

## Improving Quality of Life after the Crisis: New Dilemmas\*

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**Abstract:** The recent financial crisis reversed some of Malaysia's achievements in raising the quality of life of the population. The crisis and other developments since the early 1990s raised several new issues with important implications on efforts to improve living standards. These include the rising proportion of poor who constituted foreigners, a trend reversal in income inequality, low public expenditure on health and the poor performance of Bumiputeras in education.

### 1. Introduction

The pre-crisis development performance of Malaysia was characterised by high growth rates and tremendous gains in poverty alleviation as well as narrowing of income inequality. Whilst growth has been the main engine behind these income and welfare gains, pronounced government interventions also contributed to this impressive record in human development. However, the recent crisis and other developments since early 1990s have raised several new issues with important implications on efforts at improving the quality of life of the population.

This paper attempts to highlight new dilemmas faced by the population of Malaysia that has an affect on the quality of life in the future. For this purpose, the next section defines the meaning of quality of life, discusses the main components of quality of life as well as introduces pertinent issues that might impinge on the progress of these components. Section 3 discusses other issues affecting the quality of life in Malaysia that also need to be dealt with by the policy makers, while the final section concludes the paper.

### 2. Components of Quality of life

Todaro (1994) defines the quality of life as improvements in income, health, education, and the general well being including self-esteem, respect, dignity, and freedom to choose. Similarly, the Economic Planning Unit of the Prime Minister's Department, Malaysia (Malaysia 1999a) defines quality of life as encompassing personal advancements, a healthy lifestyle, access and freedom to pursue knowledge and a standard of living which surpasses the fulfilment of basic needs, to achieve a level of social well-being compatible with the nation's aspirations, the indicators of which include income and distribution, health, and education.

From these definitions, there appears to be three crucial ingredients for quality of life: income, health, and education. This section discusses these three components and highlights the issues relating to each one of them. It is also relevant to point out that in the context of

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\* An earlier draft of this paper was presented at the Seminar on *Challenges for Sustained Recovery and Growth: The Malaysian Economy in the Dawn of the New Millennium* organised by the Faculty of Economics and Administration, University of Malaya, 4-5 April 2000, Petaling Jaya.

national development and improving the quality of life in Malaysia, efforts must continue to maintain and strengthen social cohesion in order to ensure national unity and provide opportunities for advancement.

## 2.1 Income

The important aspects to be considered are poverty incidence, income level and the distribution of the income.

### 2.1.1 Poverty Incidence

In order to ensure an acceptable quality of life, the incidence of poverty must be minimised, if not eradicated. The trends in poverty incidence in Malaysia are shown in Table 1. It can be seen that the achievements in poverty eradication are exemplary with poverty incidence falling from 52.4 per cent in 1970 to 6.8 per cent in 1997 and the total number of poor households falling from one million to 332,400 over the same period. Unfortunately, the financial crisis of 1997-1998 had the impact of raising poverty incidence to 8.1 per cent in 1999 while the total number of poor households swelled to 409,300 households. More significant is the fact that in 1997 poverty incidence was still high in certain states such as Sabah (22.1 per cent), Kelantan (19.5 per cent), Terengganu (17.3 per cent), Kedah (11.5 per cent) and Perlis (10.6 per cent) (see Table 2). These are also the states with the lowest poverty reduction rates between 1995 and 1997.

Furthermore, in October 1998, the Deputy Minister of the Ministry of Rural Development reported to Parliament that the incidence of poverty in the country was expected to rise to 8 per cent by the end of that year, with the number of poor households increasing by 22 per cent to 422,100 in 1998 (*Business Times*, 30 October 1998). The incidence of hard-core poverty was also expected to rise from 1.2 per cent to 1.7 per cent over the same period. Interestingly, the crisis had the impact of increasing poverty incidence in Sabah, Kedah and Perlis while that in Kelantan and Terengganu went down in 1999 (see Table 2). The reduction in poverty in the latter states could probably be due to the jump in the export price of palm oil, which shot up by 66.1 per cent from RM1,424.9 per tonne in 1997 to RM2,366.4 per tonne in 1998.

The Economic Planning Unit rebutted that the claim of 8 per cent poverty incidence could be over-estimated since this was based on an expected price increase of 7-8 per cent whilst the actual consumer price index (CPI) was only 5.3 per cent for 1998. But this rebuttal was subsequently proven wrong since poverty incidence did rise to 8.1 per cent. Furthermore, the price index for food items in the overall CPI rose by 8.9 per cent. Although the weightage of the food component in the CPI is 33 per cent, it is important to stress that the share of the food component in a poor household's expenditure is always much higher than the average, and is estimated to be about 50 per cent (Chamhuri 1994). There will also be less transfer payments from the wage earners to the rural households as not only are the workers losing their jobs, but those who are able to hold on to their jobs, including high income employees, are being subjected to pay cuts and do not receive bonuses. In addition, as the financial standing of the private sector companies which provide support to *Yayasan Basmi Kemiskinan* (YBK)<sup>1</sup>, a

<sup>1</sup> The name of the organisation can be translated as Poverty Eradication Foundation. YBK programmes focus on skills training with guaranteed employment, educational assistance and better housing. The private sector provides support to the NGO programmes through financial contributions and skills training. Among the NGOs are YBK Selangor, *Yayasan Kemiskinan Kelantan* and *Yayasan Membasmi Kemiskinan Kedah*.

