen earned half the income of their male counterpart. This is also true for female labourers, carpenters and lorry attendants, all of which are traditional male occupation. This may suggest that lower wages for females’ workers may serve as a deterrent to restrict women from taking over male domains. Wage differentials were also prevalent in agriculture, with the monthly wage rate for

female rubber taper of M\$268 (US \$86) compared with M\$282 (US \$91) for males (occupational wages survey 1974, 1977, 1980, 1983, ministry of labour).

Data for the nineties indicate similar characteristics. Males remained dominant at higher levels of the occupational hierarchy, while wage differentials between men and women still exist at every level of the occupational structure. There are, however, some interesting changes, especially in the electrical and electronics industries, which not only employ 95% women, but also absorbed the bulk of the increase in female industrial workers. Confidential secretaries and typists, who used to employ 100% women, now see the entry of males. Furthermore, the average starting and monthly salaries of males in these occupations are substantially lower than that of their female counterparts. Another significant change has been the entry of women at higher levels of the occupational structure in this sector, in occupations such as systems analysts and human resource managers. For both of these, the average starting and monthly salaries of females are higher than males. A similar observation can be made in the case of female watchman (occupational wages survey in the manufacturing sector 1991). Despite these changes, however, the conclusion remains that the gendered occupational structures together with wage discrimination have undoubtedly been reproduced.

Wage discrimination is likely to be more prominent in the private sector, as it should be more difficult to discriminate directly in the public sector. Discrimination in the public sector can, however, take more disguised and subtle forms. Promotions to top level jobs for instance are not easily given to women if there is a male alternative. It is also easier for women to get job transfers in order to follow their husbands but not the other way round. As such in cases involving job transfers, it is wives who were forced to leave their work. In terms of benefits on the other hand, it is men who were discriminated against since the husbands of women in government services are not eligible for benefits available to wives.

Gender and Unemployment

Unemployment seems to have a gender dimension with women having higher unemployment rates and being worst hit in times of rising unemployment. During the recessionary period in the late 1980s, the overall unemployment rates were higher for females compared to males. Data on the distribution of employed persons by educational level and sex for 1989–1990 show that unemployment was higher for females despite similar educational attainment. From 1978 to 1988, a marked contrast can be observed for males and females with secondary level education, where female unemployment was almost twice that of males. This difference has, however, been reduced. Nevertheless, female unemployment in this educational group has remained much higher. Unemployment rates for this period was only higher for men with primary and lower secondary education. By 1991, except for age group 15–19 and those above 50, the male unemployment rate was almost double that of females. This may be a result of the expansion of the economy after the recession and the expansion of the electronics industry in that period. The unemployment rate by educational level

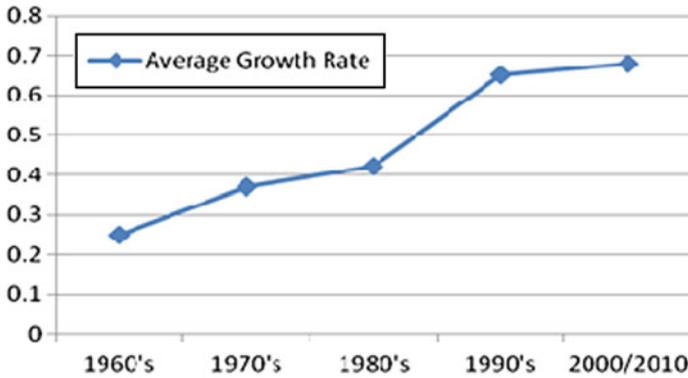


Fig. 2.15 Access to private housing average growth rate (1960–2010) (Source: Department of Statistics)

was also lower for females, except for those with university education. In this case, female unemployment rate is 3% compared to less than 1% for males (Labour Force Survey 1991).

It is plausible to conclude here that, women's class position are undoubtedly conditioned by a gendered pattern of employment and that, class structures and the market forces behind them are therefore, gendered. It has been demonstrated that in the Malaysian case, gender ideologies have functioned as a system of social closure to ensure the persistence of differential opportunities for men and women in gaining access to the occupational structure and hence class positions. Similar arguments were made by Hakim (1979), Crompton (1993), Crompton and Man (1986) and Marshall et al. (1988). The role of education is seen is also crucial in the structuring of gender inequality. While the level of education of women has increased, even at the tertiary level, they have remained in occupations defined by their gender. This is also true for men and has undoubtedly led to the perpetuation of job segregation. As such, with very few exceptions, women and men still perform gendered jobs while women have remained a small minority at higher levels of the occupational and class hierarchy. The implication here is that educating women will not necessary lead to the elimination of gender ideology.

