

URBAN POVERTY IN MALAYSIA: EMERGING CHALLENGES AND POLICY DIMENSIONS

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ABSTRACT

This paper examines urban poverty in Malaysia beginning with a review of Urban Poverty theories and goes on to discuss definitions and measurement of urban poverty. The challenges facing urban poverty in Malaysia arise from the definition and measurement of poverty based on the Poverty Line Income (PLI). The PLI is very limited in its applicability to Urban Poverty given that Urban Poverty is multidimensional in nature and goes beyond the condition of not having enough income and other means to meet basic needs. Urban poor households generally tend to have higher incomes than rural poor households. However despite having higher incomes, the urban poor cannot live decent lives, because their higher incomes are taken away by a number of additional (often urban specific) costs. The urban poor are thus vulnerable to multiple deprivations which are interwoven

Urban poverty is deep rooted and arises from a host of factors such as low educational and skill levels, low status employment and low incomes; poor housing and limited access to basic amenities; and high levels of stress and the daily struggle to eke out a living. Policy efforts are therefore needed to address seriously and responsibly the underlying causes of urban-poverty and neglect of marginalized communities so the development efforts do not continue to elude them.

Keywords: Urban poverty Malaysia, Policy dimension, emerging challenges.

1. INTRODUCTION

According to World Bank (2013) an additional 2.7 billion people between now and 2050 will be moving to urban areas in search of greener pastures and the bulk of them will be living in slumps (UN Habitat, 2012). A report by United Nation Population Division (2008), says that less developed regions will account for 80 per cent of the world's urban population by 2030. A natural consequence of such a huge migration is the emerging issues of urban poverty due mostly to policy failure. It is recognized that urban and rural poverty are interrelated and overall success of poverty eradication programmes requires a balanced approach.

Malaysia has transformed from an agricultural based to an industrial economy with remarkable growth. For the period 1991-1997 alone the private consumption expenditure, a component of GDP, increased strongly at an average annual rate of 7.4% in real terms in line with the trend in real income growth of 8.7% (Economic Report 2006/2007) and the urban population increased by 32.9% in the same period and within 2011, 72.68% of the population are urbanites (UN, World Urbanization Prospects, 2011/2012). Private enterprise, the driver of the economy supported by soundly managed public sector, with equally impressive growth and an impressive export of manufactured goods and an equally impressive FDI has made a difference to the country's economy. This has brought about rapid urbanization and rural-urban migration in the country where poverty is no longer a rural but also an urban issue.

Poverty has always occupied centre stage in Malaysia's development policies; albeit skewed towards rural. Furthermore, it has been mainly rural

Malay poverty that has been the focus of attention and urban poverty only received cursory attention. The Tenth Malaysia Plan (2011-5), the wellbeing of urban poor (bottom 40 per cent) is expected to increase through capability building programmes to improve their income and overall quality of life. Besides, the provision of housing and income support, urban poor will all be assisted in terms of better access to health through multiple approaches. Overall, the Tenth Malaysia Plan differs from past Plans as it pursues for inclusiveness by providing equitable access to opportunities for all and emphasis will be put on programmes to elevate the livelihoods of the bottom 40 per cent households.

This paper will examine urban poverty in Malaysia beginning with a review of urban poverty theories and followed by discussions on definition and measurement of urban poverty. It will then discuss challenges faced in dealing with urban poverty; first, in general context, and within the Malaysia context. The paper will finally provide policy responses required to address these challenge.

2. REVIEW OF URBAN POVERTY

THEORIES

Early theories on urban poverty include the urban ecological theory that analyzes cities based on human ecology perspective where poor human neighborhoods are seen as transitional and functional zones of large urban metropolises (Park and Burgess, 1921). The culture of poverty theory suggests that the norms and behaviors of the poor can be distinguished as a subculture of larger society and characterized by a distinct way of life (Wirth, 1938; Shaw and McKay, 1942).

Recent theories include the underclass theory espoused by William Julius Wilson in 'The Inner City, the Underclass, and Public Policy (1987)' which discusses urban poverty as the social isolation and concentration effect brought about by changes in the structure of the economy and the social composition of inner-city neighborhoods. Once isolated and concentrated they suffer 'neighborhood effects': greater economic and social stresses that reduce opportunities (Bradley Schiller, 2001).

According to Wilson (1987), contemporary changes in the structure of the economy have had

economic impacts on workers throughout the country. Wilson in his book 'When Work Disappears: The World of the New Urban Poor' (1996) illustrated that urban poverty today involved increasing of 'ghettos' due to the fundamental shift away from manufacturing arising from the growth of high-technology and service industries. Numerous theories and findings have supported Wilson's work, for instance, Jargowsky (1997) has described three simultaneous changes in the metropolitan labor market that have adversely affected the economic situation of urban minorities: (i) the process of deindustrialization; (ii) shifts in the overall job market and (iii) central city areas which have experienced a de-concentration of employment opportunities as many jobs have moved out of the inner city and into the suburban areas.

The economic changes as discussed by Wilson op.cit in conjunction with reductions in discrimination in the housing market have produced increase opportunities for middle income and better educated minority residents living in urban areas; thus enabling them to move out of the inner city. However, the poorest members or uneducated minorities of the population are left behind; facing increased and exacerbated poverty. This has increased class inequality and the ability of the upper income class to take advantage of their class privilege and move to higher income areas thereby contributing to the increase of concentrated poverty as seen in inner neighborhoods.

Wacquant (1998) argues that the major effects of concentrated poverty are the withdrawal of private institutions and the breakdown of public institutions. Eitzen and Smith (2003) note that the urban poor concentrated in the inner cities pay more for food and other commodities because supermarkets, discount stores, outlet malls, and warehouse clubs tend to bypass inner city neighborhoods. Banks, savings and loans are rarely located in high poverty concentrated areas (Swanstrom, Dreier, & Millenkompf, 2002, 360). This results in the perpetuation of inequality in inner city areas.