**Table 1:** Malaysia: Incidence of poverty by rural-urban strata

Strata	1970		1976		1984		1990		1993		1995		1997		1999	
	Total Households ('000)	Incidence of Poverty %	Total Households ('000)	Incidence of Poverty %	Total Households ('000)	Incidence of Poverty %	Total Households ('000)	Incidence of Poverty %	Total Households ('000)	Incidence of Poverty %	Total Households ('000)	Incidence of Poverty %	Total Households ('000)	Incidence of Poverty %	Total Households ('000)	Incidence of Poverty %
Peninsular Malaysia	791.8	49.3	764.4	39.4	483.3	18.4	448.9	15.0	325.3	10.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rural	705.9	58.7	669.6	47.8	402.0	24.7	371.4	19.3	268.2	14.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Urban	85.9	21.3	94.9	17.9	81.3	8.2	77.5	7.3	57.1	4.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sabah	n.a.	n.a.	95.5	58.3	76.0	33.1	96.6	34.3	123.9	33.2	n.a.	n.a.	n.a.	n.a.	n.a.	25.0
Rural	n.a.	n.a.	87.5	65.6	68.5	38.6	91.1	39.1	108.1	36.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Urban	n.a.	n.a.	8.0	26.0	7.5	14.3	8.5	14.7	15.8	19.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sarawak	n.a.	n.a.	115.9	56.5	90.1	31.9	70.9	21.0	68.0	19.1	n.a.	n.a.	n.a.	n.a.	n.a.	6.6
Rural	n.a.	n.a.	107.0	65.0	85.9	37.3	67.8	24.7	63.0	23.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Urban	n.a.	n.a.	8.9	22.9	4.2	8.2	3.1	4.9	5.0	6.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Malaysia	1,000.0	52.4	975.8	42.4	649.4	20.7	619.4	17.1	517.2	13.4	418.3	9.3	332.4	6.8	409.3	8.1
Rural	n.a.	n.a.	864.1	50.9	556.4	27.3	530.3	21.8	439.3	18.6	319.0	15.6	267.5	11.8	306.6	13.2
Urban	n.a.	n.a.	111.8	18.7	93.0	8.5	89.1	7.5	77.9	5.3	99.3	4.1	64.9	2.4	102.7	3.8

Note: n.a. - not available

Source: Malaysia (1981; 1986; 1991a; 1991b; 1993; 1996; 1999b; 2001).

**Table 2:** Incidence of poverty by state

State	Malaysian Citizens			Overall		
	1995	1997	1999 <sup>1</sup>	1995	1997	1999 <sup>1</sup>
Johor	3.1	1.6	2.5	3.2	1.6	2.6
Kedah	12.2	11.5	13.5	12.1	11.5	13.6
Kelantan	22.9	19.2	18.7	23.4	19.5	18.7
Melaka	5.3	3.5	5.7	5.2	3.6	6.3
Negeri Sembilan	4.9	4.7	2.5	4.8	4.5	2.4
Pahang	6.8	4.4	5.5	6.8	4.1	5.6
Perak	9.1	4.5	9.5	9.1	4.5	9.4
Perlis	11.8	10.7	13.3	12.7	10.6	13.5
Pulau Pinang	4.0	1.7	2.7	4.1	1.6	2.8
Sabah <sup>2</sup>	22.6	16.5	20.1	26.2	22.1	25.0
Sarawak	10.0	7.3	6.7	10.0	7.5	6.6
Selangor	2.2	1.3	2.0	2.5	1.3	2.1
Terengganu	23.4	17.3	14.9	23.4	17.3	15.2
Wilayah Persekutuan Kuala Lumpur	0.5	0.1	2.3	0.7	0.1	2.3
Malaysia	8.9	6.1	7.5	9.6	6.8	8.1

Source: Malaysia (1999b).

<sup>1</sup>Data provided by EPU.

Note: <sup>2</sup> includes Wilayah Persekutuan Labuan

state-based NGO set up to eliminate hardcore poverty, was greatly affected by the crisis, less funds were available for poverty eradication. Hence, together with the emergence of the new poor as a consequence of the crisis, the expected rise in the incidence of poverty may not be over-estimated after all.

