Impact of rising cost on low income communities in Sarawak, Malaysia

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Introduction

Steady economic growth in the last four decades in Malaysia has successfully resulted in a decline of poverty incidence from 52.4% in 1970 to 6.1% in 1997 (EPU 2002) though regional, ethnic and rural-urban disparities remained. However, due to the impact of the 1997 Asian Financial Crisis, poverty incidence rose for the first time to 8.5% in 1998 (EPU 2002). Nevertheless, the government managed to restore the economy by introducing strict fiscal policy, stimulating the market and stabilizing the financial market (JBIC 2001). Consequently, the incidence of poverty was reduced to 5.7% in 2004 and then to 3.6% in 2007 (EPU 2009a).

However, the recent spike of inflation threatens to push low income families in Malaysia below the poverty line. Based on Bank Negara Malaysia (2008) report, inflation rate in Malaysia as measured by Consumer Price Index has peaked in the third quarter of 2008. The inflation rate has moderated to 3.9% in January 2009 from its elevated level due mainly to the series of downwards fuel price adjustments by the government and more moderate increase in food prices (Bank Negara Malaysia 2009). However, declining inflation only means declining rate of increase of price level. The price level of goods and services remains very high and rising, implying continuously higher cost of living, even during recession. On the other hand, the Gross Domestic Product (GDP) growth rate in Malaysia in 2008 (at 2000 constant price) was 4.6%. Due to the recent global recession, the growth rate dropped drastically to -6.2% in the first quarter of 2009 and improved slightly to -3.9% in the second quarter of 2009 (Department of Statistics, 2009).

With this rising cost of living and declining growth rate, it is surmised that low income groups, particularly those with large families in urban areas, feel the pinch. According to studies conducted by Ragayah (2002, 2004) urban households were more affected by the rising commodity prices compared to those in rural areas as the latter were more able to diversify their income sources and to turn to local food production to cushion the effects of rising costs. The questions arise are: how does the high cost of living impact on the quality of life and the well-being of the low income families in the urban areas? How do they cope? What are the social support systems available to help tide them over this difficult period? Are the existing social safety nets available to them?

This paper examines the impact of the high cost of living on low income groups and families in the urban regions of Sarawak, Malaysia. The discussion is based on data obtained from a study conducted between January and June 2009 in and around the vicinity of the capital city Kuching and around the town centre of the Samarahan Division. The objectives of the study were to explore how low income families are affected by, and cope with, the rising cost of living, and whether existing social safety net programs are available to them. Purposive sampling was used to select and interview groups of people in the lower rung of occupation ladder, and whose incomes are below RM 2500.

Background to the Study

Previous studies have shown that in times of financial crisis such as in 1997- 98, urban households were more affected than the rural households (Ragayah 2002, 2004; Sity Daud 2000). Rural households have been able to diversify their income sources and even experienced an increase in net income, while urban households may face the threats of pay cuts and even retrenchment. In the face of price hikes in fixed cost necessities such as food and utilities, all households will suffer a loss in disposable income; however, low income urban households will suffer more a decline in their quality of life.

Based on this premise, a study was conducted between January and June 2009 in two urban regions of Sarawak: (1) the capital city Kuching and the sub-district Kota Pedawan,16 Km from Kuching), and (2) Kota Samarahan, a fast growing town 30 Km from Kuching and the administrative headquarter of Samarahan division. In terms of selecting the respondents, the revised 2005 PLI methodology of determining who are in the low income category is adopted. This means a household is considered poor if its income is less than its own PLI - which include food and non food expenditure in accordance with the family size and demographic composition. For instance, a household with family size of 12 members on a monthly income of RM2,280 can still be considered poor based on this 2005 PLI methodology. We also take into consideration the Department of Statistics household expenditure survey 1998/99 which revealed that the average expenditure per urban household was RM1,943 and RM1,270 per rural household (cited in CPPS, 2006). In addition, other studies in Malaysia have suggested a minimum of between RM1,000 – RM 1500 per month in order to live adequately, arguing that the current official figure underestimate the number of poor in the country (Goh, 2005; Nair, 2005). It is also noted that in Malaysia, in some context a distinction is made between those who are poor and those who are from low income groups. The former refers to those who live below the PLI, while for the latter a figure of RM 2000 – RM 2500 (CPPS, 2006). Therefore while the PLI of RM 860 for a family of five is used as a guide, a more flexible approach of selecting respondents from commonly known low earning occupational groups were selected, with the additional criteria that the family income fall below RM 2500 a month. The main aim was to explore how the rising cost affected their lives and how they coped with it.

