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Poverty and Productive Welfare in Malaysia

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Abstract

Poverty is a global phenomenon and has been highlighted as a social problem's in the world. Poverty has also become one of the social problems in Malaysia. However, since Malaysia government launched the New Economic Policy (NEP) in 1970, the poverty rate and incidence decreased over the years. There were many approaches that has been used by the Malaysian government to eradicate poverty, including by the Malaysia Social Welfare Department (MSWD), one of the government agencies in Malaysia. Over the years, the MSWD had given financial assistance to the recipients to curb the poverty issues surrounding them. In 2010, the MSWD took an effort to initiate the Productive Welfare approach to help the financial assistance recipients to increase their income through entrepreneurial activity and to exit the poverty line. The Productive Welfare approach is hope to help the poor to sustain and enhance their social functioning and the quality of life.

Keywords: Poverty, Poverty Eradication, Productive Welfare, Malaysia.

Introduction

Poverty is one of the most familiar conditions to society but is complicated concept to understand. Poverty encompasses situations of hunger, shortages, and homelessness, sick without opportunity to get medical help and no access to education. Poverty also included those unemployed, fearing for their future and existing on a day basis. Poverty also portrayer's situations whereby someone has lost their right and defenseless (The World Bank Annual Report, 2008).

Global poverty is one of the very worst problems that the world faces today. The poorest in the world are often hungry, have much less access to education, regularly have no light at night, and suffer from much poorer health. It is stated that most people in the world live in poverty. Two-thirds of the world population live on less than \$10 per day. And every tenth person lives on less than \$1.90 per day (Roser & Ortiz-Ospina, 2019).

There are many views of poverty highlighted by many scholars. Some researchers view poverty as a reaction to the stress of being poor, whereas others perceive it as a process of adapting to the condition of poverty. Historical definitions are numerous, but can be classified as relating to either lack of financial income or lower social status. There are numerous factors that contribute to the concept of poverty, including economic, social, political, and cultural forces. The one that has consistently had the greatest effect on the evolving concept is the passage of time, which encompasses all these forces in a very intricate manner.

According to Sen, poverty is a complex, multifaceted world that requires a clear analysis in all of its many dimensions. There are geographical, biological and social factors that amplify or reduce the impact of income on each individual. The poor generally lack several elements, including education, health and longevity, justice, access to land, family and community support, credit and other productive resources, a voice in institutions, and access to opportunity. Furthermore, Sen explain that being poor does not mean living below an imaginary poverty line, such as an income of two dollars a day or less. It means having an income level that does not allow an individual to cover certain basic necessities, taking into account the circumstances and social requirements of the environment. Besides, many of the factors are interconnected (Inter-American Development Bank, 2001).

The objective of this paper is to highlight the issue of poverty and how productive welfare can help the poor to increase their income through entrepreneurial activity.

Poverty in Malaysia

The measure of poverty in Malaysia relies on the Poverty Line Income (PLI). For example, the PLI in 2007 for the Peninsular of Malaysia was RM 700 (Economic Planning Unit, 2007). Meanwhile in 2016, the PLI has been set on RM980. Hence households with income of less than RM 980 were categorized as poor. Generally, the poverty in Malaysia has successfully been reduced by a big margin from 52.4% in 1970 to 3.8% in 2009, and 0.6% in 2014 (Malaysian Fundamental Data, 2014) and down to 0.28% on 2016 (www.bicara.news, 2016). In the 10th Malaysian Plan 2010 – 2015, the poverty rate has fallen to 2%, and the average income for 40% of lowest income households have risen from RM 1440 in 2009 to RM 2300 in 2015 (10th Malaysian Plan, 2010).

However, Malaysia has revised the PLI from RM980 (2016) to RM2,208 (2019), which means that over 400,000 households in the country with monthly incomes below this level were considered poor in 2019 (Department of Statistics Malaysia, 2020). The new PLI was obtained based on changes in methodology that now emphasised healthy eating and quality basic needs. In the previous 2005 methodology, which determined the national PLI of RM980, was based on the minimum food requirements of each household member and 106 non-food items based on the spending patterns of the country's bottom 20 per cent group (B20) in the 2004/2005 household expenditure survey (Ida Lim, 2020).

