

REFSA BRIEF

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Uncovering the Plight of Low-Income Malaysia



Executive Summary

- The need for stronger social protections for Malaysia's low-income households existed well before the current, coronavirus-driven economic slowdown.
- Malaysia's existing system of direct financial assistance, Bantuan Sara Hidup (BSH), is flawed in two ways:
 - It is geographically-uniform and does not take into consideration differences in the cost of living across states or across the rural-urban divide within each state.
 - The level of support it provides low-income households is far from sufficient to act as an effective safety net.
- To prove this, living wages are first estimated for households of varying size in rural and urban areas of each state. These highlight significant disparities in the monthly income required for households to enjoy the 'minimum acceptable standard of living' across Malaysia, from as low as RM3,895 for a four-person household in rural Kelantan to a peak of RM6,500 for the same household in the federal territories of Kuala Lumpur and Putrajaya.
- Due to the absence of raw household- or individual-level data, as well as limitations in the data that is available, this paper contrasts living wage requirements against median household income and median wages, as reported by the Department of Statistics in its Household Income and Expenditure Survey, and Salaries and Wages Survey, respectively. This exercise indicates that in many states, even the median household earns significantly less than the living wage – households below the median of Malaysia's income distribution would have a much larger income shortage.
 - In conjunction with other evidence of the prevalence of both absolute and relative poverty across the country, this analysis issues a strong argument for the need for the provision of a stronger system of social protections in Malaysia.
- The Malaysian government should embark on the twin strategies of revamping its existing welfare policies and putting forward policies that stimulate job and wage growth in strategic and forward-looking sectors.
 - Possible solutions include the provision of a targeted and tiered monthly basic income which varies by spatial costs of living, increases in the minimum wage and general wage levels, and public investment which culminates in the creation of jobs in the education and healthcare sectors, as well as in industries that comprise the green economy.

Introduction

Recent events have exposed and exacerbated the need for strong systems of social protection. With the global economy slowing, governments have been forced to take steps to cushion blows faced by households and businesses. In Malaysia, direct household aid has come in the form of a litany of measures, including cash handouts (to some 80% of households), electricity bill discounts, and rental waivers for some residents of public housing, amongst others. A number of business support measures, particularly those aimed at preserving jobs, are also likely to also have indirect, positive effects on household welfare. While these measures are primarily intended to tide households over throughout the current economic slowdown, this paper shows that the need for stronger social protections – and higher wages – for Malaysia's lower-income households existed well before the pandemic struck.

The pandemic and ensuing economic lockdown are also likely to have reinforced another, already growing concern: inequality¹. Upper- and middle-income earners are far likelier to have maintained employment and wages than low-income earners, including hourly workers and those in the informal economy. With unemployment at a thirty-year record, it is imperative that the Malaysian government provides a strong social safety net for its low-income households and takes steps which limit the potential effects of the pandemic on economic inequities within the country.

Malaysia's existing welfare system manifests itself in many forms, including subsidies, price controls for essential goods, public education, healthcare, and housing, unemployment insurance, pensions, and direct financial assistance. Most relevant to the context of this paper is the latter, which was introduced in Malaysia in 2012 as Bantuan Rakyat 1Malaysia (BR1M). Since rebranded Bantuan Sara Hidup (BSH), this tiered, progressive system provides direct cash transfers to roughly 3.8 million households who comprise the bottom 40% (B40) of the income distribution. These transfers vary in quantity by household income and are listed in Table 1.

Table 1: Annual BSH Aid, 2019 and 2020²

Monthly Household Income	Annual Baseline BSH Allocation	Additional Notes
RM0 to RM2,000	RM1,000	RM120 per child, up to four children
RM2,001 to RM3,000	RM750	
RM3,001 to RM4,000	RM500	

The rest of this paper progresses as follows. First, weaknesses are highlighted in the existing BSH policy. Second, living wages requirements are estimated across the rural-urban divide of each state, which expose further BSH's weaknesses as a method to improving the welfare of low-income households. Finally, attempts are made to contrast living wages with actual income, a process made tricky by severe data limitations. This process nonetheless uncovers sufficient evidence that even in the pre-pandemic world, many households earned less than their required living wage – a situation only likely to have since worsened.