Using a structured questionnaire and a purposive sampling procedure in order to elicit respondents from a range of different occupations and mix of gender, age groups and ethnicity, 478 respondents were interviewed. These occupational groups include construction workers, bus drivers, factory workers, cleaner, gardeners, domestic workers or childminders, mechanic, carpenter, petrol pump attendants and so on. In terms of their income, over half of them, 55.2 per cent (264 respondents) were drawing an income of between RM 501 and RM 1000. 15.9 per cent (76 respondents) were on an income of RM 500 and below. Almost all the 478 respondents (94.14 per cent) have dependents ranging from 1 to 12, some of these included their parents. The remaining 28 respondents who have no dependents are single; however, majority of them claimed that that they have to help support family, particularly ageing or ailing parents or younger siblings with part of their income.

Impact of Rising Cost on the Low Income Groups

In the main, the respondents interviewed revealed that they are affected by the rising cost. Data on their monthly expenditure before and after the rising cost (that is before January 2009) were obtained.

More than half of the respondents (52.2%) indicated that their total monthly expenses increased in the previous 6 months. 40.6 per cent reported that they had to reduce their total monthly expenses, while 7.2 per cent of the respondents said they tried to maintain the same total monthly expenditure. In both cases, they had to resort to cutting down on certain expenditure or to forgo some of the important expenses such as children's education, private medical care and entertainment expenses.

Many of them reported that one way they cut down their expenditure is by forgoing certain food items, for example protein-rich food and imported fruits. They also switched to cheaper brands of rice which they felt made a substantial difference when they have so many mouths to feed. It is apparent that they recognize that food is a necessity which they cannot forgo; however, it is not certain that whether cutting down on certain food items and switching to different food may sacrifice the nutritional needs of growing children.

Several respondents stated that they had to reduce the number of trips to go to town to buy their daily necessities in order to cut down fuel cost. A number of the respondents said that they could no longer send their children for tuition classes as they needed to spend for the more expensive basic necessities particularly food. Some families just ignored their children's requests to purchase stationeries or reference books as they could not afford those items. There were also a few respondents stating that they were unable to send their children to go to private clinics but had to wait in long queues in the general hospital to get treatment even though their children were very sick. Some had mentioned that they needed to work overtime or take up another job by sacrificing their rest hours in order to cope with the increasing living expenses. The following vignettes serve to highlight the difficulties experienced by respondents selected from different occupational category, from a mix of gender, ethnicity and age groups.

Kintok[1] a 50 year old man, who earn a living as a bus driver, typifies the plight of those with a big family size hard hit by the rising living expenses. With a monthly salary of RM680.00 and twelve dependents to support, he is particularly stretched. His monthly household expenditure amounts to RM980.00. On average, he needs to spend about RM500.00 monthly on food, RM180.00 for transportation, RM200.00 on other expenditure such as paying electricity and water bills, and RM100.00 for the children's education. He has no other alternative but to work additional hours, often up to 72 hours a week, so that he is able to use the overtime claim to help to support his large family particularly when the prices of almost all things are rising.