Another dilemma faced by the nation in improving the quality of life is the presence of foreign workers. As the Malaysian labour market tightened in the 1990s, a large number of unskilled foreign workers flowed into the country, either legally or illegally. Some estimates put this figure to be about 1.7 millions. A number of studies have argued that the easily available unskilled foreign workers discouraged employers from undertaking more capital and technology-intensive methods of production or providing skills training to their workers, thereby keeping productivity and wages low. Moreover, their presence in such a large number stretched the available amenities, particularly housing for the poor, to the limit. The presence of foreign workers contributes not only to the locals being left in poverty, but also to the increase in poverty incidence. The incidence of poverty among Malaysians was only reduced from 16.5 per cent in 1990 to 8.9 per cent in 1995, 6.1 per cent in 1997 and 7.5 percent in 1999. However, if non-citizens were included, the overall incidence would be 17.1 per cent in 1990, 9.6 per cent in 1995, 6.8 percent in 1997 and 8.1 percent in 1999 (see Table 2). Of total poor, the non-citizens constituted about 7.0 per cent in 1990, 12.6 per cent in 1995, 17.5 percent in 1997 and 14.2 percent in 1999. This shows that the foreigners are increasingly becoming part of the poverty group. Thus, to ensure improvement in the competitiveness of Malaysian workers and their quality of life, steps must be taken to reduce dependence on foreign workers.

The United Nations Development Programme (UNDP 1999) takes a multi-dimensional view of poverty that reflects a number of realities including intra-household income distribution,

**Table 3:** Distribution of household income by strata: Malaysia\*

Percentage of Households	Income share (Percentage)									
	1970	1976	1979	1984	1987	1990	1993	1995	1999	1999
Overall	□									
Top 20%	55.7	57.7	55.8	53.2	51.2	50.4	n.a.	51.3	52.4	50.5
Mean Household Income (RM)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5202	6854	6268
Middle 40%	32.9	31.2	32.4	34.0	35.0	35.3	n.a.	35.0	34.4	35.5
Mean Household Income (RM)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1777	2250	2204
Bottom 40%	11.5	11.1	11.9	12.8	13.8	14.3	n.a.	13.7	13.2	14.0
Mean Household Income (RM)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	693	867	865
Gini Ratio	0.513	0.529	0.505	0.483	0.458	0.446	0.459	0.464	0.470	0.443
Mean Household Income (RM)	264	514	763	1095	1074	1163	1563	2020	2606	2472
Rural										
Top 20%	51.0	54.5	53.2	49.5	48.3	47.1	n.a.	47.4	48.2	47.9
Mean Household Income (RM)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3153	4130	4124
Middle 40%	35.9	33.7	34.4	36.4	36.7	37.1	n.a.	37.1	36.6	36.5
Mean Household Income (RM)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1235	1564	1577
Bottom 40%	13.1	11.8	12.4	14.1	15.0	15.8	n.a.	15.5	15.2	15.6
Mean Household Income (RM)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	151	649	670
Gini Ratio	0.469	0.500	0.482	0.444	0.427	0.409	n.a.	0.414	0.424	0.418
Mean Household Income (RM)	200	392	550	824	852	927	n.a.	1326	1704	1718
Urban										
Top 20%	55.0	55.9	55.6	52.1	50.8	50.6	n.a.	49.8	50.2	48.7
Mean Household Income (RM)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6474	8470	7580
Middle 40%	32.8	32.2	32.1	34.5	35.0	35.1	n.a.	35.7	35.6	36.5
Mean Household Income (RM)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2323	3000	2844
Bottom 40%	12.2	11.9	12.3	13.4	14.2	14.3	n.a.	14.5	14.2	14.8
Mean Household Income (RM)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	842	1193	1155
Gini Ratio	0.503	0.512	0.501	0.466	0.449	0.445	n.a.	0.431	0.427	0.416
Mean Household Income (RM)	407	830	975	1541	1467	1591	n.a.	2589	3357	3103
Urban:Rural Disparity Ratio	2:14	2:19	1:90	1:87	1:72	1:70	1:75	1:95	2:04	1:81

Source: Anand (1983); Malaysia (1981; 1986; 1991a; 1991b; 1993; 1996; 1999b; 2001); Mean household incomes of income classes for Malaysia, urban and rural were provided by the Economic Planning Unit, Prime Minister's Department, Malaysia.  
 Note: Figures prior to 1990 refer to Peninsular Malaysia

gender disparities, seasonal labour, access to low cost (or free) health services, public goods and services, reliance and support from extended familial networks, and the use of non-monetised assets such as social capital. Hence, it is also critical to look at the vulnerability of households to endogenous and exogenous shocks in combination with income trends in order to deal effectively with poverty. As such, while poverty incidence data indicate massive poverty reduction, those located just above the poverty line are most vulnerable to slipping back below the line. It is useful to measure the vulnerability of the poor and near poor by registering how often a household is above or below the poverty line over a given time period. Baulch and Hoddinott (2000) show that the 'sometimes poor' group is significantly larger than the 'always poor' group.

In Malaysia, there is presently a large number of these vulnerable groups. One is the single-woman headed households that attracted much attention recently. At present, the number of single mothers and their dependents in the country is about 3.4 millions. Other vulnerable groups include unskilled workers, orang asli, the indigenous people of Sabah and Sarawak, old folks and migrant workers.