The Shortcomings of BSH

While a progressive system, there are two crucial shortcomings to BSH in its current form. First, it does not take into account spatial differences in the cost of living³. These vary widely across Malaysia's thirteen

¹ For extensive discussions on the prevalence of inequality in Malaysia in recent decades, refer to [Buell \(2019\)](#), [Khazanah Research Institute \(2016\)](#), [Lee & Khalid \(2016\)](#), [Ragayah \(2008\)](#), and [Tey et al \(2019\)](#). While the reduction of inequality is an important and related policy outcome, it is beyond the immediate scope of this paper.

² [Inland Revenue Board of Malaysia \(2019\)](#)

³ Neither does the minimum wage policy, of RM1,200 per month in urban and RM1,100 in rural areas.

states and three administrative regions. The cost of a basic consumption basket varies by up to 70% across Malaysia⁴, with the lowest costs found in rural Kelantan and highest in the federal territories of Kuala Lumpur (KL) and Putrajaya. An overview of these spatial price disparities is presented in Table 2. With clear and significant disparities in the cost of living both across states and the rural-urban divide, a geographically-uniform approach to financial assistance is likely to be inefficient, since it ignores the higher costs in more expensive regions of the country. If wages in these areas are not high enough to compensate for the higher costs of living, households living in expensive areas are likely to be underserved by BSH.

Table 2: Spatial Price Index (SPI), PLI Consumption Basket

State	Urban	Rural
Johor	78.97%	68.30%
Kedah	73.40%	66.27%
Kelantan	68.06%	59.92%
Malacca	77.95%	69.08%
N Sembilan	74.90%	73.10%
Pahang	76.69%	69.32%
Penang	84.30%	75.13%
Perak	73.40%	66.75%
Perlis	70.34%	66.03%
Sabah	89.10%	85.80%
Sarawak	83.76%	77.95%
Selangor	85.80%	73.10%
Terengganu	74.42%	70.04%
WP Kuala Lumpur and Putrajaya	100%	-
WP Labuan	89.10%	85.80%

Source: World Bank (2019)
PLI: Poverty Line Income

A second drawback of the existing BSH system is that the quantity of aid currently provided, as will be shown later in this paper, is insufficient to assist households in reaching the levels of income required to achieve 'decent' living standards, as defined by the living wage metric. This situation will only worsen given the current economic slowdown.

It is consequently important to determine the levels of aid required for welfare policies to play a better role improving the livelihoods of lower-income households. Being mindful of spatial differences in the cost of living across the country would allow these policies to be more efficient and less wasteful. A useful target would be to bring households closer to achieving a 'living wage' income. A study conducted by Bank Negara Malaysia focuses on developing estimates of living wages in KL. It aims to determine the 'minimum acceptable standard of living' which in addition to allowing Malaysians to afford necessities should also allow for 'the ability to meaningfully participate in society, the opportunity for personal and family development, and freedom from severe financial stress'⁵. These estimates, covering households of varying size, are provided in Table 3.

⁴ World Bank (2019)

⁵ Bank Negara Malaysia (2018)

Table 3: Monthly Living Wage Estimates for KL

Household Type		Monthly Living Wage Estimates
		<i>BNM (2018)</i>
1	Single	RM 2,700
2	Couple	RM 4,500
4	Couple with two children ⁶	RM 6,500

Establishing Living Wages Across Malaysia

In order to estimate living wages in other states and territories across Malaysia, the spatial price index is applied to BNM's living wage estimates for KL. Calculations are provided for single, two-, and four-person households, and the results of this exercise, segregated into rural and urban monthly living wages across each state, are presented in Table 4.