Another respondent Stanley, a 39 year old man is grateful for his wife who helps to earn extra income by taking up waitress job at the same coffee shop he works in so that they can cope with the rising living cost. As a drink-maker at the coffee shop, his monthly income of RM700 would not have been enough to support the family with three growing-up children aged 13, 10 and 9. Stanley's eldest son even works as a part-time worker at the same coffee shop when the shop needs more workers particularly during weekends. Stanley shared an unforgettable experience when their second son suffered asthma one time and they did not have any money left to bring him to see a doctor. His wife was forced to sell off her wedding ring for the son's medical expenses even though the ring has so much sentimental value to her.

Stanley's family situation highlights the lack of saving for low-income families who have to resort to sell off the valuables they have in times of rainy days. Another point arises is the accessibility of public health care, which is a recurring issue when we consider the needs for low income families.

The situation of Nyaweh, a 52-year old woman who earn RM500.00 a month working as a school cleaner, is most illustrative of a family in dire need for medical health care and income support. Nyaweh has to support her husband who could not work since 3 years ago due to pain at his right knee. She has to spend about RM1,000.00 every 6 months to purchase the medicine and needle to extract the unwanted fluid from his knee. Their adult children who have their own families to support are not providing them

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All names are pseudonym

with any financial support. Nyaweh and her husband grow their own vegetables and only buy and consume chicken or fish once every fortnight in order to cut down expenditure on food consumption. They had approached the Social Welfare Department for financial assistance but were always told to wait. During interview, Nyaweh expressed her loss of hope for any kind of assistance from government departments.

When asked whether they have approached any organisations for financial assistance or other forms of support, most replied in the negative Although they are aware of some of the financial assistance schemes provided by the Social Welfare Department, based on their knowledge, only those who are disabled or chronically sick are eligible. It appeared that any support, if any, is from within the families and local communities.

40 year old Peter who works as an office junior assistant in a private company, is appreciative of his mother's contribution in defraying the family food bill. Drawing a monthly income of RM 700.00 and having to support his wife and five children ranging from age 4 to 15, he is experiencing hardship to meet the rising cost. His mother in her late 60s, who lived with the family under the same roof (but having her own kitchen), is increasingly having to supplement the family food consumption with the small pension she received as widow of an ex-army officer.

Peter and his family's situation not only highlight the continued nurturance role played by older people in the family but also the need for income support for older people from low income families (Ling 2009).

The above scenarios are those with families, and may have misled us to think only those who are married with families are affected; on the contrary we found a number of young single persons who are having to support either parents and younger siblings, are also making ends meet.

Jamilah, a single woman aged 22, who completed her senior secondary school three years ago, finds difficulties to support herself and her 53 year-old mother with a monthly income of RM650.00 from her waitressing job. Her mother, suffering from diabetes, had recently stopped working as a cleaner. They have to move into a cheaper and smaller rented house after her mother lost her source of income. Her mother received treatment from a government polyclinic and was given medications every three months. However, according to Jamilah, the medication have not been able to last for three months and when they approached the polyclinic for more, the clinic refused to supply. This means that that she has to buy medicine from the pharmacy to relieve her mum from the severe pain. For Jamilah, this is at the expense of buying things for herself such as new clothes and expenses on mobile phone. Though she has thought of finding a part-time job or a higher-paid job in some other places to support the family increasing expenses, she has to give up the idea as no one is helping to care for her mother.

Mimie, aged 27, who works as a shop attendant earning RM700.00 per month, stated that she cannot survive with her income from one job alone. Supporting her two younger siblings who are not working and a mother who suffered knee-pain, Mimie cannot enjoy her leisure time as freely as others at her age. She has to work part-time during night time just to earn an extra RM350.00 in order to send remittance to her family staying back in the village. Mimie said that sometimes she has to forgo her meals so that she can save enough to send her money back to the village. Her rented room is getting more expensive; rising transportation cost meant that she goes back to her village less and less.