### 2.1.2 *The Level and Distribution of Income*

The mean monthly income of a Malaysian household has increased significantly and almost continuously from RM264 in 1970 to RM2,606 in 1997 (Table 3). The trend in income inequality reduction in Malaysia between 1970 and 1990 is also impressive. The Gini ratio fell from a peak of 0.529 in 1976 to 0.446 in 1990 while the income share of the top 20 per cent fell from 57.7 per cent to 50.4 per cent and the income share of the bottom 40 per cent rose from 11.1 per cent to 14.3 per cent over the same period. The state of income distribution, both in the rural and the urban areas, also exhibited similar trends.

Since the end of the New Economic Policy (NEP) period, the overall Gini ratio has shown a trend reversal in the 1990s when it rose to 0.459 in 1993, 0.464 in 1995 and 0.470 in 1997. While the 1997-1998 crisis managed to rein in the burgeoning inequality, it was just a temporary blip and the trend of widening inequality is expected to continue with the recovery of the economy. Table 3 also shows that the trend of the Gini ratio for the urban sector has continuously decreased since the mid-1970s. On the other hand, the trend of the Gini ratio for the rural sector has experienced a reversal similar to the national trend. It is thus worrisome as to why the rural sector, which normally has a lower inequality than the urban sector, is exhibiting this trend. Explanations must be sought and policies to arrest it be implemented to ensure that the rural poor can also raise their quality of life. With respect to urban-rural income distribution, although the government has managed to reduce income disparity ratio of urban to rural households from 2.14 in 1970 to 1.70 in 1990 through various interventions, this ratio rose again to 2.04 by 1997, wiping out almost all the improvements over the NEP period.

The inequitable income distribution among the major ethnic groups in 1997 (Tables 4 and 5) is equally worrying. Table 4 shows that 70.2 per cent of the households in the bottom 40 per cent income group (with a mean income of RM840 per month) were Bumiputeras in 1997. On the other hand, 62.7 per cent of the households in the top 20 percent income group (with a mean income of RM7200 per month) were non-Bumiputeras. Table 5 illustrates that the Indians were the main gainers in the top 20 per cent income bracket for the period 1990-1997. Bumiputeras constitute 48.6 per cent of the bottom 40 per cent income group, 38.5 per cent of the middle 40 per cent income group and only 12.9 per cent of the top 20 per cent

**Table 4:** Ethnic composition of households in the top 20%, middle 40% and bottom 40% income groups in 1997

	Bottom 40%	Middle 40%	Top 20%
Bumiputera	70.2	55.6	37.3
Chinese	14.4	33.1	47.3
Indian	5.3	8.7	8.8
Others	10.1	2.6	6.5
Mean Monthly Income	840	2002	7200

Source: Samsudin Hitam (1999).

**Table 5:** Income strata according to ethnic groups

Income Group	1990			1997		
	Bumiputera	Chinese	Indian	Bumiputera	Chinese	Indian
Top 20%	13.2	34.1	21.1	12.9	33.2	24.1
Middle 40%	37.2	44.8	47.4	38.5	46.5	47.3
Bottom 40%	49.6	21.1	31.5	48.6	20.3	28.6

Source: Samsudin Hitam (1999).

income group in 1997.

The *Mid-Term Review of the Seventh Malaysia Plan 1996-2000* (MTR7MP) (Malaysia 1999b) appears optimistic that the rural-urban income disparity and the overall income inequality would improve slightly during the crisis period, thus putting a brake on the widening gap of the 1990s. This phenomenon was attributed to the slight fall in the mean income of the urban households as well as those in the top 20 per cent income group. At the same time, the income of households involved in the agriculture sector grew at a slightly faster rate than in the previous years owing to the higher palm oil prices and the increased production of food crops in response to the higher costs of imports. It is also argued that the mean income of the bottom 40 per cent of households, particularly those in the rural areas, remained stable owing to their ability to diversify their sources of income which helped to cushion the full impact of the recession.

However, there are a number of factors that could adversely affect the pattern of income distribution as a consequence of the crisis. First, a rise in unemployment will generate little or zero labour income in many households, thus worsening the overall distribution of income. Second, the fall in wages, especially among production workers, is likely to push down the income share of those at the lower end, thus widening the income gap between wage earners and asset holders. Third, the sharp differential in wages between skilled and unskilled labour that represents one of the factors that caused increasing inequality in the 1990s still persisted during the crisis. The shortage of skilled and semi-skilled workers in the manufacturing sector persisted, particularly in the electronic and IT-related industries due to the progressive shift towards technology- and capital-intensive production activities. While these could be true to a certain extent, the contraction of the economic pie was unproportionately borne by the top 20 percent income group resulting in a decrease in the Gini ratio.