Massey and Denton in the book 'American Apartheid' (1993) however, have argued that racist residential segregation is the key factor that explains the increase in concentrated poverty, the

plight of the urban poor and racial inequality. Meanwhile, housing policies could have contributed significantly to the disinvestment in urban neighborhoods where locating public housing projects further increased the poverty concentration in urban areas. (Massey and Denton, 1993; Leventhal *et al.*, 1997). Other scholars such as Bruce Katz and Rusk, (1999) and Rabin, (1997) have highlighted the role that local, state, and federal policies have had in shaping the urban populations. In order to save money on land expenses, public housing was often built at extremely high densities, which increased social isolation among residents living in these housing developments and between public housing residents and the larger city (Kuhn, Catherin E. 2005:5-6).

In contrast to the more macro-level political, racial and economic explanations or urban spatial development, individual level factors play a potential role in understanding urban poverty and segregation. Thernstorm and Thernstorm (1997), Krysen and Reynolds (2002) and Hammer (2001) supported the existence of residential segregation when considering the preferences of different races to live with their own race. According to Kuhn, Catherin (2005:6-7), the differences in knowledge about housing markets held by urban residents have been identified as a potential contributor to residential segregation and concentrated poverty in urban areas (Kuhn, Catherin E. 2005:6-7).

3. URBAN POVERTY: DEFINITION AND MEASUREMENT

‘Urban’; ‘Urbanity’ or ‘Urbanization’ often means large cities, mostly with inhabitants ranging from 5,000 to 10,000, thereby a majority of the urban residents live in small cities and towns (United Nations Economic and Social Council, 2007; 2). It is in the cities and towns where the extreme poverty with its concomitant demands for political inclusion (UNESCAP News Services, 2005).

Poverty is a multidimensional social problem goes beyond the condition of not having enough income and other means to meet basic needs, but has deeper material and cultural causes. It is influenced by geographical factors such as location, climate and natural resources.

The dimensions related to poverty therefore include: (i) lack of regular income and employment, productive assets, access to social safety nets; (ii) lack of access to services i.e. education, health care, information, credit, water supply and sanitation; and (iii) lack of political power, participation, dignity and respect (United Nations Economic and Social Council, 2007:1). Urban poverty refers to poverty in cities and towns. It has been described as more than a collection of characteristics – is a dynamic condition of vulnerability or susceptibility to risk. According to Baker (1960:10), urban poverty can lead to multiple deprivations which in turn can bring about cumulative impacts on the urban poor, that is, one dimension of poverty is often the cause of or contributor to another dimension (World Bank, 2006). For instance, the sense of insecurity, isolation, and disempowerment is interrelated with (i) lack of access to credit for business or housing; (ii) lack of employment, inability to have a regular job, lack of regular income and social security, and poor nutrition; (iii) poor health and poor education.

The literature on urban poverty relied on measures of income and non-income dimensions of poverty as higher income levels do not always translate into better living standards. Noticeably, most goods and services in urban economy are traded and paid for in cash; thereby, residents in cities need a much higher income than rural residents. Basic services are more frequently available in cities and towns, but the urban poor can face legal and financial barriers to access them. Many people are prevented from using some public services because they are not legally entitled to these serving as a result of where they live. The financial barriers do not only refer to the nominal cost of a service, but to the time lost in accessing them, and the income that is foregone in the process (United Nations, 2005:6).

With income and non-income measurements of urban poverty, there are large differences seen amongst the urban poor with respect to various dimensions of their livelihood. Urban poor are heterogeneous as living standards within the city vary significantly, for example, not all slum dwellers are poor (Moser, Gatehouse, and Garcia, 1996 and Sengupta, 1999). Therefore, there is concern with respect to relative poverty within the urban areas which is mostly reflected in unequal access to physical and financial capital, resources

and opportunities. Polarization will take place when those inequalities worsen over time and inequities become magnified with inter and intra ethnic inequalities.

Table 1: Malaysia Urbanization Indicators

	1990	2000	2010
Urban Population (in millions)	9.0154	14.5172	20.5055
Rural Population (in millions)	9.0879	8.8977	7.8954
Urban Population Growth Rate (Annual %)	4.4	4.4	2.9
Rural Population Growth Rate (Annual %)	1.3	-0.9	-1.7
Urban Population (% of Total Population)	48.8	62.0	72.2
Rural Population (% of Total Population)	50.2	38.0	27.8

Source: *World Urbanization Prospects 2011/2012*.

In Malaysia, both the Federal and State governments have played an active role in the urbanization process. The National Policy had played a key role in stimulating the country's economic growth, with rising quality of life through a systematic and planned urbanization process (Omar, Ahmad, and Sarimin, 2009:7). This resulted in the urban population steadily rising in absolute terms, but the rate of growth has slowed down, on the other hand the rural population is decreasing (Table 1).

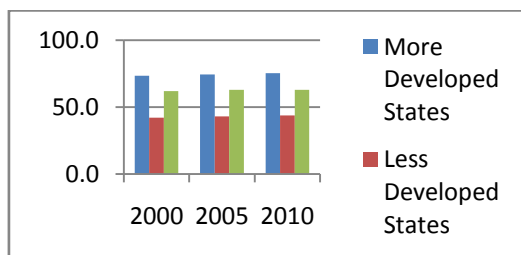


Figure 1: Average Urbanization Rate in Malaysia

Source: *Omar, Ahmad and Sarimin (2009)*

The urbanization level at 75.3% (Figure 1) of the more developed states is substantially higher than the less developed states which stand at 43.8% for the year 2010. Malaysia still uses the poverty line income (PLI) which comprises a Food and non-

Food items with urban and rural areas having different sets. There was a revision to the methodology with the Food PLI based on the individual's daily kilocalorie requirements and the non-Food PLI based on the actual expenditure of the bottom 20% expenditure group derived from household expenditure survey and comprises clothing, housing, transport and other items for the year 2005 and beyond (Ninth Malaysia Plan, MP9, 2009:327-8).

4. CHALLENGES

The foremost challenge in dealing with urban poverty issues concern its measurement (Satterwaite, 2003:75).