Table 4: Monthly Living Wages Across Malaysia for Household Sizes of 1, 2, and 4

State	Living Wage (RM)					
	Single		Couple		Couple with two children	
	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>	<i>Urban</i>	<i>Rural</i>
WP Kuala Lumpur	2,700	N/A	4,500	N/A	6,500	N/A
WP Putrajaya	2,700	N/A	4,500	N/A	6,500	N/A
Sabah	2,406	2,317	4,009	3,861	5,791	5,577
WP Labuan	2,406	2,317	4,009	3,861	5,791	5,577
Selangor	2,317	1,974	3,861	3,289	5,577	4,751
Penang	2,276	2,029	3,794	3,381	5,480	4,884
Sarawak	2,262	2,105	3,769	3,508	5,445	5,067
Johor	2,132	1,844	3,554	3,074	5,133	4,440
Malacca	2,105	1,865	3,508	3,109	5,067	4,490
Pahang	2,071	1,872	3,451	3,120	4,985	4,506
N Sembilan	2,022	1,974	3,370	3,289	4,868	4,751
Terengganu	2,009	1,891	3,349	3,152	4,837	4,553
Perak	1,982	1,802	3,303	2,982	4,771	4,307
Kedah	1,982	1,789	3,303	3,004	4,771	4,339
Perlis	1,899	1,783	3,165	2,971	4,572	4,292
Kelantan	1,838	1,618	3,063	2,696	4,424	3,895

Note: These living wage estimates should be treated as approximations: using the SPI to infer living wages across states and strata is an imperfect process since the reference baskets of goods and services across the two metrics vary. Further, the SPI compares a single reference basket across state and strata, whereas the reference baskets used to estimate the living wage vary by household size and composition. In the absence of the data that would be required to make more accurate estimations of the living wage, however, this is amongst the set of next-best approximations.

For urban singles, monthly living wages range from RM1,838 in Kelantan (153% of the minimum wage) to RM2,700 (225%) in the federal territories of KL and Putrajaya, while for singles in rural areas the range is smaller: from RM1,618 (147%) in Kelantan to RM2,317 (210%) in Labuan and Sabah. Living wage requirements are generally higher in East Malaysia partly due to additional logistical and supply-chain costs, even for goods ultimately produced there. As a result, both Sabah and Sarawak (as well as Labuan) appear high in this list despite having amongst the lowest rates of urbanisation in the country.

⁶ For the remainder of the paper, emphasis is placed primarily on households of size four, since this is most reflective of the average household size in many states across the country.

As household sizes increase, the absolute disparities in living wages across the country are much larger. For four-person households, loosely reflective of the size of the average household in Malaysia, urban living wages range from RM4,424 (Kelantan) to RM6,500 in KL and Putrajaya. In rural areas this disparity is only slightly smaller, at almost RM1,700 per month. These gaps are a reminder of the significant differences in income requirements across the country, lending support to the argument that, should they be required, welfare policies (and the minimum wage, for that matter) would do well to address the differing underlying conditions faced by households.

Aside: The Challenges of Data Limitations in Malaysia

Drawing evidence-based conclusions about on-ground realities in Malaysia using these living wage estimates is tricky, only because of severe data limitations. Malaysia's Department of Statistics (DOSM) does not provide even a sample of the raw household or individual income data that would be required to produce a consistent comparison between actual income and these living wage estimates. As a result, it is almost impossible to measure with a significant degree of certainty the share of households in Malaysia who, for example, earn less than their required living wage. Other examples of data not publicly available that would have been of use in this and similar studies – and which can inform public policy discussions more broadly – include mean and median household and individual income data by strata across states, and the number of households of varying size by strata across states. More generally, Malaysia's restrictive data access regime poses a major threat to the development of evidence-based policy. For a general overview of Malaysia's open data ecosystem and recommendations for reform, see [Yap \(2019\)](#).

Contrasting Living Wage Estimates with the Malaysian Reality

A key question that now remains is how these living wages estimates contrast with reality, and in this section attempts are made to compare living wages with actual household-level income. Due to data limitations, this is tricky. Raw individual- or household-level income data is not publicly available. The best available data to conduct such a comparison come from the summary statistics provided by DOSM in its biennial Household Income and Expenditure Survey (HIES), as well as the Salaries and Wages Survey Report (SWS), the last of which was conducted in 2018. These data, however, are still imperfect for two reasons.