Although Malaysia made good progress in narrowing income inequality during the NEP

period, the income disparity of the country remains the highest in the Asia-Pacific region, as shown in Table 6. The average per capita income (purchasing power parity equivalent of USD22,447) of the richest 20 per cent during the period 1980-1994 was 11.7 times higher than that of the poorest 20 per cent (USD1,923). And this occurred during the period when the reduction in inequality was the largest.

As our experience shows, unequal income distribution is not conducive for promoting social cohesion and providing an acceptable level of quality of life for all Malaysians. It is also not consistent with our national development strategy of growth with equity. Moreover, although in the past it has been argued that there is a trade-off between growth and equity, Juan Somavia (2000), Director General of the International Labour Office, in his presentation to UNCTAD X in Bangkok stated that more and more research is indicating that inequality reduces growth, and thus the ability to improve the quality of life. In other words, redistribution is no longer a trade-off but is complementary to growth.

## 2.2 Health

The two vital components of the quality of life, namely health and education, enhance the capacity of workers to seize the opportunities to improve their livelihood and enjoy them. The importance of health that impinges on the quality of life is felt most when a single-

**Table 6:** Income disparity of selected nations in the Asia-Pacific region

	Real GDP per capita (PPP US\$)		
	Poorest 20%	Richest 20%	Income disparity B/A
	1980-94 A	1980-94 B	
<b>High in Human Development</b>			
Japan	8,987	38,738	4.3
New Zealand	4,264	37,369	8.8
Australia	4,077	39,098	9.6
Hong Kong SAR	5,821	50,666	8.7
Singapore	4,934	47,311	9.6
Thailand	1,778	16,732	9.4
Malaysia	1,923	22,447	11.7
<b>Medium Human Development</b>			
Sri Lanka	1,348	5,954	4.4
Philippines	842	6,190	7.4
Indonesia	1,422	6,654	4.7
China	722	5,114	7.1
Vietnam	406	2,288	5.6
<b>Low Human Development</b>			
Lao PDR	700	2,931	5.6
India	527	2,641	5.0
Pakistan	907	4,288	4.7
Bangladesh	606	2,445	4.0
Nepal	455	1,975	4.3

Source: Quinones, Jr. (1999).



income earner of a household or the main breadwinner of a multi-earner household who is self-employed or is being paid daily wages falls ill. In this situation where the household is completely dependent on labour income, the income of the household stops completely as long as the worker is ill.

The reduction in poverty incidence discussed in the last section was also accompanied by improvements in the social indicators. Some of these are shown in Table 7. The first four indicators reflect that tremendous progress has been achieved in health improvement of the Malaysian population. The Seventh Malaysia Plan (Malaysia 1996:74) also pointed out that by the end of the Sixth Malaysia Plan, about 92 per cent of the urban poor and 65 per cent of the rural poor households had access to safe drinking water. About 88 per cent of the urban poor and 77 per cent of the rural poor were also within nine kilometres of either a government or private clinic. Rural areas were also served by mobile dental teams and dispensaries, village health teams and the flying doctor service.

Several developments during the crisis had brought about negative impacts on household investments in health (Ishak Shari 2001). First, although health services are subsidised, households still incur direct or associated costs in attempting to gain access to these services. With reduced income and higher costs of medical services and medicines, the poor and low-income households tend to consume less than what is individually and socially optimal. Second, the quality and quantity of certain public services were likely to be spread thin owing to budget constraints and big shifts of clients from private to public health service providers. This issue was critical since there were 4,719 government doctors in 1997 compared to 6,051 private practitioners. The Ministry of Health responded in various ways to accommodate the budget cut, such as switching to generic drugs, and the selective purchase of more cost effective alternatives or strength of preparations (Abu Bakar Suleiman *et al.* 1998: 7). Third, as households struggle to maintain consumption to fulfil basic needs, they would most likely

**Table 7:** Indicators of quality of life, Malaysia

	1970	1990 <sup>1</sup>	1997
Life expectancy (years) <sup>2</sup>			
Male	61.6	69.0	69.6
Female	65.6	73.5	74.5
Birth rate per 1000 population	32.4	27.1	25.8
Infant mortality rate per 1000 live births	39.4	13.5	8.8
Death rate per 1000 population	6.7	4.7	4.5
Primary school enrolment ratio (%)	88.2	98.9	95.9
Teacher-pupil ratio (primary and secondary)	28.9	20.9	19.6*
Doctor/population ratio	1:4,302	1:2,656	1:1521
Television sets per 1000 population	22	100	108.5*
Passenger motorcars per 1000 population	26	96	151
Telephones per 100 population	1.0	9.7	25.8
Total road (km)	21,182	39,113	59,900

Note: <sup>1</sup>Refers to 1989 figures

<sup>2</sup>Peninsular Malaysia only

\*Figures for 1995

Source: Malaysia (1991a; 1999b).

not consult a doctor unless absolutely necessary and forgo most of the expenditure on general health care and illness preventive measures.