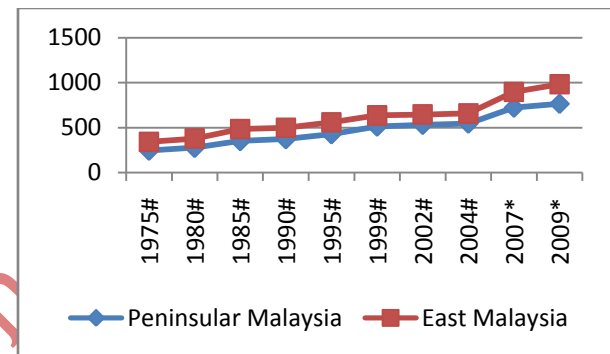


Figure 2: Overall Gross PLI (RM per month per household), 1975-2009

Note: * 2005 and beyond based on 2005 methodology.

Source: *Malaysian Plans (various issues), National Printing Department, Kuala Lumpur.*

It is in the form of income that does not capture the social welfare aspects and reflects adequately the living standards of the urban poor. The magnitude of poverty, even in terms of a \$1 a day poverty line used by the World Bank which was revised in 2008 to \$1.25 to include inflation effect based on 2005 purchasing-power parity, tends to fail in capturing the multi-dimensional nature.

Poverty issues of concern often involve facilities and opportunity. In view of this, poverty measured using a single PLI does not estimate accurately (usually underestimates) the scale and severity of urban poverty.

Urban poverty in Malaysia as in other parts of the world continues to be measured using the PLI, and

fails to capture and portray the multi-dimensionality and its potential for ethnic tension in the Malaysia context. Based on an average household size of 4.5 in urban areas and 4.8 in rural areas in 2000 (Population and Housing Census of Malaysia, 2000), with no urban-rural price differentials, we expect the mean rural PLI to exceed its urban equivalent. This supports the argument that the rural PLI tends to exceed the urban ones (Figure 2). We also noticed in the case of less Developed States and East Malaysia which are more rural having higher incident of poverty (Figure 3).

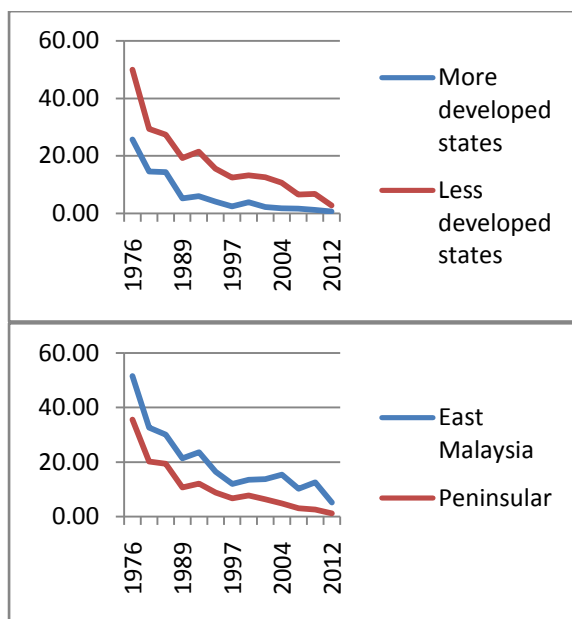


Figure 3: Incidence of Poverty by Regions and States

Poverty issues of concern often involve facilities and opportunity. In view of this, poverty measured using a single PLI does not estimate accurately (usually underestimates) the scale and severity of urban poverty. Based on an empirical study on urban poverty in Desa Mentari, a low cost settlement for displaced squatters in the outskirts of capital city, it was found that only 2.7 % of the population surveyed was below the PLI where else expenditure pattern indicates 50.0% of households were in debt, thus, limiting the scope of PLI as an all encompassing indicator (Sulo Nair, 2008).

If referring only to the estimated official PLI, Malaysia has been very successful in its poverty eradication efforts. The overall incidence of poverty for the country had declined from more

than 35% in 1979 to less than 3% in 2012 (Figure 4). The gap between urban and rural poverty incidence had narrowed significantly. And the official poverty headcount ratio (Figure 5) at national poverty line (below 2% in 2012) had also been reduced significantly.

Inevitably, despite the decrease in the incidence of poverty and the number of poor rural households, poverty continued to be a predominantly rural phenomenon as indicated in the 9th and 10th Plan.

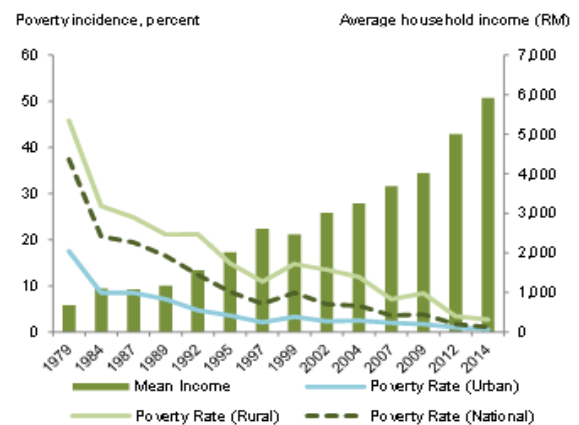


Figure 4: Poverty Incidence Vs Household Income

Source: DOSM, World Bank staff calculations

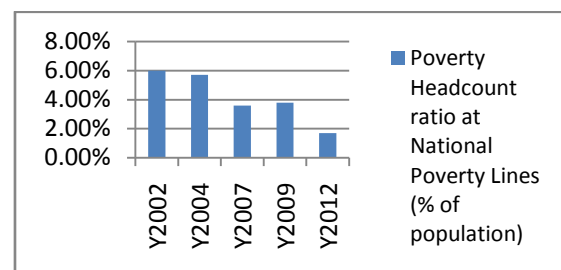


Figure 5: National Poverty Headcount

Source: World Urbanization Prospects 2011/2012.

The level of urbanization in Malaysia as a percentage of population had increased from 48.8% in 1990 to 72.2% in 2010 (Table 1), therefore poverty in Malaysia is concentrated in urban areas and in regions which are more developed. And among the various ethnic groups, Bumiputera and Others have a higher incident of poverty and hard core poverty although the gap is narrowing with the except for Others in the hardcore category (Figure 6a & b).

