

* Policy Conference “Addressing Social Cohesion and Effects of Migrants’ Integration in Europe and Asia”
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Panel “Social Capital, Social Mobility and Social Inclusion in Asia”

**Promoting Social Mobility
in Malaysia**

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* Federation of Malaysia

- * Population: 29.7 million (2.4 m foreigners)
- * Diverse ethnic composition of citizens (2013):
54.9% Malay, 24% Chinese, 7.4% Indians,
13% indigenous peoples
- * Diverse religious affiliations of citizens (2010):
61.3% Muslims, 19.8% Buddhists, 9.2%
Christians, 6.3% Hindus
- * Upper middle income economy with per capita
GNI at USD10,265 in 2013

* **Background Information**

* 1947 census of British Malaya:

Malays = 43.5%, Chinese = 44.7%, Indians = 10.3%

* Sino-Malay violent conflicts after Japan surrendered

* Contentions and intense interethnic negotiations over access to equal citizenship, Malay rights, mother tongue education, etc at independence

* **POST-WWII BRITISH MALAYA**

- * Title: Reservation of quotas in respect of services, permits, etc, for Malays and natives of any of the States of Sabah and Sarawak
- * "It shall be the responsibility of the Yang di-Pertuan Agong to safeguard the **special position** of the Malays and natives of any of the States of Sabah and Sarawak and the **legitimate interests of other communities** in accordance with the provisions of this Article"
- * 5/10 clauses: safeguard of non-Bumi rights from deprivation of rights, privileges, existing permit or licences

* **Special Position (Article 153)**

* Promoting Social Mobility in 1960s

- * Rural development programs
 - * Upgrade rural facilities, transportation, modernise agricultural activities
 - * FELDA - agricultural resettlement scheme
- * Programs to facilitate Malay participation in urban economy
 - * Training programs and provide loans (Bumiputera Bank, MARA, investment corporation)
- * Preferential educational policies for Malays
 - * In 1968, 83% Malay students in UM with govt scholarship (vs 28% for non-Malays))

- * Rapid pace of promotion for Malays in the public sector
- * general standard of living of rural Malays improved (basic amenities, community and educational physical infrastructures)
- * Dev project used for political patronage
- * Insignificant increase in rural incomes
- * Emergence of *Orang Kaya Baru*

*** Effects of racial preferential policies during 1960s**

* 1957-1970

- * top 10% HH experienced 51% income increase
- * mean income for bottom 40% HH declined by 13%
- * income disparity between Malays and non-Malays remained unchanged, but intra-Malay disparity augmented
- * the pool of Malay middle- and upper-income earners more than doubled
- * By 1967, 10% directors of top 100 largest corporations were Malays, 60% former bureaucrats/politicians
- * Equity ownership (1970):
 - Malay 1%, Chinese 23%, foreigners 70%
- * Gini Coefficient = 0.412 → 0.502

“For average Malays, in the 1960s, it began with the idea “*jadi ahli politik untul buat duit*” (literally, be a politician to make money). This became a popular folk political philosophy. In fact, it was adopted as an unwritten guiding ethos for many young Malays who were keen to become entrepreneurs, or simply to be rich.” (Shamsul A.B. 1997)

“Instead of a satisfaction with progress, Malays throughout the 1960’s gave indications that their demands for material rewards had intensified, that these demands were to be processed as claims for a ‘rightful share,’ and that they held the government responsible for anything less than prompt and total fulfilment.”

(Von Vory 1976)

*Twin objectives:

- poverty eradication regardless of race;
- restructuring society to eliminate ethnic identification with economic functions

*Three approaches:

1. rebalance ethnic occupational engagement;
2. 30% Malay equity ownership by 1990 (Development by trusteeship → nurturing Malay capitalists)
3. income improvement through employment creation (labour intensive industrialisation);

*The New Economic Policy (1970-1990)

- * Export-oriented industrialisation policy through FDI in free trade zone requiring min. 30% Bumiputera employment:

73,000 (29%) → 232,000 (42.5%) → 650,000 (50.3%)
1970 1980 1990

- * Rural exodus improved employment opportunity of those who stayed behind
- * Improved transportation facilitates job seeking
- * Improve agricultural productivity

* **Successful Job Creation and Income Generation Strategies**

* Socio-economic impact of NEP

* Radical decline in incidence of poverty:

49% (1970) → 17.1% (1990) → 1.7% (2012)

* Bumi professional representation:

6% (1970) → 29% (1990) → 52% (2008)

* 20-yr old youth cohort having SPM certificates in W. Msia (Malay/Chinese/Indian):