Even when the nation moves out of recession and gets back on track, Table 8 reflects a disturbing trend. While the absolute amount of national expenditure on public health and medical services has been rising, its share of the gross national product continues to show a declining trend. Moreover, the figure is way below the recommended five per cent by the World Health Organization for a middle-income country like Malaysia. In fact, Table 9 shows that Malaysia has a lower allocation for health expenditure as a percentage of the gross domestic product compared to several countries with a lower per capita income such as Thailand, Papua New Guinea, Sri Lanka and China. There is also the concern as to whether the government will continue to provide for and finance healthcare in the coming years or if it will shift the bulk of this responsibility to the private sector. Without adequate insurance and social safety nets, private financing of healthcare will definitely affect the quality of life, particularly when health facilities pertain to services that have the characteristics of public goods in nature.

### 2.3 Education

Some of the progress made in terms of education are shown in Table 7. Primary school enrolment ratio has risen from 88.2 per cent in 1970 to 95.9 per cent in 1997, while the teacher-pupil ratio (primary and secondary) fell from 28.9 in 1970 to 19.6 in 1995. With regard to the provision of educational facilities to poor households, the Seventh Malaysia Plan (Malaysia 1996) states that about 94 per cent of the rural poor households and almost 100 per cent of the urban poor households were within nine kilometres from a primary school. Moreover, about 60 per cent of the former and 96 per cent of the latter were within the same distance from a secondary school.

**Table 8:** Operating and development budget for Ministry of Health

Year	Total (RM Million)	Percentage of National Budget	Percentage of GNP
1965	140	5.94	1.92
1970	183	5.64	1.51
1980	895	5.27	3.53
1985	1255	4.30	2.14
1990	1840	5.50	1.68
1991	2166	5.70	1.80
1992	2352	5.40	1.70
1993	2482	5.62	1.56
1994	2390	5.07	1.36
1997	3727	6.17	1.43
1998 <sup>1</sup>	4047	6.46	1.50
1999 <sup>2</sup>	4527	6.12	1.61
2000 <sup>3</sup>	4848	6.51	1.67

Note: <sup>1</sup> Estimated

<sup>2</sup> Latest estimates

<sup>3</sup> Budget allocation

Source: *Economic Report*, Ministry of Finance, Malaysia (various issues).

**Table 9:** Health indicators and percentage of GDP allocated for health expenditure in 1990

Country	Share of health expenditure (% of GDP)	Life expectancy (years)	Infant mortality rate (1991)	Population per physician
Korea	6.6	72	7	1,370
Hong Kong	5.7	78	7	820 <sup>a</sup>
Thailand	5.0	68	27	5,000
Papua New Guinea	4.4	52	55	12,870
Sri Lanka	3.7	72	18	n.a.
China	3.5	69	38	1,060 <sup>a</sup>
Malaysia	3.0	71	1	2,700
Philippines	2.0	64	41	8,120
Indonesia	2.0	59	74	7,030

<sup>a</sup>Figures for 1994.

Source: Abu Bakar Suleiman *et al.* (1998); World Development Report 1993, World Bank.

The recent crisis affected the demand for education negatively. As is the demand for health, consumers still have to incur some private costs although education is being subsidised. Again with reduced income and higher prices, households at the lower income bracket may have the tendency to consume less of these services, thus impinging on their human capital development.

The depreciation of the ringgit resulted in a sharp rise in the cost of overseas education, causing a significant drop in the number of students sent abroad. For example, the number of Malaysian students in the British tertiary institutions dropped by about 44 per cent from 18,000 in 1997 to 10,000 in 1998. Students were diverted to local institutions, both public and private. However, although the cost of private education in the country is about two-thirds cheaper than going abroad, it is still expensive and beyond the reach of the middle and lower income households.

The government has also taken steps to stop sending postgraduate students overseas, except in cases where the courses are not available locally. Such reductions in overseas education mean that there will be less graduates exposed to an external environment, able to compete internationally, and fluent in English or another foreign language, and have the other positive attributes of an overseas education. At the same time, due to various reasons, local universities had to raise fees for postgraduate programmes, thus discouraging potential applicants. These developments might have serious implications on the ability of the country to produce the needed manpower for R & D activities to propel the economy to developed nation status.

Another disturbing fact is the low enrolment rate at the secondary school level, which was only 58.5 per cent in 1998. While a number may have proceeded to religious schools and private Chinese schools (which are outside the main stream schooling system) as well as engaged in various informal apprenticeships, the dropout rate is still too large. The latest information from the Ministry of Education is that while 99.5 per cent of students sat for the UPSR examination, only 77 per cent sat for the PMR examination. Moreover, among those who proceeded to the fourth and fifth forms in 1998, only 25.7 per cent were in the science stream (see Table 10). Of these, only 22.0 per cent of the Bumiputeras are in the science

stream compared to 33.5 per cent of non-Bumiputeras.