From above, it is evident that the rising cost of food and services has affected low income groups in the two urban regions covered in the study. They are the lower paid occupational groups, female headed households, migrants from rural to urban towns, and those with bigger and growing families, and ailing parents. Of concern is that for a number of people who are the sole breadwinner of the family, they have no other means of support but to work additional hours at the expense of their health. The risk to poor health is further compounded when quality health care (quite often equated with private health care) is beyond their means. Their children's educational performance may also be at stake as private tuition gets the slash when these children from the lower socio-economic strata are sometimes more in need of it. A lot of them claimed that they were in fact very unwilling to sacrifice those but they had no choice when facing the rising cost of living. The inaccessibility of facilities to help improve educational performance to receiving quality health treatment among the poor and poverty are undoubtedly mutually reinforcing, causing them and their children to slip into poverty; and further more breaking out of the poverty cycle appear unattainable.

In a number of respondents, it appears that that rising cost of living and the recent economic recession may have brought some positive impact to the lifestyle of some of them. The rising cost of all expenses have forced some of the respondents to reduced the purchase of cigarette and frequency of entertainment out at night, and consequently bring about wiser spending and a healthier lifestyle. Notwithstanding this, the predicament experienced by the respondents of this study raises a pertinent question related to the kind of social safety net programmes to cushion the impact of inflation for people in the low-income strata.

It is apparent from this study that although a number of Social Safety Net programmes are in place, either carried out through the federal or state government, some of these are not designed to catch those who may become vulnerable to fall into poverty as a result of rising cost of living. Many of the respondents did not know how they could access those assistances. Some are not even aware of the existence or availability of any kinds of assistance.

Yet the impact of rising cost of living on the low-income families has indeed taken a toll on their lives and has plunged them into poverty. This situation has already been noted in previous studies related to the 1997-1998 financial crisis which exposed the inadequacy of the existing social protection systems to protect those at the borderline of the PLI (Ragayah 2002; 2004; Sity Daud 2000). The greater vulnerability of the urban poor and low-income groups warrant a number of policy approaches in extending social safety nets to them. This is particularly crucial to avoid the worsening income gap between the rich and the poor, especially due to the rising cost of living.

Even though the government had announced the increased allocation of the budget for the Social Safety Net (SSN) that covers welfare, medical, unemployment benefit, care centres and even subsidies to help those in need under the Malaysia 2009 Budget, the aids were not widely known by the public especially the disadvantaged groups in Sarawak. The increase of allocation of Social Safety Net (SSN) Programme in

2009 to RM800 million, an increase of RM500 million, compared with only RM300 million in 2007 and 2008 intended to benefit 110,000 families all over the country (The Star 2009) will need to be strategically implemented and monitored.

In addition, a fairer and more transparent system in executing the SSN program is deemed critical to ensure that people from different states within Malaysia and within both rural and urban regions of all states and regardless of ethnicity of people are receiving the kind of assistance they need.

Any successful social safety net programmes must not only contribute to poverty reduction, but must also be able to address the vulnerability of those at risk of falling into poverty. As noted in this study, the rising cost of living in 2008 and 2009 has pushed certain number of people into hardship as they are not eligible for the kinds of assistance either from Welfare Department or other related agencies which uses PLI as cut off point for eligibility. It is of urgency that PLI be redefined in order to reflect the rising cost of living. A per capita income rather than a household income is also recommended particularly considering there are families with more than 5 members as well as the presence of extended families living together in the same household.

The social safety net will involve the participation of the Finance Ministry, the Women, Family and Community Development Ministry, Education Ministry, Health Ministry, Housing and Local Government ministry, Agriculture and Agro Based Industry Ministry and the Rural and Regional Development Ministry. Since there are many ministries involved, coordination among the ministries is deemed crucial to ensure the successful implementation of social safety net program. Without concerted efforts at various levels, the vision of the Ninth Malaysian Plan (EPU 2009b)) to fully eradicate hardcore poverty from 1.2% in 2004 to 0% by 2010, and reducing poverty from 5.7% to 2.8% may become an illusion. Similarly for Sarawak, the target to fully eradicate hardcore poverty from an average of 1.1% to 0% (out of this urban hardcore poor constitutes 0.1%) (SPU 2008) will be unattainable.

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