First, household income data provided in the HIES is inclusive of non-wage income, such as capital income and transfers (e.g. BSH), whereas the living 'wage' is strictly concerned with the monetary requirement for a specific household to attain BNM's definition of an 'acceptable' standard of living, regardless of the sources of such income. There is clearly a discrepancy between what these two metrics encompass, but analysing household income through the lens of the living wage does still offer some insights. Should total household income fall short of the living wage, it is almost certain that salaries will too, which is something that can be confirmed or refuted by the SWS data. And if the assumption is made that lower-income households earn most (or all) of their income from wages, any discrepancy between the two metrics would be insignificant. Second, while the salary data provided in the SWS does offer breakdowns of the mean and median salary by state and strata, it does not go as far as to provide them together (i.e. the data does not allow a comparison between mean and median salaries across rural and urban areas of any one given state). Steps therefore must be taken in this study to allow for a rough approximation of the salary differential across strata within the same state; these steps will be described later.

Taken together with other analyses of income, poverty, and inequality across the country, the ultimate aim of this section is to re-establish support for the idea that low-income Malaysia is indeed struggling, and in order to raise the standards of living enjoyed by low-income Malaysian households, welfare transfers and wages both need to increase.

To start with, Table 5 reports urban household income distributions by state; Table 6 does the same for rural households. These data reveal the stark disparities in income levels across states, with median urban household income ranging from a low of RM3,000–3,999 in Kelantan to RM9,000–9,999 in KL, while in rural areas these range from a low of RM2,000–2,999 in Kelantan and Sarawak to a high of RM5,000–5,999 in Selangor and Labuan.

Table 5: Monthly Urban Household Incomes for the 15th to 50th Percentile of Each State

State	Income Range, in RM, for each Percentile Rank						
	15 th	20 th	25 th	30 th	35 th	40 th	50 th (Median)
Johor	3,000 to 3,999			4,000 to 4,999		5,000 to 5,999	6,000 to 6,999
Kedah	2,000 to 2,999				3,000 to 3,999		4,000 to 4,999
Kelantan	2,000 to 2,999					3,000 to 3,999	
Malacca	3,000 to 3,999			4,000 to 4,999			5,000 to 5,999
N Sembilan	2,000 to 2,999		3,000 to 3,999			4,000 to 4,999	
Pahang	2,000 to 2,999	3,000 to 3,999					4,000 to 4,999
Penang	3,000 to 3,999				4,000 to 4,999		5,000 to 5,999
Perak	2,000 to 2,999			3,000 to 3,999			4,000 to 4,999
Perlis	2,000 to 2,999			3,000 to 3,999			4,000 to 4,999
Sabah	2,000 to 2,999			3,000 to 3,999			4,000 to 4,999
Sarawak	2,000 to 2,999	3,000 to 3,999			4,000 to 4,999		5,000 to 5,999
Selangor	4,000 to 4,999			5,000 to 5,999		6,000 to 6,999	7,000 to 7,999
Terengganu	3,000 to 3,999				4,000 to 4,999		5,000 to 5,999
WP KL	4,000 to 4,999	5,000 to 5,999	6,000 to 6,999	7,000 to 7,999	8,000 to 8,999	9,000 to 9,999	
WP Labuan	3,000 to 3,999		4,000 to 4,999			5,000 to 5,999	
WP Putrajaya	5,000 to 5,999		6,000 to 6,999		7,000 to 7,999		8,000 to 8,999

Source: DOSM (2017)

Table 6: Monthly Rural Household Incomes for the 15th to 50th Percentile of Each State

State	Income Range, in RM, for each Percentile Rank						
	15 th	20 th	25 th	30 th	35 th	40 th	50 th (Median)
Johor	2,000 to 2,999		3,000 to 3,999			4,000 to 4,999	
Kedah	0 to 1,999			2,000 to 2,999		3,000 to 3,999	
Kelantan	0 to 1,999				2,000 to 2,999		
Malacca	2,000 to 2,999		3,000 to 3,999			4,000 to 4,999	
N Sembilan	0 to 1,999	2,000 to 2,999			3,000 to 3,999		
Pahang	2,000 to 2,999				3,000 to 3,999		
Penang	2,000 to 2,999		3,000 to 3,999			4,000 to 4,999	
Perak	0 to 1,999		2,000 to 2,999			3,000 to 3,999	
Perlis	2,000 to 2,999			3,000 to 3,999		4,000 to 4,999	
Sabah	0 to 1,999		2,000 to 2,999			3,000 to 3,999	
Sarawak	0 to 1,999			2,000 to 2,999			
Selangor	2,000 to 2,999		3,000 to 3,999		4,000 to 4,999		5,000 to 5,999
Terengganu	2,000 to 2,999		3,000 to 3,999		3,000 to 3,999		4,000 to 4,999
WP Labuan	2,000 to 2,999		3,000 to 3,999		4,000 to 4,999		5,000 to 5,999