In contrast, the new 2019 methodology which determined the national PLI of RM2,208 was based on optimum food requirements and healthy eating, as well as 146 non-food items from the B20 households' spending pattern in the 2019 household expenditure survey. Under the new methodology, calculations for the food component of the PLI are now based on servings according to food categories that are converted to price, instead of the previous methodology based on the individual's calories requirements. The recommended food servings include fish, poultry, meat, cereal, bread, rice, eggs, vegetables and milk. As for non-food items, those covered are clothing and shoes; housing, fuel and utilities; furniture; transport and communications; education and health. By using the new methodology, Malaysia's absolute poverty rate would be recorded as improving from 7.61 per cent in 2016 to 5.6 per cent in 2019. This would translate into a decrease in households considered poor, namely a drop from 525,743 households falling below the poverty line in 2016 to 405,441 households in 2019 (Ida Lim, 2020).

Productive Welfare around the Globe

There are many strategies developed by many countries to curb the poverty issues surrounding the society such as upgrading the basic amenities, housing for the poor, land and community development and also financial assistance to the needy. Furthermore, many western countries have long adopted productive welfare in their welfare system budgets compared to the Asian countries. It is believed that there are 23 countries in the Organization for Economic Cooperation and Development (OECD) that practices productive welfare and productive element in their social policy (Hudson and Kuhner, 2009). Hudson and Kuhner (2009) has studied these 23 OECD countries in three different period of years i.e. 1994, 1998 and 2003. Their findings suggested that the globalization process and k-economy (knowledge-based economy) have encouraged many developed countries to push towards productive welfare with a focus on social investment. However, welfare typology typically tends to social protectionism as opposed to social investment. They also found that many welfare states are changing their protective approaches into the direction of welfare, and some countries combined the two approaches in their social policies.

Another study by Hudson & Kuhner (2011) trying to explore the balance between 'productive' and 'protective' dimensions of welfare state activity. They extend their analysis beyond the OECD, incorporating a range of nation from Latin America, East Asia and non-OECD parts of Europe. Their study utilizing the fuzzy set ideal type analysis (FSITA) to explore the balance between 'productive' and 'protective' dimensions of welfare state activity. They argue that FSITA has an important role to extend the inclusiveness of the welfare modeling business in the western countries.

Meanwhile Hudson, Kuhner and Yang (2014) also evaluate the welfare state models relevant to China. Specifically, they analyze literatures on welfare models issues of East Asia as well as arguments on productive welfare models. Their studies found that generally there are a variety of form of welfare in East Asia and the Chinese Mainland. It seems South Korea have already embraced the practice of Productive Welfare since 2000. The Productive Welfare Concept influenced by the British Third Way approach introduced by Anthony Giddens (Han, 2002). The economic recession crises of 1997 prevented South Korea from continuing to provide direct financial assistance to the people. Instead their financial aid changed from welfare to employment. Other than protecting the handicapped and the marginalized groups of the community in its welfare system, the state created employment opportunities to the recipients. Indirectly this approach transformed aids of pure welfare to a system of marketability cum welfare. As a result, the National Basic Livelihood Security System (NBCSS) Act was introduced in 2000 to wider the targeted recipients to include those already in employment also to be eligible to receive income support from the state (Cheon, 2003; Jisun, 2008; Joon, 2014).

Productive Welfare in Malaysia

The productive welfare was first introduced in Malaysia when the Malaysian Social Welfare Department (MSWD) restructuring exercise took place. The MSWD created the Social Economy Development and Assistance Section on January 2014 to replace the Economic Assistance Unit. Prior to this, all forms of assistance given by the MSWD to the recipient were to help them to increase their income and to eradicate poverty problem among recipients. By 2015, the MSWD hope that the financial services would then become a transitory service for recipients to achieve quality in living standard and be a contributor towards sustainable socioeconomic changes among them. This approach subservice to raising the recipient's motivational preparedness to work, after receiving

training in skills commensurate with their ability. The recipient's participation in the working environment would be on a continuous basis to ensure their survivability and independency from further welfare support.