1956-1960 8%:13%:16%

1996-2000 68%:62%:55%

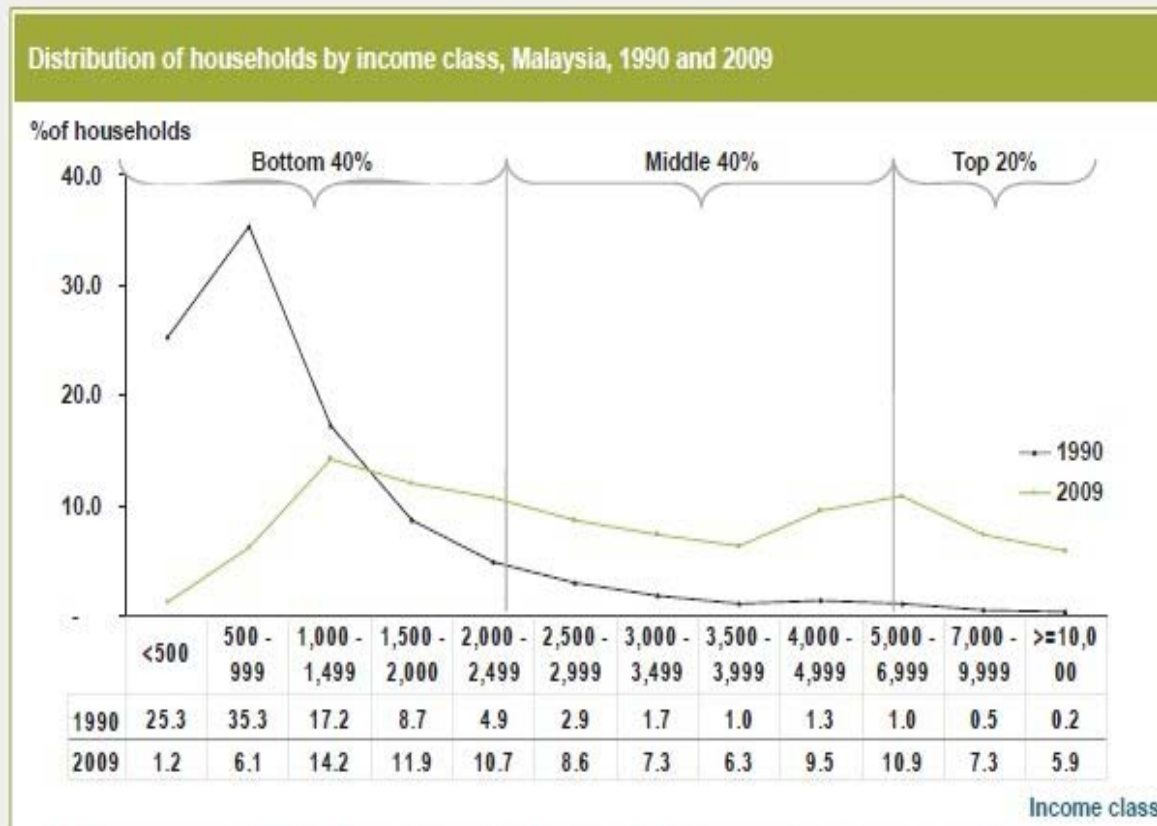
→ socio-economic differentiation of Malays

* Inequality persists:

Gini coefficient (2012) = 0.431 (Malaysia EPU)

Chart 4-3

Income distribution in Malaysia improved since 1990, with the population now more evenly distributed across the income class



For 2009, the income class for bottom 40% households is less than RM 2,300; middle 40% is between RM 2,300-RM 5,599 and the top 20% is greater than or equal to RM 5,600

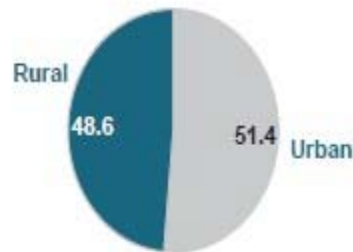
SOURCE: Economic Planning Unit and Department of Statistics - Household Income Surveys

Chart 4-4

Selected characteristics of heads of households among the bottom 40% indicate various challenges that need to be addressed

Selected characteristics of heads of bottom 40% households
100% = 2.4 million

Breakdown by strata, 2009
%



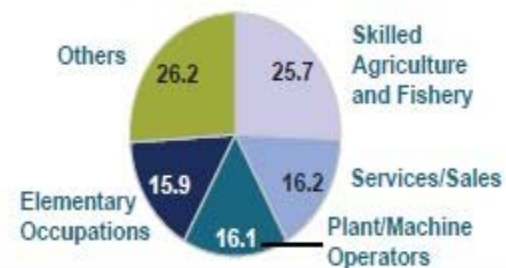
Breakdown by state, 2009
%



Breakdown by highest certificate obtained, 2009
%



Breakdown by types of occupation, 2009
%



SOURCE: Economic Planning Unit and Department of Statistics –Household Income Survey 2009

- * Bottom H/H earn < RM2,300 (700USD)/mth
- * Almost evenly distributed among urban and rural dwellers
- * 2009, 51.4% bottom 40% in urban area with ethnic composition (Bumi/Chinese/Indian):
59.1/29.2/11.4%
- * 73% bottom 40% HH are Bumiputera

*** H/H at the Bottom 40% (2009)**

* Incidence of poverty in 2012 (%):

National(1.7) | Sabah(7.8) | Sarawak(2.4) | Kelantan(2.7)

* Specific groups: minority Bumiputera in Sabah and Sarawak & Orang Asli (50% absolute poverty), Chinese New Villages, estate workers

* East VS West Msia divide: absolute and overall poverty much higher in the former (esp natives in remote rural areas)

*** Regional Disparity**

* Conclusions

- * Malaysia has gone a long way: raising standard of living, poverty alleviation, economic restructuring and the creation of Malay middle class.
- * NEP outcomes ← broader redistribution of resources, structural changes & economic growth
- * Heavy dependence of bumiputera graduates on public sector employment (hiring discrimination)
- * Patronage politics → creation of *rentier* groups
- * Money politics & political party in business
- * Resource wastage and economic inefficiency
- * Discourse of 'bumiputera-ism'
- * Challenge to move on and upgrade of economy