Source: DOSM (2017)

Due to the absence of raw, individual unit-level data, however, it is impossible to contrast actual household income with the estimated living wage for households of any given size without making numerous, potentially contentious assumptions. To circumvent this, the approach taken in this study involves

comparing incomes of households at the median of the income distribution in each state and strata against the relevant living wage requirements for four-person households. This is useful in that it provides a rough gauge of how the bottom 50% is doing relative to the living wage, provided the assumption holds that the median household does not differ significantly in size from a household of four.

Another shortcoming of the HIES data is apparent when considering Tables 7 and 8, which attempt to compare living wages with median household income in urban and rural areas respectively. The HIES data does not reveal exactly what the median income is across states and strata; instead, it provides income levels in RM1,000 brackets, as well as the share of the population within each bracket. This means that when comparisons are conducted between household income and the living wage, it is possible for the latter to fall within the range of the former (for example, the estimated living wage for a household of four in urban Kedah is RM4,771, while the median income range in urban Kedah is somewhere between RM4,000 and RM4,999). This means that it is possible for the true median income to fall either above or below the living wage, but due to the limited nature of the available data it is impossible to infer which the case might be in reality.

Nevertheless, it is only in the urban areas of five states or territories that living wage requirements are lower than the median income range: Johor, KL, Putrajaya, Selangor, and Terengganu. This in itself is reason for concern, since even in states where the living wage requirement is within the median income range, it is possible for median income to fall at the lower end of a particular range, and thus fall below the living wage. In rural areas, the situation is strictly worse, with only the median household in rural Selangor earning more than the required living wage.

Table 7: Comparing Median Monthly Income with Living Wages for Four-Person Urban Households

State	Median Income Range (in RM)	Living Wage Requirement (in RM)	Living Wage Requirement Relative to Median Income
Johor	6,000 to 6,999	5,133	Lower
Kedah	4,000 to 4,999	4,771	Within
Kelantan	3,000 to 3,999	4,424	Higher
Malacca	5,000 to 5,999	5,067	Within
N Sembilan	4,000 to 4,999	4,868	Within
Pahang	4,000 to 4,999	4,985	Within
Penang	5,000 to 5,999	5,480	Within
Perak	4,000 to 4,999	4,771	Within
Perlis	4,000 to 4,999	4,572	Within
Sabah	4,000 to 4,999	5,791	Higher
Sarawak	5,000 to 5,999	5,445	Within
Selangor	7,000 to 7,999	5,577	Lower
Terengganu	5,000 to 5,999	4,837	Lower
WP KL	9,000 to 9,999	6,500	Lower
WP Labuan	5,000 to 5,999	5,791	Within
WP Putrajaya	8,000 to 8,999	6,500	Lower

Table 8: Comparing Median Monthly Income with Living Wages for Four-Person Rural Households

State	Median Income (in RM)	Living Wage (in RM)	Living Wage Relative to Median Income
Johor	4,000 to 4,999	4,440	Within
Kedah	3,000 to 3,999	4,339	Higher
Kelantan	2,000 to 2,999	3,895	Higher
Malacca	4,000 to 4,999	4,490	Within
N Sembilan	3,000 to 3,999	4,751	Higher
Pahang	3,000 to 3,999	4,506	Higher
Penang	4,000 to 4,999	4,884	Within
Perak	3,000 to 3,999	4,307	Higher
Perlis	4,000 to 4,999	4,292	Within
Sabah	3,000 to 3,999	5,577	Higher
Sarawak	2,000 to 2,999	5,067	Higher
Selangor	5,000 to 5,999	4,751	Lower
Terengganu	4,000 to 4,999	4,553	Within
WP Labuan	5,000 to 5,999	5,577	Within