Uplifting the Bottom 40%: Housing and Market-Friendly Affirmative Action

The following subsection look at the relationship between housing, occupation, income and the role of the government in supporting the housing needs of the lower income group especially given the thrust of the NEM to raise the income and living standards of the bottom 40% of the population.

As evident from Figs. 2.15 and 2.16, access to private housing has been steadily increasing since the 1960s. This rise corresponds to the rise in the availability of

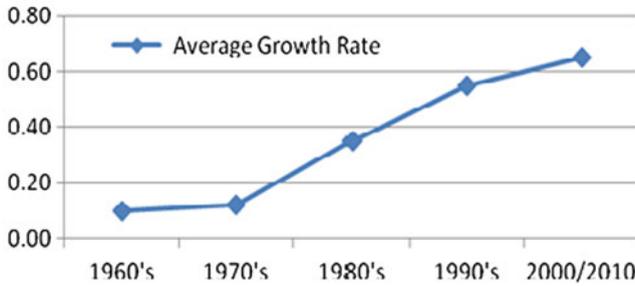


Fig. 2.16 Housing credit average growth rate (1960–2010) (Source: Department of Statistics)

housing credit over the same period. From the 1970s on, Malaysia observed an expansion and a change in its economic, employment and income structure as the population enters the rank and file of wage employment, at the same time increasing the demand for housing in urban centres. The following sections assess the accessibility to housing among wage earners in terms of income and other related issues.

Housing and Income

The income range of individuals in the class structure provides further evidence of the existence of an underclass among the unskilled industrial workers verifying several points raised earlier with regard to house ownership, housing quality, squatting and slum dwelling. Given the minimum and maximum income range for unskilled workers, not many individuals in this group will be eligible for low-cost housing. Their chances of owning a house will increase if we assume at least a two-income household of either a spouse or other family members. Even so, this eventuality may only materialise at a later stage of their work, assuming first of all that they have a permanent job which earns a stable income. In this respect, the indicator used by the Kuala Lumpur city council to identify the hard core poor in urban areas is perhaps much more realistic. The hard core poor are identified by city hall as those earning an income of RM\$750 (US \$242) per month NST, (29 December 1994) which is usually taken as half the official poverty line income (Kharas and Bhalla 1991). Based on that, we can therefore assume an urban household poverty line income of RM\$1,500 (US \$484) per month or a per capita poverty line income of 300, (US \$97) per month. Even by using this inflated poverty indicator for the urban poor, a two-income household located at the lowest level in the class structure in 1991 will only earn RM\$648 (US \$209) at the beginning of employment and a maximum income of RM\$1,768 (US \$570). A two-income household will only be able to live above the poverty line at a much later stage of their employment, assuming in the first place that they remain in employment throughout that period.

For individuals living alone, even a per capita poverty line income of RM\$300 (US \$97) per month seemed inadequate given the current inflationary situation. Rental for a small room in a house, flats and low-cost apartments could easily range between RM\$150 (US \$48) and RM\$300 (US \$97) per month. Again, it appears that when income is taken into consideration, it is more realistic to conclude that while the majority of unskilled workers are owner occupiers, they are more likely to be either owners of squatter homes or tenant squatters. The situation is much better for individuals entering the professional-managerial class (except for artists). Their initial income is at least three times the city hall poverty line income per capita and 14 times the official poverty line income per capita. The other classes, however, will share a similar predicament as the unskilled workers until the latter part of their career or until they have a partner who contributes to their household income.