Starting from 2017, the new section consists of 4 main branches being the Assistance Management Section, Productive Client Development Section, the Disaster and Crisis Section and the Social Entrepreneurial Section (MSWD website, 2016). The main objective of the Productive Welfare are to firstly assist poor families and the extreme poor as listed in the e-Kasih system (a database for the poor and extreme poor families in Malaysia) and the clients of financial assistance recipients of the MSWD to lead a life of independency without having to result purely on government aid.

The primary idea is to allow the poor or vulnerable population to be out of the poverty cycle and be equipped with the relevant survival skills. Thus, there is a need for strong support and monitoring from the relevant agencies or stakeholders. Furthermore, this would also include the contribution of social workers especially in MSWD in guiding the poor or more vulnerable groups to move forward in sustaining their livelihood (Azman et al., 2014).

Together with the productive welfare approach, the MSWD has drawn up the 2 Years Exit Program officially known as 2YEP. The strategies of 2 Years Exit Program (2YEP) is to include the client actively involved in training, skills, job placement or income-generating programs. The productive welfare program is an entrepreneurship or self-employment program as a form of social innovation. The early programs included the disbursement of financial grants to welfare recipients on an individual basis or in community groups for entrepreneurial activities. The program is run with a one-off financial grant of RM 2700 known as *Geran Pelancaran* and is required to undergo a 2-year entrepreneurial skills development training program (MSWD website, 2016; Putri, Khairuddin, Aira, & Mohd, 2020). However, if client's fail to increase the income exceeding the PLI, MSWD will extend the period of six months of the 2YEP. This may due to external control such as natural disasters, health factors, and sudden accidents. Successful clients would then be made role models for other assisted recipient clients. They would also serve as a support group for other assisted clients. MSWD will also create Alumni for successful clients and launch a Welfare Entrepreneur Convention. The Alumni will be registered with the registrars of association to make it actively in helping the poor and the extreme poor clients (Zakiyah & Norzalinda, 2018).

Based on the 2YEP evaluation report, after two years of implementation from January 2017 to December 2018, 674 out of 2002 clients (33.7%) had successfully increased their income beyond the PLI and could be self-reliant (MSWD, 2018). However, several studies by Khairul Amri (2015), Zakiyah & Norzalinda (2018) and Suryani (2018) found that majority of their respondents from their studies could not reached the PLI and still living in the poor. Several factors that limits and failed their attempts to succeed were family problems, lack of motivation, lack of knowledge regarding financial management, lack of funds, and lack of monitoring and supervision by the case workers.

Conclusion

Productive welfare is a new approach in Malaysia, compared to the western and eastern countries. The objective of productive welfare is to change the mentality of the financial recipients' of MSWD to become more independent and not only depends on government's financial assistance. Hence, entrepreneurial approaches are an effective way to enable clients to live independently, and at the same time, it can improve the standard of living and the survival of the poor. It also grows the client's motivation to be ready to work upon completing / receiving skill trainings suited to their ability. The

ongoing involvement of clients in gainful employment is expected to ensure clients would not revert to living on welfare aid anymore. Nonetheless MSWD would not deny the existence of resistance in executing the productive welfare program. Furthermore, the absence of case worker to monitor and oversee the smooth running of the new operation could be a problem to the productive welfare approach. Currently the available case workers are not able to run the program as their current workloads, servicing their target group is huge.

In addition, there has been very few studies on productive welfare in Malaysia. Therefore, this study can contribute significantly to productive welfare in Malaysia. Productive welfare approach can significantly give a huge impact in eradicating poverty in Malaysia and lessen the burden of the government, especially the MSWD to gives financial assistance to the client's.

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