Next, the same comparison is conducted using data from the SWS. This allows for a more straightforward, apples-to-apples comparison between two strictly wage-based measures: the living wage requirement, and actual wages. As mentioned earlier, however, the available data has one major shortcoming in the context of this study: it does not provide an explicit distinction between the median salary earned in rural and urban areas of any one state. It does, however, provide data for the median salary, by gender, in rural and urban areas across the country as a whole, and the median salary, by gender, across states (though not across strata). This data is reproduced in Table 9.

Table 9: Median Monthly Wages by State and Strata, 2017

Location	Median Wage (in RM)	
	Male	Female
Rural	1,527	1,339
Urban	2,464	2,316
National Average	2,342	2,227
Johor	2,556	2,104
Kedah	1,760	1,533
Kelantan	1,604	1,605
Melaka	2,382	2,154
N Sembilan	2,442	2,137
Pahang	2,140	1,967
Penang	2,241	2,082
Perak	1,935	1,640
Perlis	2,011	1,959
Selangor	2,888	2,549
Terengganu	1,860	1,903
Sabah	1,947	1,964
Sarawak	2,063	1,952
WP KL	2,963	2,930
WP Labuan	2,513	2,024
WP Putrajaya	3,849	3,563

Source: DOSM (2019)

Across the country as a whole, urban wages are significantly higher than those in rural areas, and because of the disproportionate share of individuals residing in urban areas⁷, median wages track closely to those in cities. On average, urban males earn 61.4% more than their rural counterparts, and urban females 73% more than theirs; the average male (across both strata) earns 53.4% more than a rural male, while the average female earns 66.3% more than the average female.

In order to make up for the aforementioned limitations in this data as well as account for the fact that salaries in rural areas are necessarily lower than in cities, in Table 10 efforts are made to estimate rural and urban wages across each state based on the median wage differentials observed across strata in the country as a whole. **Two scenarios are put forward. The first assumes that median urban wages are 1.05x that of each state's median wage (across gender) while median rural wages are 0.65x that of the median (again, across gender). This is representative of the differential between strata across the country as a whole. The second of these scenarios is more optimistic, and assumes median urban wages are 1.1x that of each state's median wage, while median rural wages are 0.7x the median.** While the actual rural-urban wage disparities might vary in scale across states, in the absence of more detailed data it is impossible to predict exactly what the differentials are across states.

Table 10: Adjusted Median Monthly Wages by State, Strata, and Gender

State	Adjusted Wages, Scenario 1 (1.05x; 0.65x)				Adjusted Wages, Scenario 2 (1.1x; 0.7x)			
	Urban		Rural		Urban		Rural	
	Male	Female	Male	Female	Male	Female	Male	Female
Johor	2,684	2,209	1,661	1,368	2,812	2,314	1,789	1,368
Kedah	1,848	1,610	1,144	996	1,936	1,686	1,232	996
Kelantan	1,684	1,685	1,043	1,043	1,764	1,766	1,123	1,043
Malacca	2,501	2,262	1,548	1,400	2,620	2,369	1,667	1,400
N Sembilan	2,564	2,244	1,587	1,389	2,686	2,351	1,709	1,389
Pahang	2,247	2,065	1,391	1,279	2,354	2,164	1,498	1,279
Penang	2,353	2,186	1,457	1,353	2,465	2,290	1,569	1,353
Perak	2,032	1,722	1,258	1,066	2,129	1,804	1,355	1,066
Perlis	2,112	2,057	1,307	1,273	2,212	2,155	1,408	1,273
Selangor	3,032	2,676	1,877	1,657	3,177	2,804	2,022	1,657
Terengganu	1,953	1,998	1,209	1,237	2,046	2,093	1,302	1,237
Sabah	2,044	2,062	1,266	1,277	2,142	2,160	1,363	1,277
Sarawak	2,166	2,050	1,341	1,269	2,269	2,147	1,444	1,269
WP KL	3,111	3,077	-	-	3,259	3,223	-	-
WP Labuan	2,639	2,125	1,633	1,316	2,764	2,226	1,759	1,316
WP Putrajaya	4,041	3,741	-	-	4,234	3,919	-	-