The current measurements of urban poverty are usually problematic as poverty has been traditionally been considered as rural problem than

urban, as such, measurement tools have been based on rural poverty (United Nations Economic and Social Council, 2007:4). Besides, the urban poverty data also does not indicate the immense disparities between urban rich and urban poor and between urban and rural poverty (Moser, Gatehouse, and Garcia, 1996 and Sengupta, 1999).

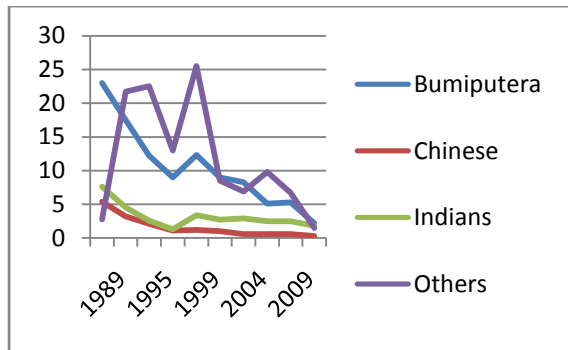


Figure 6a: Incident of poverty; Ethnic Group

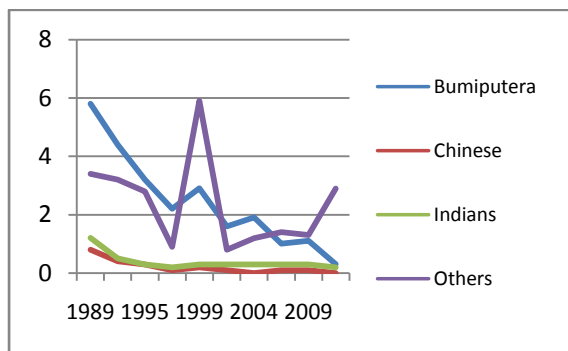


Figure 6b: Incident of Hardcore poverty; Ethnic Group

The multi-ethnic nature of urban poverty in Malaysia has important implications for poverty reduction policies. These policies have to be re-oriented to check with multi-ethnicity in terms of its programmes and delivery.

Ethnic income disparity, although narrowing in relative terms inter-groups in recent years, however, has continued to widen intra-groups in absolute terms (Table 2a, b).

In terms of Share of Incomes a snapshot of 2012 as compared to 1992 showed that overall the top 20% have recorded a decrease in income shares while the middle 40% and the bottom 40% have recorded improvements.

Table 2a: Performance Summary of Income Levels between 1992 and 2012

	Monthly Household Income	Income Share %		
	Percentage Increase (decrease)	Top 20%	Middle 40%	Lower 40%
Malaysia	219.9	-5.6	5.2	8.0
Bumiputera	260.3	-4.4	4.5	4.1
Chinese	189.9	-1.64	1.9	0.7
Indians	227.6	6.8	-3.8	-10.8
Others	-15.5	-7.3	-15.2	187
Urban	180.1	-5.2	4.5	6.8
Rural	205.3	-3	1.3	4.9

The highest increase in Share of Income for the top 20% occurred for the Indians followed by the Bumiputera while both the Chinese and Others showed decreases in income shares. Income shares of the middle 40% and bottom 40% of Bumiputera showed the highest increases while for the Chinese only marginal increases were observed. In the case of the Indians the income shares decreased for both these categories. In terms of location the Top 20% showed a decline in incomes share over the two periods while the income shares of the Middle and Lower 40% show some improvement. The mean monthly gross household incomes of all ethnic groups with the exception of the “Others” in the Top, Middle and Lower categories show substantial increases.

Table 2b: Performance Summary of Income Levels between 1992 and 2012

	Mean Monthly Gross Household Income %			
	Top 20%	Middle 40%	Lower 40%	
Malaysia	202.3	235.8	245.2	
Bumiputera	244.1	277.2	275.5	
Chinese	185.2	195.8	191.6	
Indians	250.7	214.7	192.6	
Others	-20.2	-28.2	141.7	
Urban	166.0	192.2	198.8	
Rural	196.1	209.7	221.7	

All ethnic groups experienced a reduction in the incidence of poverty. However, poverty among Bumiputera and Others remained by far the highest in both the rural and urban areas. Inadequate skills and lower educational attainment were among the

factors associated with poor households of all ethnic groups. As Malaysia is developing, poor people consist of illiterate, unskilled, unemployed, from rural areas or socially disadvantaged groups. However, with rural urban migration, the new poor will gradually be urban dwellers, mostly educated, skilled and still employed, but become victims of economic restructuring and crisis, such as the job-dislocated people, those who are paid low wages, those whose wages have been deferred, and pensioners with pensions not properly indexed to inflation. Therefore, urban poverty is much of a 'working poor' scenario where the urban poor's income is higher than that of the rural poor. Therefore, education level is an important variable affecting the poor's ability to find jobs. Meanwhile, weak social networks or low levels of social organization in urban areas with concentrated poverty could have contributed to the disadvantaging of people in getting jobs. There may be a minimum amount of social support but these areas still lack social leverage, which can be an important resource in gaining access to opportunities and getting ahead.

If the inner city residents issue is solved, there will be improvement in the employment outcomes of urban poor residents. O' Regan and Quigly (1996) concluded that even modest changes in spatial isolation could have increased employment prospects among the poor people living in poverty concentrated areas. Racial discrimination of employers could also be affecting the employment state of the poor. Wilson's (1996) study of the Chicago-area, found that many employers considered inner-city workers – especially young black males – to be uneducated, unstable, uncooperative, and dishonest. Since the early 1970s when Malaysia went through rapid urbanization and industrialization, the Federal government has paid more attention to the housing needs of the lower income-groups. Massive low-cost housing development had been undertaken by both the public and private sectors when the government imposed condition on housing developers to contribute to low cost housing in town development since mid-1980s. This is to ensure Malaysians of all income levels will have access to adequate, quality and affordable homes, particularly the low-income group. This helps tackle the squatter problem in large urban areas. A special low-cost housing programme, namely, 'Projek Perumahan Rakyat' (PPR) was launched by

the Government in December 1998, with the objective of resettling squatters in the urban areas, particularly in the Federal Territory of Kuala Lumpur and other major towns. From 1998 to 2009, there was a reduction of about 37.0 per cent in the squatter population in Kuala Lumpur through privatization and redevelopment program (Kuala Lumpur Structure Plan 2020, 2003 and National Housing Department, 2009). Under Budget 2011, further emphasis was placed on affordable home ownership. My First Home Scheme to assist young adults who have joined the workforce to purchase their first residential property and Prima for affordable housing in key urban centres. Further to this, the government announced a massive plan in 2013 to develop one million affordable homes within five years, and kick started with 146, 000 housing units in that year alone.