It is perhaps relevant to link the above issues to the problem of effective demand for public low-cost housing among those at the lower level of the class structure. Under the low-cost housing scheme established in the late seventies, individuals earning less than RM \$400 (US \$129) Malaysian Ringgit (£100) a month is qualified to purchase low-cost homes which cost about RM \$20,000 (US \$6452) Ringgit per unit. The price of low-cost houses have now increased to RM \$25,000 (US \$8065) while the hard core poor who now qualify to apply for these houses can be identified as those earning RM \$750 (US \$242) per month (NST, December 29 1994). A low-cost house is now defined as one having a sale price of less than RM \$25,000 (US \$8065) and should have a minimum floor area of 43 square metres, two bedrooms, a lounge/dining room, kitchen and a bathroom/toilet (Yeung 1983). While priority to purchase has been given to those earning less than RM \$750 (US \$242) per month, there have been requests for this condition to be waived to allow those earning \$1,500 (US \$484) (those earning RM \$1,000–RM \$1,500 (US \$323–484) is considered as the low-income group by the ministry of welfare recently) or less to apply (ISIS 1986, p. 6–7). Such schemes have continued over all the 5-year plan periods. In cases where low-cost houses have been allocated by state governments, more than 50% of house buyers have been unable to pay the monthly dues for the past 16–25 years. A study carried out by the Auditor-General's office in 1992 showed that 364 out of 17,000 buyers have never paid a single cent after moving into their houses (NST, 17th December 1994). For the state of Selangor alone, this arrears in payment amount to almost M\$40 million, (US \$13 million).

The problem of supply and effective demand is further compounded by the increase in house prices. Several reasons can be identified to explain the escalation in house prices generally. First is the exorbitant increase in the price of land, especially, as a result of rapid urbanisation. The increase in the price of building materials due to the expansion of the construction sector is another contributing factor. Most damaging, however, is the price hike caused by speculative buying by builders and investors, which not only deprives genuine buyers from owning houses but also causes a price spiral in other sectors (NST, 16 January 1995). Low-cost houses, however, are controlled items and are, therefore, not affected by the price increase. Moreover, the cost of building low-cost houses is already incorporated in the price of medium-cost houses. While the price of low-cost houses

remains at RM\$25,000 RM\$30,000 (US \$8065–US \$9677) the price of medium- and high-cost homes have increased from RM\$50,000 RM\$90,000 (US \$16129–US \$29032) and RM\$100,000 RM\$150,000 (US \$32259–48387) in recent years (NST, 16 January 1995). While the low-income group may not qualify for low-cost homes anyway, it is the middle classes that seem most affected by the overall increase in house price. This may explain the increase in tenancy status among the middle classes since they can no longer afford to purchase medium- and high-cost homes based on their current income level.

The Malaysian government has identified urban centres, such as Kuala Lumpur, the Klang Valley, Johor Bharu, Penang and Ipoh, where the industrial working class are concentrated as the targets for its housing programmes. While confronted with acute shortage of houses, these areas are also facing serious squatter problems. These urban centres which are most affected by the housing shortage are usually the foci of industrialisation and internal migration. As such a prominent feature of housing shortage was the growth of squatter settlements and slum dwellings around these towns especially in the decade following the NEP and establishments of free trade zones. While the housing problems have not been satisfactorily resolved by low-cost housing policy, it may have contributed somewhat to the higher owner occupancy rate among the working class compared to the middle class.

The concluding part of the NEM emphasises pro-poor, inclusive growth which aimed to address income disparity and social inequality while lifting the disadvantaged population out of poverty. Here, the NEM recognises the needs to address persistent inequality within and between ethnic groups, between regions and between rural and urban areas. Here too, the NEAC acknowledges the special position of the Malays and the natives of Sabah and Sarawak and the legitimate interest of other communities, consistent with the federal constitution, hence does not seek to remove the positions or rights of any community. In this light, the NEAC's affirmative action policy is consistent with the subject of article 153 but seeks to modify the manner in which the interests of all Malaysians are promoted through pro-poor inclusive growth by means of market-friendly and transparent affirmative action. What does this mean?

Conclusion: The Road Ahead

Malaysia is undoubtedly positioned to excel beyond achieving its MDG targets as her achievements thus far were indeed impressive in aggregate terms, and she is moving ahead with addressing the areas where she lagged behind. Nonetheless, the bigger challenges remained in her intent to promote equitable and inclusive development and her ambition to promote equitable and inclusive development and to become a developed high-income nation by 2020. In order to succeed, Malaysia still needs to address issues relating to ethnicity, gender, vulnerable groups and the rural urban divide. Nonetheless, Malaysia's recently announced Government Transformation Programme, the Economic Transformation Program,

the New Economic Model and the Tenth Malaysia Plan which aim to guide Malaysia in achieving Vision 2020 are set to consider lessons and weaknesses of previous policy instruments. The key theme of narrowing disparities as outlined in second document of NEAC report on the NEM which covers issues such as inclusiveness, affirmative actions, addressing the needs of the bottom 40% of households and reducing income disparity among others are testimonies to her continued commitment and will be put to the test as she moves forward to ensure that all Malaysians will benefit from growth and economic progress.

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