The results presented in Table 10 are then used to build models of income for households of size four (i.e. a male and female couple with two children) as well as two (a couple) across strata in each state, and compared against living wages. The results of this exercise are presented in Tables 10 and 11 respectively. Given the assumption that four-person households are comprised of a couple with two children, their median wage is derived by simply combining the wages of the male and female income earners, depending on their respective state and strata of occupation. For couples, household income is assumed to be the same, since this household is assumed to comprise of a working male and a working female (without children). Naturally, then, one would expect two-person households to be more likely to earn a living

⁷ As of 2019, close to 80% of the Malaysian population lived in cities.

wage than four-person households. This is borne out in Tables 11 and 12, where median household wages are contrasted with living wage requirements.

Table 11: Comparing Median Monthly Household Wages with Living Wages for Four-Person Households

State	Median Household Salary (RM)				Living Wage – Median Household Salary (RM)			
	Scenario 1		Scenario 2		Scenario 1		Scenario 2	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Johor	4,893	3,029	5,126	3,157	(240)	(1,411)	(7)	(1,283)
Kedah	3,458	2,140	3,622	2,228	(1,313)	(2,199)	(1,149)	(2,111)
Kelantan	3,369	2,086	3,530	2,166	(1,055)	(1,809)	(894)	(1,729)
Malacca	4,763	2,948	4,990	3,068	(304)	(1,542)	(77)	(1,423)
N Sembilan	4,808	2,976	5,037	3,098	(60)	(1,775)	169	(1,653)
Pahang	4,312	2,670	4,518	2,777	(673)	(1,836)	(467)	(1,729)
Penang	4,539	2,810	4,755	2,922	(941)	(2,074)	(725)	(1,962)
Perak	3,754	2,324	3,933	2,421	(1,017)	(1,983)	(839)	(1,887)
Perlis	4,169	2,581	4,367	2,681	(404)	(1,712)	(205)	(1,611)
Selangor	5,709	3,534	5,981	3,678	(82)	(2,043)	190	(1,899)
Terengganu	3,951	2,446	4,139	2,539	(1,494)	(2,621)	(1,306)	(2,528)
Sabah	4,107	2,542	4,302	2,640	(1,470)	(2,209)	(1,275)	(2,112)
Sarawak	4,216	2,610	4,417	2,713	(621)	(1,943)	(421)	(1,840)
WP KL	6,188	-	6,482	-	(312)	-	(18)	-
WP Labuan	4,764	2,949	4,991	3,075	(1,027)	(2,628)	(800)	(2,502)
WP Putrajaya	7,783	-	8,153	-	1,283	-	1,653	-
Average Monthly Shortage/Surplus					(608)	(1,985)	(386)	(1,642)
Average Annual Shortage/Surplus					(7,298)	(23,815)	(4,627)	(19,700)

Table 12: Comparing Median Monthly Household Wages with Living Wages for Two-Person Households

State	Median Household Salary				Living Wage – Median Household Salary			
	Scenario 1		Scenario 2		Scenario 1		Scenario 2	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Johor	4,893	3,029	5,126	3,157	1,339	(45)	1,572	83
Kedah	3,458	2,140	3,622	2,228	155	(863)	319	(775)
Kelantan	3,369	2,086	3,530	2,166	307	(610)	467	(530)
Malacca	4,763	2,948	4,990	3,068	1,255	(160)	1,482	(41)
N Sembilan	4,808	2,976	5,037	3,098	1,438	(313)	1,667	(191)
Pahang	4,312	2,670	4,518	2,777	861	(450)	1,067	(343)
Penang	4,539	2,810	4,755	2,922	746	(571)	962	(459)
Perak	3,754	2,324	3,933	2,421	451	(658)	630	(562)
Perlis	4,169	2,581	4,367	2,681	1,003	(391)	1,202	(290)
Selangor	5,709	3,534	5,981	3,678	1,848	245	2,120	389
Terengganu	3,951	2,446	4,139	2,539	602	(706)	791	(613)
Sabah	4,107	2,542	4,302	2,640	97	(1,319)	293	(1,221)
Sarawak	4,216	2,610	4,417	2,713	446	(898)	647	(795)
WP KL	6,188	-	6,482	-	1,688	-	1,982	-
WP Labuan	4,764	2,949	4,991	3,075	755	(912)	981	(786)
WP Putrajaya	7,783	-	8,153	-	3,283	-	3,653	-
Average Monthly Shortage/Surplus					1,017	(547)	1,240	(383)
Average Annual Shortage/Surplus					12,205	(6,559)	14,875	(4,601)