Therefore, it is important to consider urban poverty challenges not only as the absence of basic services such as electricity, water, sanitary, transportation, housing, school, etc. because such services are highly concentrated in urban areas. Despite having higher incomes, the urban poor cannot live a decent life, because their higher incomes are taken away by a number of additional (often urban specific) costs such as (i) a high living cost (highly monetized access to goods and services); (ii) exclusion from public services due to extra-legal status of the house or its occupants; (iii) higher cost of services provided by private sector (lack of public provision); (iv) high opportunity cost of waiting for public services; (v) high and recurrent cost of bribes, informal payments and harassment by law enforces owing to their extra legal living and working conditions; (vi) high health cost of living in an unhealthy environment with inadequate water supply, sanitation, drainage and solid waste collection; and (vii) costs of threats and consequences of eviction and of natural hazards such as floods and landslides. The urban poor are much deprived in terms of many capabilities to live the life they have reason to value (United Nations Economic and Social Council, 2007:4).

Urban poverty challenges could also be in terms of food security, which depends on issues related to access and utilization rather than availability, i.e. given the prices and income, the urban poor have to pay up to 30.0 per cent more for their food than the rural poor, and spend 60.0 per cent or more of their

total expenditure on food. (United Nations Economic and Social Council, 2007:5) In terms of access to water and sanitation, the aggregated data show that urban populations tend to have more access to water and sanitation than rural populations, but disaggregated data indicates a different picture. (United Nations Economic and Social Council, 2007:10)

Meanwhile, poor cities tend not to have the buying power or tax base of other areas in the region. They lack the resources needed to attract investment and address the greater social and infrastructural needs of its residents; i.e. cost of supporting aging infrastructure, places a tremendous economic strain on the city. In addition, many of the jobs and other resources associated with opportunities are more likely to be found outside of poor cities. The official poverty thresholds developed are usually outdated and the income measure does not include the value of in-kind benefits nor does it deduct payroll and income taxes as well as expenses required to hold a job and to obtain medical care.

Besides, most poor cities will also face some partial or small-scale gentrification¹ where there will be continuous losing of population especially middle-class residents, even with the implementation of in-fill programs. The pull of sprawl and the push of concentrated poverty that already exist in these cities cannot be adequately addressed unless the sprawl and fragmentation issues are more directly confronted by inner city communities. Meanwhile, rich cities that engage in extra-jurisdictional gentrification usually have small, politically marginalised low-income minority populations that cannot alone mount an effective opposition to on-going displacement. By contrast, in cities with large numbers of low-income minorities, allegations of gentrification are used as a racial coding to oppose certain race moving back to the city. In reality, if residents are displaced it is more likely to be to a nearby neighborhood in the city through what is term intra-jurisdiction gentrification. The concern in poor cities is also less likely to be displacement in terms of housing but rather a fear of displacement in terms of power. In middle-class cities intra-jurisdictional gentrification and displacement are more likely to occur than in poor cities. Despite this influx of middle and upper-income residents, these cities are still losing population and remain

oversubscribed in terms of low-income housing. Middle-class cities should welcome middle-class in-fill, but with a vigilant eye toward the ultimate goal of access to opportunity for low-income communities.

There are namely three barriers to improve the living conditions of the urban poor (i) the dependence barrier – people feel that it is the responsibility of the local government to improve the living conditions as they feel powerless to improve it themselves; (ii) the trust barrier – people do not trust one another, partly due to cultural and partly due to the fact that many residents are renters and others have just moved in; and (iii) the technological barrier – people do not have the know-how and the technology to provide for the repairs and for sanitation infrastructure.

5. POLICY DIMENSIONS

Urban poverty is deep rooted and arises from a host of factors such as low educational and skill levels, low status employment and low incomes; poor housing and limited access to basic amenities; and high levels of stress and the daily struggle to eke out a living. Policy efforts are therefore needed to address seriously and responsibly the underlying causes of urban-poverty and neglect of marginalised communities so the development efforts do not continue to elude them.

In the past, strategies, programmes and development expenditure allocation in Malaysia reflect strong policy commitment to eradicating rural poverty and the New Economic Policy had poverty eradication irrespective of race a one of its twin prongs. However, with ethnic conflict arose in the poverty stricken squatter areas fringing the capital city of Kuala Lumpur in 2001, urban poverty has been brought to the forefront of policy attention, incorporating the issue of relative poverty or income inequality. As eluded to in the earlier discussion ethnicity influences poverty and this is important to address urban and relative poverty within the context of the delicate nature of ethnic relations in the country. While rural poverty was largely Malay poverty, urban poverty is multi ethnic with higher poverty incidences amongst Indians and Malays as compared to the Chinese. Therefore, different policy prescriptions and programmes are needed. Urban poverty reduction requires different kinds of approaches compared to

rural poverty as urban poor are affected by the highly monetised nature of urban living and are characterised by regulatory exclusion of the poor from the benefits of urban development. Urban communities also have the distinct characteristic of that do not allow their problems to be easily addressed by community-based approaches usually developed for rural poverty reduction. Effective urban poverty reduction policies require good understanding of the issues. (United Nations Economic and Social Council, 2007:1)

There is the need for basic information on urban poverty, its characteristics and determinants. Unlike rural poverty, which is highly correlated with the ownership of land, urban poverty is more complex. Urban poverty dimensions include limited access to employment opportunities and possibilities for earning incomes, inadequate and insecure housing, violent and unhealthy health threatening environments, limited access to education and health facilities, lack of social protection and disempowerment and increased susceptibility to violence and crime. In another words, urban poverty reduction encompasses income or expenditure, empowerment, and security or reduced vulnerability and requires the development of a wide portfolio of (i) assets (human, physical, natural, social, financial, and intellectual capital); and (ii) social and environmental assets that involve externalities or collective goods (in urban context – seen in concerns about worsening pollution, lack of public amenities, declining public safety, inadequate management of disaster risks, and deteriorating trust or social disintegration – and the poor often bear the brunt of such failures).