At the turn of the century there were 12 public universities (IPTA) and a substantial number of private sector tertiary institutions (IPTS), resulting in the enrolment rate at the tertiary level rising from 1.63 per cent in 1980 to 8.2 per cent in 1998. Still, the percentage of youths between the age of 17 and 23 enrolled in the various tertiary institutions was only 17.4 percent. This is far too low compared to the levels in the developed countries such as the United States, United Kingdom, Australia, Japan and Hong Kong, as well as the neighbouring countries of Thailand, the Philippines and Singapore.

In order to compete for students, both the public and private sector tertiary institutions have offered various courses and programmes such as twinning and distance programmes. While this development opens up wider opportunities for students, the fact that some institutions offer undergraduate degrees that require only two years to complete after Sijil Persekolahan Menengah (SPM) raises doubts regarding the quality of these programmes.

Moreover, when the academic performance was analysed, it is clear that the Bumiputera students fell far behind their non-Bumiputera counterparts. Due to the problem of poverty which is still relatively high among rural households and the lack of facilities in rural schools, the performance of Bumiputera and rural students is far from satisfactory. Table 11 shows the UPSR results in Mathematics and English according to the type of schools. It can be seen that the performance of Bumiputera students was far inferior compared to the non-Bumiputeras, especially those from Chinese-type schools. These are the subjects that are critical in the development of the K(knowledge)-economy towards where the nation plans to shift. It is feared that while on one hand, a certain section of the Malaysian society comprising the top and middle classes of non-Bumiputeras and Bumiputeras will be able to seize the opportunities brought by globalisation and liberalisation, on the other hand, these development processes will marginalise a substantial portion of the Bumiputera, rural society and other disadvantaged groups as well as displace unskilled workers since they are unable to join the system. This situation has also contributed to the low proportion of scientists and technical experts in R & D in the nation. Table 12 shows that there were only two such experts per 10,000 population in the 1990s compared to 71 in Japan, 36 in the USA, 43 in Germany, 29 in South Korea and 26 in Singapore. If this situation is not rectified, the ability of Malaysians to compete in the globalised world will be seriously impeded.

Somavia (2000: 8-9) stresses the importance of acquiring skills since the K-economy

**Table 10:** Distribution of fourth and fifth formers in science and non-science streams by ethnic group at 31 March 1998

Ethnic Group	Science Stream	Non-Science Stream	Total
Bumiputera	88,950 (22.0%) 57%	315,808 (78.0%) 71%	404,758 (100%)
Non-Bumiputera	65,926 (33.5%) 43%	130,937 (66.5%) 29%	196,863 (100%)
Total	154,876 (25.7%) 100%	446,745 (74.3%) 100%	601,621 (100%)

*Source:* Data provided by the Ministry of Education.

**Table 11:** Results of the UPSR in Mathematics and English by type of school

School Type/ Subject	Year	Percentage with Grade					Total Percentage with Grade	
		A	B	C	D	E	A, B & C	D & E
National School								
Mathematics	1991	11.4	15.6	29.5	27.7	15.7	56.5	43.5
	1992	11.2	14.2	31.8	20.3	22.5	57.2	42.8
	1993	15.2	16.4	28.5	19.8	20.1	60.1	39.9
English	1991	8.3	13.7	24.7	38.0	15.3	46.7	53.3
	1992	7.9	12.1	27.6	33.1	19.4	47.5	52.5
	1993	7.5	12.7	25.5	34.3	20.0	45.7	54.3
National Type School (Chinese)								
Mathematics	1991	39.5	25.3	21.8	9.3	4.1	86.6	13.4
	1992	38.4	23.4	25.1	7.6	5.6	86.8	13.2
	1993	42.9	23.7	21.0	7.2	5.2	87.6	12.4
English	1991	19.7	25.3	23.8	15.2	16.0	68.8	31.2
	1992	19.1	27.7	23.7	14.9	14.6	70.5	29.5
	1993	17.9	28.4	22.8	19.0	11.9	69.1	30.9

Source: Ishak Shari (1996)

needs broad competency accessible by everyone. He emphasises the necessity of finding effective ways of reaping the benefits of increased economic competition without sacrificing social cohesion. He argues that “policy and institutional reforms....are urgently required at both the national and international levels. The starting point for this reform needs to be a radical conceptual and practical leap towards an integrated approach to economic, social, and political dimensions of public policy. The traditional compartmentalised approach, which deals with each of these dimensions separately, has proved to be ineffective. This failure has become more pronounced in the current era of globalisation. Giving primacy to economic policies on the assumption that distributional and other social and political goals can be dealt with subsequently has proved to be illusory. The basic reason for this failure is that the compartmentalised approach ignores the strong interdependence among economic, social, and political dimensions of development.” There is thus also a need to review the current university curriculum so as to make it more integrated to enable graduates to deal with policy issues more effectively.

### 3. Other Issues Affecting the Quality of Life

In ensuring that the quality of life in Malaysia continues to improve, it is important to pay attention to other disturbing issues, which may be directly or indirectly related to the crisis. These are the increase in crime, domestic violence and child abuse and the rise in drug addiction and prostitution.