The results paint a concerning picture, even under the more optimistic second scenario. For four-person households, median household wages fall short of the living wage requirement in almost every location analysed, with the exceptions of the urban areas Negeri Sembilan and Selangor (where households earn no more than RM190 more than the living wage each month, but only under Scenario 2), as well as Putrajaya. In fact, the results indicate that it is only in Putrajaya that median household wages are comfortably higher than the living wage requirement. In rural areas, the situation is worse still, just as it was when the HIES data was considered. In all states, median household wages are lower than the living wage requirement. All this is confirmed by the average shortages seen across state and strata; even under Scenario 2, the median urban household is almost RM400 short of attaining the living wage each month (or over RM4,600 annualised), while the median rural household is over RM1,600 short of reaching its living wage requirement every month (or RM19,700 annualised).

For two-person urban households, the situation is better. Even under Scenario 1, the median household earns more than their living wage requirement – although in some states, such as Sabah, Kedah, and Kelantan, the ‘surplus’ isn’t significant. This positive outlook isn’t shared by households in rural areas, however. In all states, except Johor and Selangor under Scenario 2, the median household earns less than the living wage. On average, these households have a monthly shortage of over RM500 under Scenario 1 and just under RM400 under Scenario 2. This, combined with the analysis of four-person households, indicates that rural wages are significantly lower than they should be.

An important point to note at this stage is that these analyses are contrasting living wage requirements with the *median* household income or wage. Even then, many households are postulated to be struggling. For households lower down in the income distribution⁸, estimated income shortages will be larger still. Recalling that BSH offers a maximum transfer of RM1,240 per year to the lowest-income four-person households⁹ in the country, the income shortages estimated in Tables 11 and 12 offer evidence that these transfers are both insignificant and insufficient, since the median four-person household living in an urban area is itself between RM4,600 and RM7,300 short of attaining a living wage on an annual basis. BSH does little, then, to bring a family in the B20 of Malaysia’s income distribution closer to attaining the acceptable standard of living defined by BNM’s living wage metric. In order to build a strong and robust social safety net for low-income Malaysians, more impactful and generous measures will be required.

Concluding Thoughts and Policy Recommendations

This paper had two major objectives: to highlight the inefficiency and insufficiency of the existing BSH framework, and provide evidence that low-income households earn less than their required living wages. Estimating living wages across the rural-urban divide across each state and contrasting these with data on median household income as well as wages provides irrefutable evidence of a significant number of households – even at the median of Malaysia’s income distribution – who do not meet the ‘minimum acceptable standard of living’ implied by the living wage metric.

Policymakers must step in to address this issue, and play a more substantial role improving the standards of living faced by lower-income households. It should do this through both welfare policies and labour market interventions. Transfers under the BSH mechanism should be increased dramatically; repurposing the program as a targeted monthly basic income would be a good first step. It should also be designed in a manner which reflects the sizeable differences in the spatial costs of living across the country. Labour market interventions, meanwhile, are necessary in order to elevate the general level of wages. The minimum wage, currently no more than RM1,200 per month in Peninsular Malaysia, should be increased

⁸ See Joshi (2020) for an overview of Malaysia’s income distribution.

⁹ Again, assuming that the four-person household is comprised of two working adults and two children.

and also vary by location. The government should also invest heavily in creating jobs across the skills spectrum in strategic sectors, such as education, healthcare, and the green economy. In addition to boosting employment and wages, such action can serve to future-proof the Malaysian workforce.

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