The aggregated data tend to indicate a greater prevalence of poverty and lack of access to services in rural areas, while some disaggregated data show that the conditions of the urban poor are in fact just as bad, or worse. There is a need to improve the definition and measurement of poverty and to present disaggregated data that can help to assess inequalities at subnational levels. (United Nations Economic and Social Council, 2007:16)

While, the PLI in Malaysia has been separated for each state and for the urban and rural areas, efforts need to move beyond the PLI to reflect the accurate picture of urban poverty and adopt more

comprehensive measures and approaches to poverty. Better understanding of the PLI is needed as it is useful but not an adequate measure to reflect the multi-dimensional nature of urban poverty. The poor in the urban areas have to earn incomes higher than the PLI to be able to afford to live in the urban areas. A consequence is denial of access to development inputs for the poor when the PLI alone is used as the qualifying criteria. PLI should be used as a starting point and a more comprehensive definition needs to be used to identify the urban poor. The urban poor need to be identified in a more comprehensive manner so that it would be possible to formulate effective strategies for eradicating urban poverty. Poverty reduction would require taking into account the dynamics of the different communities that currently constitute the majority of the urban poor. It is necessary to understand the poverty experiences of the different ethnic groups and the various coping mechanisms that are employed by each of these groups which have roots in the socio economic, cultural, religious and political fabric of each group. The most common critique in this regard is that the official poverty thresholds do not account for cost-of-living differences across space (e.g., region, metro/nonmetro county). It is expected that living costs are, on average, lower in rural versus urban locations, suggesting that current measures of rural-urban differences in poverty prevalence could be biased. Poverty analysts generally agree on the need to account for geographic cost-of-living differences,

In the Ninth Malaysia Plan (2006-10), the efforts in eradicating urban poverty were guided by the Urban Poverty Strategic Action Plan. The components of the programme included housing for the poor, income generating activities, education and training as well as establishment of 'Well-being Centres' as information and resource centres for the poor. The resettlement of squatters in the urban areas into public funded low-cost housing and other infrastructure projects were continued through an integrated development approach. Through the Government Transformation Programme (GTP) established in 2010 as part of the 10th Plan, six key areas have been identified to improve the socio-economic growth. Four of which are aimed at decreasing the level of poverty and one specifically addressed to urban ; raising living standards of low-income

households, addressing cost of living, improving rural basic infrastructure and improving urban public transport. Over the past twenty years, non-conventional approaches to urban low-income housing have developed across the Asian region and in other parts of the world and have been proven to be effective means to improve the lives of the existing and future urban poor where they were incremental infrastructure development and community mortgages.

Economic growth in Malaysia in the past has lifted millions of people out of absolute income poverty and most growth has taken place in non-farm sectors in urban areas. However, poverty reduction merely through economic growth may become more difficult to achieve as not all the poor have the capabilities necessary to avail the new opportunities generated by further economic growth. Therefore, the government should ensure that the economic growth is broad-based and the benefits are to be passed on to the poor; to support their economic activities, enhance their productivity and increase their income. (United Nations Economic and Social Council, 2007:12) In order to achieve longer term urban poverty reduction and income parity, the government will need efforts to achieve more equitable distribution.

Reducing the income gaps among ethnic groups and between the rural and urban areas are two important tools for achieving equitable distributions. In this regard, economic growth should translate into income-generating activities and employment opportunities that are able to narrow the income gap between different ethnic-groups (Ninth Malaysia Plan, 2006-10). Employment is a critical determinant of urban poverty and thus access to employment, type of employment and returns accruing as well as the no of jobs held to sustain livelihoods in the urban sector are critical determinants of urban poverty as employment improves productivity and raises income of the urban households to attain minimum standard of living. Meanwhile, efforts should be taken to update and integrate the urban and rural hardcore poor registry to ensure all poverty eradication programmes reach the target groups. Closely related to employment is the type of labour market that the urban poor engage in. Jobs provided in the labour market whether they are steady or unstable causal affects the poverty status

of urban residents. The response of the urban labour markets to structural adjustment and economic growth also affects poverty. With unstable causal jobs and labour markets that are negatively affected by structural transformation and economic growth (lower growth and higher unemployment), urban residents tend to be in poverty. Therefore, poverty measures need to consider monitoring the labour market so that it has a positive impact on employment and incomes of the urban poor.

In the urban sector much employment growth occurs in informal rather than formal sector. Therefore, measures to improve productivity among urban workers need to include the informal sector. Both the public and private sectors should at first recognise the existence and contributions of the urban informal sector. The informal sector provides supplementary sources of income for the urban poor and requires little education or skills. The government should revise labour market regulations and strike a balance between the formal and informal sector. The critical role of the informal sector in employment generation for the urban poor has dire consequences for the poor, unregulated labour markets exploitation and abuse, poor working conditions, and lack of protection and job security. In its efforts to reduce urban poverty the government should institute better labour protection measures for the informal sector. Meanwhile, the informal sector and the formal sector are closely related, i.e. decreasing employment opportunities in the urban formal sector due to the rapid increase in the size of the urban population sectors would result in increasing number of entrants into the informal sector. Therefore, the ability of informal sector to respond to these pressures through proper government intervention is also crucial in determining urban poverty.