Official statistics and media reports indicate that petty thefts, house break-ins, pick

**Table 12:** Human capital statistics in selected countries

Country	Tertiary science enrolment (as % of total tertiary) 1995 <sup>a</sup>	R&D Scientists and technicians (per 10,000 people) 1990-96 <sup>b</sup>	Net enrolment ratio		Adult literacy rate (%) 1997
			Primary (as % of relevant age group) 1997	Secondary (as % of relevant age group) 1997	
Japan	23	71	99.9	99.9	n.a.
USA	n.a.	36	99.9	96.3	n.a.
Germany	35	43	99.9	95.3	n.a.
Korea, Rep. of	39	29	99.9	99.9	97.2
Hong Kong	36	2	91.3	69.0	92.4
Singapore	n.a.	26	91.4	69.0	91.4
Chile	42	n.a.	90.4	85.2	95.2
Mexico	33	3	99.9	66.1	90.1
Turkey	21	3	99.9	58.4	83.2
Malaysia	n.a.	2	99.9	64.0	85.7
Thailand	19	2	88.0	47.6	94.7
Indonesia	28	n.a.	99.2	56.1	85.0
China	37	6	99.9	70.0	82.9
Philippines	31	2	99.9	77.8	94.6
India	n.a.	3	77.2	59.7	53.5
Bangladesh	n.a.	n.a.	75.1	21.6	38.9

Note: a. Data refer to enrolment in natural and applied sciences.

b. Data refer to the most recent year available during the period specified in the column heading.

n.a Data not available.

Source: Adapted from UNDP (1999). *Human Development Report: Human Development Indicators*. Table 10: 176-179.

pocketing, kidnapping, robbery, robbery-related murders and other crimes have been on the increase. Statistics also show that there has been an increase in domestic violence in 1998. As of June 1998, 3,578 cases of domestic violence were reported nationwide, and these statistics are expected to exceed the 1997 figure of 5,799. Cases of child abuse and abandoned babies are also on the rise. It is difficult to establish whether these are a consequence of the economic crisis, but nevertheless these social problems have to be attended to and addressed in order to improve the quality of life.

Similarly, AIDS and HIV cases are on the increase. The overwhelming majority of the cases are young people below the age of 40. Again, it is difficult to establish whether the economic crisis is a contributory factor to the increase in AIDS, HIV and other sexually transmitted diseases. However, prostitution, at least the number of foreign prostitutes from Indonesia, Thailand, Burma and Eastern Europe was on the rise during the crisis. There were indications that there would be a greater spread of AIDS and other sexually transmitted diseases since the circle of consumers of this illegal industry has now probably widened to also include the non-affluent groups.

By mid-1999, the macro-economic indicators were that the Malaysian economy was on

the path of recovering from the crisis. However, it is important to note the two observations highlighted by Tabb (1998) concerning the recent crisis in Asia. First, the crisis reflects the tendency of unregulated capitalist markets in which speculation in excess is part of the very nature of the system. Second, such crises provide opportunities for stronger capitalists to profit from the problems of those unable to withstand the downturn. This implies that the creation of the global economy, the advancement of technology and the concentration of power promote instability and insecurity. The likelihood of the crisis reoccurring in the region cannot be ruled out. It is therefore important to take stock of the impact of the crisis as a whole and devise comprehensive strategies so that the country is more prepared to face adverse consequences should a similar crisis occur again in the near future.

The need to develop cost-effective social safety net programmes to help those adversely affected by the crisis is more pressing. For such programmes to be successful, it is vital that the social partners be fully involved in this reform process. Such efforts will go a long way towards gaining the understanding and support of the affected population and their organisations, which is a critical ingredient in ensuring the success of any reform plan.

#### 4. Conclusion

The discussion in this paper reflects that while tremendous progress has been achieved in improving the quality of life of the Malaysian population, a number of disturbing trends have also emerged. Under the NEP, it was possible to increase the income levels of the Malaysians while concurrently narrowing income disparity. Much of this success was due to overt government interventions in ensuring that growth would benefit as many people as possible. However, since the government embarked on reducing its role in the economy through liberalisation, decentralisation and privatisation from the mid-1980s, the dilemma discussed in this paper emerged, particularly increasing income inequality and the decreasing share of social services as a percentage of GNP. Minimising the role of the state to face the challenges of globalisation and liberalisation means certain sections of the society may have to sacrifice their living standards. While the role of the state has to be reduced in order to remove distortions and increase efficiency, it is still required to take care of the disadvantaged in society. Thus research is needed to re-examine the role of the state and to determine the proper mix of this role, the market as well as the civil society since the latter also contributes significantly through the NGOs such as *Amanah Ikhtiar Malaysia* and the *YBKs* in enhancing the quality of life of the Malaysians.

Finally, some of the factors affecting the quality of life cannot be resolved at the national or local levels only. For example, the foreign workers issue and environmental degradation due to cross-border pollution need to be addressed at the regional level. Thus, regional cooperation is needed in order to ensure the continued enhancement of the quality of life of the people of Malaysia.

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