Even more than access to capital, the informal sector would need an improvement in the investment climate in which they operate especially secure property rights, contract enforcement or protection against crime and arbitrary expropriations. Through these, the government will be able to reduce the extra risks associated with operating in the informal sector substantially, and encourage investments. Regulations and procedures may need to be developed that are specific for each

sector and activity. The expansion of social collateral could be a tool of microfinance institutions to improve the investment climate in the informal sector, by facilitating contract enforcement. Security of land tenure could be provided for shops, workshops and service providers in informal settlements to encourage the urban poor to invest in their businesses. The challenge is to offer increased security to the informal sector without destroying it. Urban agriculture could also contribute to urban poverty reduction as the costs of production will be lower. The establishment of savings and loan associations (or their reinforcement where they exist) is also an effective tool for reducing the dependence of urban poor on moneylenders. These associations provide an opportunity to save and borrow at market rates for investments in business or housing and for emergencies. These associations also develop self-confidence and solidarity among the poor and thereby serve as an entry point for sustainable community-based development. (United Nations Economic and Social Council, 2007:13) In addition, upgrading of infrastructure and services in urban poor working areas also provide better labour market that will increase urban poor income-earning opportunities and productivity. Better education and improved access to education, in particular for girls, may also provide better labour market outcomes with more quality labour force required for most urban income-earning opportunities. (United Nations Economic and Social Council, 2007:12)

As in the case of the informal economic sector, informal settlements are not so much the problem but a solution to a problem. They show the ability of the urban poor to look after their housing needs, to some extent. The urban poor would improve their housing conditions further if they had security of land tenure, for instance, the assurance by authorities that they can occupy a piece of land for a number of years (although not in freehold form) that their investment in housing becomes worthwhile. Local governments should utilise the resourcefulness of the urban poor and create the conditions for them to build and improve their housing through settlement regularization and sites-and-services schemes. (United Nations Economic and Social Council, 2007:14) The government should also improve the living conditions of urban poor in informal settlements through the upgrading

of infrastructure and services, such as water supply, drainage, sanitation, roads, electricity and solid waste collection as adequate access to basic services can have a considerable impact on the health of the urban poor and thereby on their productivity. The city of Ahmadabad in Gujarat, India has some striking examples of the positive impact of the provision of infrastructure facilities to urban slums. Community organizations could also construct infrastructure and deliver services within their own settlements. (United Nations Economic and Social Council, 2007:14) The poor are also particularly affected by urban environmental degradation as they often live in the worst affected areas and are prevented from receiving adequate waste collection and treatment services although many poor residents would in fact be willing and able to pay for these services if they were offered to them. Therefore practical cost-recovery mechanisms are required where governments would be able to make these necessary investments. Waste collection and treatment is in fact a growing business opportunity, and it is often poor citizens and informal enterprises that work on them. Local governments can build on the interest of the urban poor in waste recovery by integrating informal waste collection into formal systems which would contribute to both poverty reduction and environmental improvement. (United Nations Economic and Social Council, 2007:14)

Capacity building for the urban poor and low income families should focus on human resource development in the form of education, skills development, training and retraining. It is therefore critical that policy attention be given to developing human capital, empowering the poor, integrating the poor into the formal urban economy, holistic development and including all sectors in particular civil society in the development process. Public-sector safety nets are rare in the developing countries of Asia and the Pacific, including Malaysia. Probably more than other income groups, the poor will therefore try to maintain their networks of relatives, friends and neighbours as they can serve as a safety net in times of emergency. The competitiveness and individualistic nature of urban societies tend to erode traditional values of solidarity and mutual aid. It is therefore important to promote and strengthen community-based social safety nets in

the absence of public-sector safety nets. (United Nations Economic and Social Council, 2007:14)

Urban poverty problems are also exacerbated by the presence of foreigners who also constitute a sizeable proportion of the poor in the country. The increasing number of foreigners in poverty in the post crisis period has contributed to the increasing incidence of poverty. Therefore, in order to address urban poverty, the government should look into the issue of urban migrants contribution toward poverty. Local governments are key actors in urban poverty reduction as they are in the best position to deliver basic services and thus governments should devolve authority to lower levels of government so that local governments can be effective in urban management and urban poverty reduction. (United Nations Economic and Social Council, 2007:16) The public sector, NGOs and the private sector will have to be streamlined, while coordination and monitoring will have to be enhanced at all levels, including setting deliverable targets for all implementing parties to ensure greater impact and sustainability of the programmes. Local parties are mostly small in scale, and are often the most effective measures to improve the living conditions of the poor. Moreover, intervention designed by local actors can rely on the local knowledge and can be tailored to the specific conditions of the population in the area. Small-scale programmes are also more conducive to participation by the poor in the design and implementation, thereby increasing ownership and helping sustainability. (United Nations, 2005:6-7)

Besides the devolution of authority, good urban governance is also necessary to reduce urban poverty. Efforts cannot be limited to urban local governments but must apply to all urban stakeholders, including the communities of the urban poor. The poor are not a homogeneous group and community organizations must adhere to the principles of good governance: they must be inclusive, participatory, accountable and transparent. All urban residents – including the poor – should internalise a sense of power and are convinced that they have the right to participate in decision making or that participation will make a difference to the outcome process. (United Nations Economic and Social Council, 2007:16) The government should recognise the role of the poor, not only in improving their own conditions, but in

urban development as a whole. (UNESCAP News Services, 2005)

Another important policy dimension is to empower the poor where the urban poor must organise themselves. The urban poor must organise themselves to (a) improve their living conditions, (b) make their voices heard by the authorities and demand improvements they cannot accomplish without assistance, and (c) participate in decision making that affects their lives. Community-based organizations should aim at organizing inclusive community organizations and at developing committed leadership, because of the risk of capture by the élite of the benefits of development. Furthermore, there is a need for specific interest groups to organise themselves. Poor women, and particularly women heading households, have different needs and priorities than poor men. They often prefer to participate in all-women's organizations that cannot be easily dominated by men. Similar conditions apply to the disabled and other social minority groups. (United Nations Economic and Social Council, 2007:15)

The government should also adopt the rights-based approach to development as a tool to ensure participation of the urban poor (and the informal sector); recognizing their contributions and share in the benefits of development, such as access to regular income and employment, and land, housing and basic services. According to Powell, John A. (2000), there need for social justice and urban civil rights advocates to focus on sprawl as well as concentrated poverty.

Participation requires access to information, thus the governments need to take a proactive stand to ensure that the population, including the urban poor, has access to information. A lack of information about one's condition, rights and responsibilities is at the core of poverty, because it makes it difficult, if not impossible, to seek access, remedy and justice, even if services are available. An established set of procedures available to all can serve as channels for the urban poor to access information about policies, findings of government studies, proposals and plans. It also creates opportunities for the Government to inform the public as to how it is meeting, or planning to meet, the specific needs of the poor. (United Nations Economic and Social Council, 2007:15)

In this case, a national poverty database is required. Malaysia in the Ninth Malaysia Plan (2006-10) period has been integrating both the rural and urban poverty registry and using a common definition of income in order to establish and to improve the quality of the database on the poor and hardcore poor households. This database, supplemented by data collected from various implementing agencies, including the NGOs, will be used by all implementing agencies as the main data source of their target groups. In addition, poverty mapping will be developed in selected urban and rural areas to assist in designing programmes to meet the needs of the different target groups or pro-poor strategies. This will help improve the understanding of urban poverty as it has to be seen as a process and in order to understand the process there is a need to employ non conventional approaches to the study of poverty where reliable and continuous data is required.

Another aspect is to have partnerships that work for the poor. There should be partnerships between different institutions: the government and the private sector or civil society, to bring strengths and capacities of different institutions, and of allocating rewards and risks in an efficient way. This is essential in community-based development as such development has its limitations because communities lack the resources and the technology to develop more complex facilities. (United Nations Economic and Social Council, 2007:14) The community organizations in practice need the partnership of the poor people (who will benefit from the intervention) to be established before starting the operations and this improves the efficiency and sustainability of the system that they feel ownership of the system. In any case, the practices should be designed in a way that their sustainability relies exclusively on local resources, mostly on the fees paid by the user whilst foreign assistance is to be provided directly as an initial subsidy to the private investor. All the practices rely on the assumption that the poor can pay for services and that they are willing to do so, if the services are provided in ways that fit their needs. However, conditions can be very different across locations, and the interventions need to be designed specifically. The poorest of the poor may be completely unable to pay for services, thus a well-thought system of subsidies needs to be designed. All the practices could create a market for basic services

to the poor where non-exist, or improve existing ones. When urban people have to pay for services they consume and the waste they produce, it makes them fully responsible for the environmental impact of consuming services and producing waste, contributing to the environmental sustainability of the cities. The NGOs could act as facilitators in this system as they have sufficient expertise to understand the issues, and are sufficiently close to the people to be trusted by them. (United Nations, 2005:8-9)

Other considerations are replication, adaption and up-scaling to reduce urban poverty that requires the transfer of knowledge from people who originally designed and implemented the model to the people who want to replicate it. This can be achieved through different means like publications, workshops, direct contacts, or a combination of them. Local interventions, by definition, have limited scope and the practices described have only reached a limited number of slum dwellers in certain cities. The only way for local interventions like these to have a substantial impact on the lives of slum-dwellers across Asia is by replicating and adapting them across many locations. However, it is not direct replication of successful work as it hardly ever works because the conditions of areas in different countries are never completely the same. Instead, practices need to be adapted to the new circumstances, extracting the lessons that are applicable and rejecting the components that are not. Thus, the replicator may need to build up his or her capacity to implement the practice. Meanwhile, implementing these practices also require certain laws, regulations and business practices that are beyond the scope of the local actors. This is called an enabling environment. Some of these conditions are very specific but many aspects of the enabling environment are more general and apply to a broad range of local initiatives, like decentralization policies that will allow local actors more autonomy and responsibility. A practice that has been successful in a small environment can also be up-scaled to expand the number of beneficiaries. Many local initiatives would be more efficient if they were applied on a larger scale, because some overhead costs could be spread across a larger pool of clients. However, it is difficult for practices that rely on community participation to become larger without losing the proximity and trust between the

stakeholders that made them successful. (United Nations, 2005:8-10)

Deconcentration of urban poverty can be comprehended through growing shift in federal housing assistance from forms that are project-based, to forms that are tenant-based. In Washington, America, tenant-based forms of housing assistance take several forms, but the overwhelming majority is Housing Choice Vouchers (HCV), which enable the recipients to utilise the vouchers in the private rental market – and theoretically thereby enable the residents to move to areas with superior chances of potential employment, transportation, or which fulfill other households needs. (DeFilippis, James and Wyly, Elvin. 2006:3-4) Vouchers are a way to allow poor households to improve their situation in life by moving to better neighbourhoods, which presumably have better schools and other public services. The project-based stock takes two different forms: public housing and the privately-owned but federally-subsidised housing stock. In these subsidies, it is the actual housing units – rather than the households – that are directly subsidised. The subsidies are therefore immobile, while households come and go. (DeFilippis, James and Wyly, Elvin. 2006:4)

Poor cities mostly do not have the buying power or tax base of other areas in the region. They lack the resources needed to attract investment and address the greater social and infrastructure needs of its residents. The overburden to a relatively few residents with the cost of supporting, i.e. aging infrastructure places a tremendous economic strain on the city. In addition, many of the jobs and other resources associated with opportunities are more likely to be found outside of poor cities. These cities need a strategy to capture a fair share of the opportunity base including the tax and job base of the region. Trying to attract middle-income residents and middle income housing is a rational strategy for these cities to pursue because it brings in a much needed boost to revenues, and creates buying power which in turn creates even more revenue for the central cities.

6. CONCLUSION

In 2010 Malaysia launched its **Government Transformation Programme (GTP)** in an effort to address key areas concerning the people. Some of the main areas concern the following:-

- a. Raising Living Standards of Low-Income Households.
- b. Improving Rural Basic Infrastructure.
- c. Improving Urban Public Transport.
- d. Addressing Cost of Living.

However for the GTP to work properly there is a need for a mindset change and paradigm shift amongst all stakeholders especially the politicians, policy makers, and others. A radical departure from ethnic based policies, strategies and programmes is required and the delivery and execution mechanisms have to be sensitised to doing things in an inclusive manner. Affirmative action which has been an integral part of development policy to date has to be re-engineered to move away from ethnicity to needs as its defining criteria. All these changes are required so as to ensure that the GTP is the new way forward for the nation.

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