POVERTY LINE INCOME: MALAYSIA's EXPERIENCES

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Scope of Presentation

Introduction

Why Measure Poverty (P)

How to Define Poverty Line (PL)

Malaysia Poverty Line Income (PLI)

Comparison PLI 1977 & PLI 2005

Measuring Poverty

Conclusion

INTRODUCTION

Poverty is easily to recognized but difficult to define.

Orshansky 1969:

- Poverty like beauty, lies in the eyes of the beholder

Concise Oxford Dictionary :

- Lacking adequate money or means to live comfortably.

3

WHY MEASURE POVERTY?

HOW TO DEFINE PL?

HOW TO DEFINE PL?

1 **Absolute Poverty Line**

Set as an absolute level below which consumption is considered to be low to meet the minimum welfare level acceptable.

2 **Not a survival line**

3 **Typically used in low or middle income countries**

5

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Two major issues:

(i) Referencing Problem

(ii) Identification problem

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Food-energy method

Direct Calorie Intake

Cost of Basic Needs

Method to develop PL
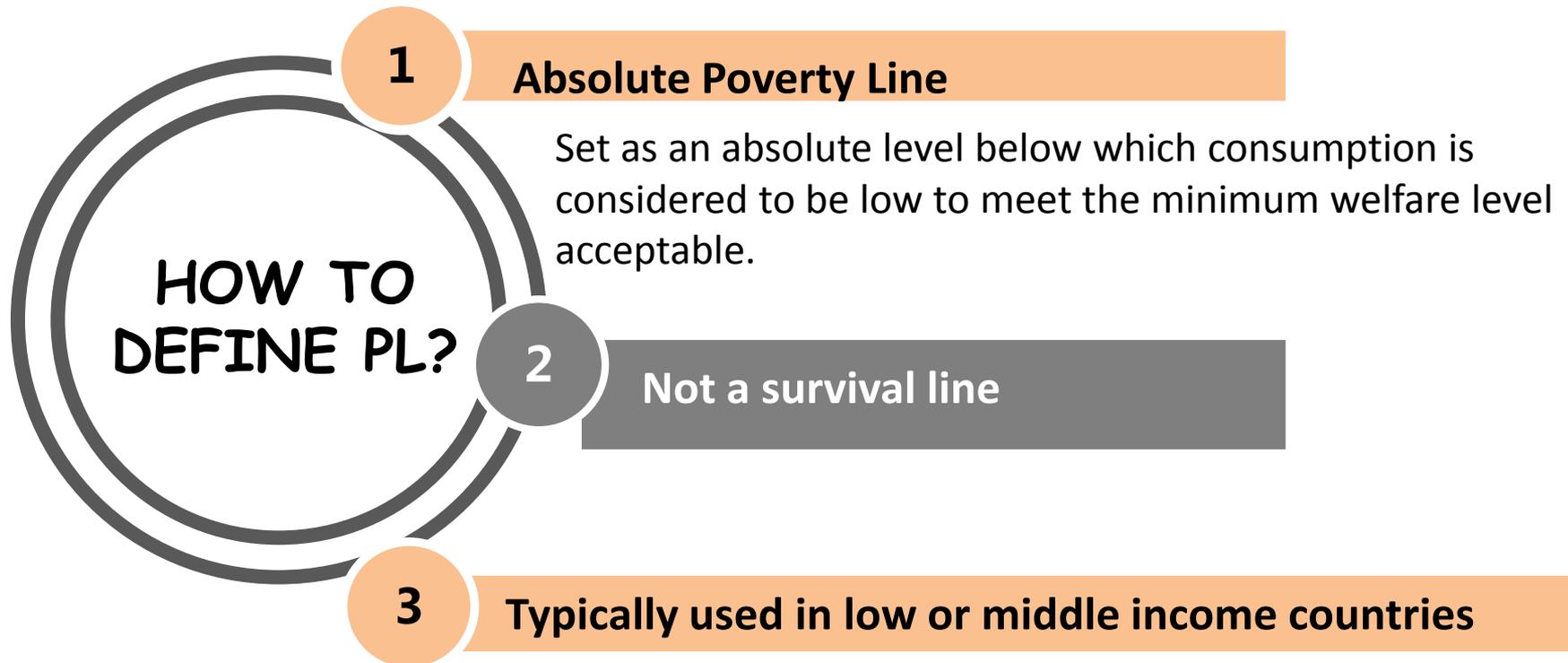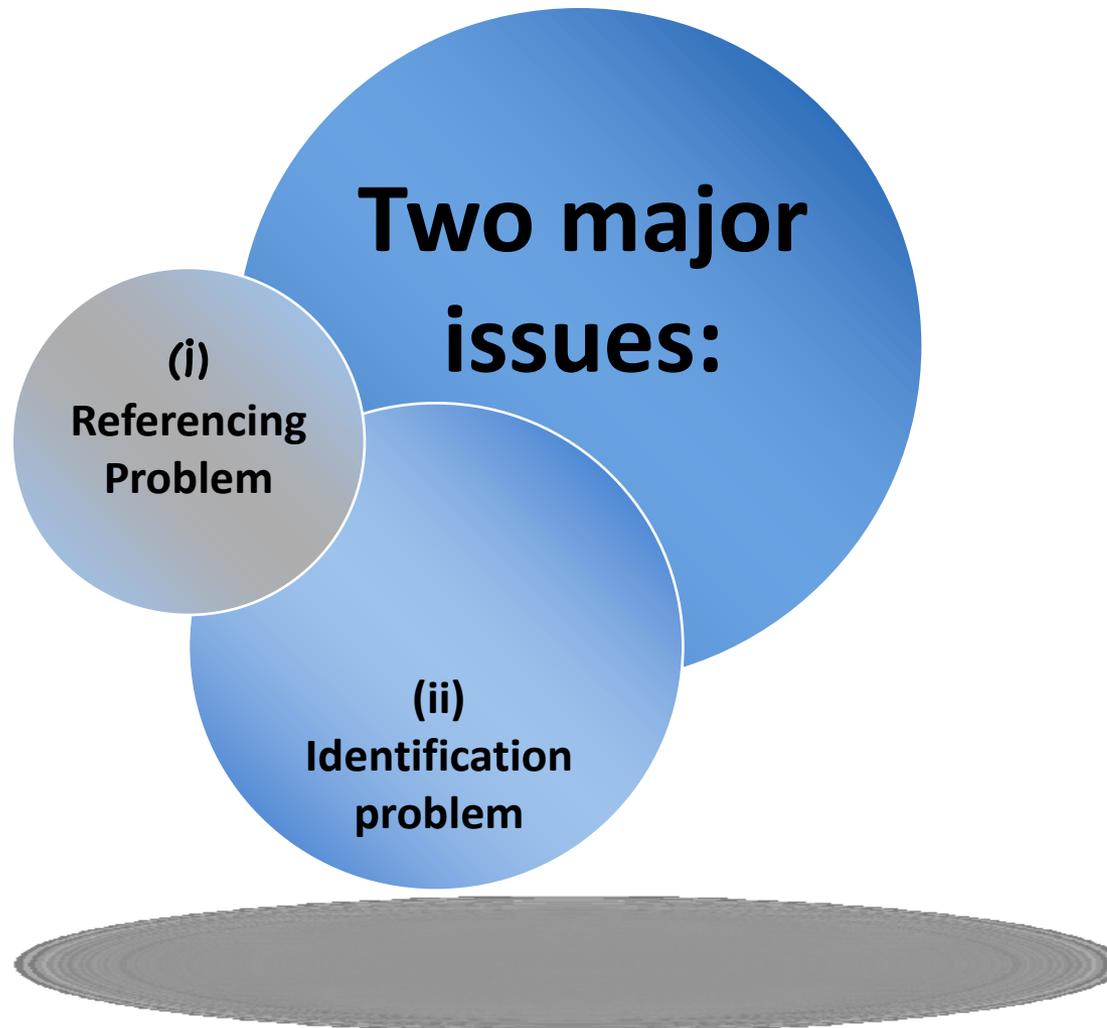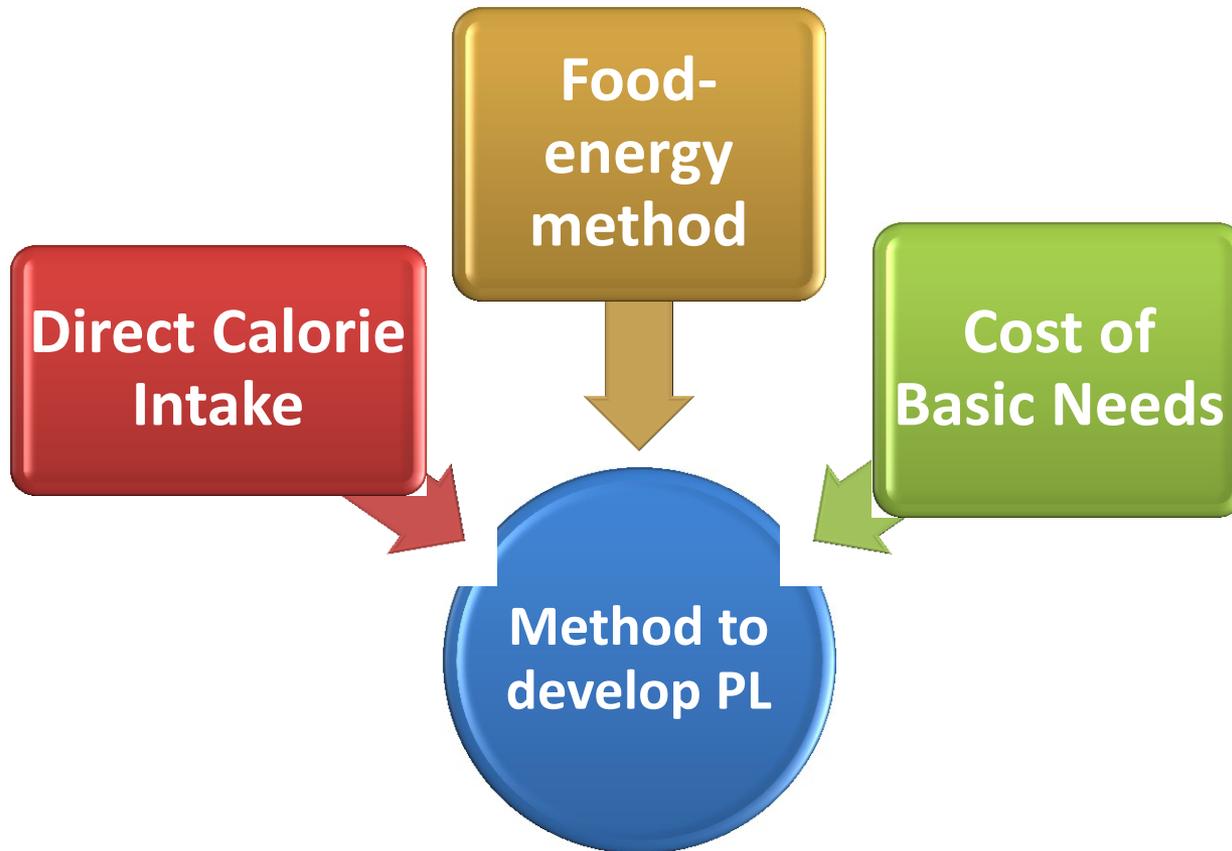
Ravillion and Lockshin (2003)

Step for Cost of Basic Needs approach:

Select nutrional requirement	**Select a single food bundle for the entire population, using prevailing tastes**	**Price this bundle at prevailing price for each of the group analyzed**	**Set the non-food allowance in line with the consumption behavior of those around the food poverty line**
Gram of Dietary Food per calorie MOH,UPM & UKM	HES	Price of Food per unit-CPI	HES

8

MALAYSIA PLI

Indicators:

FOOD PLI

NON-FOOD PLI

DEMOGRAPHIC INFORMATION:
-SEX
-AGE
- LOCATION

NOT POOR

POOR

HARDCORE POOR

Step to determine Food PLI

Calorie	➡	grams	➡	Price
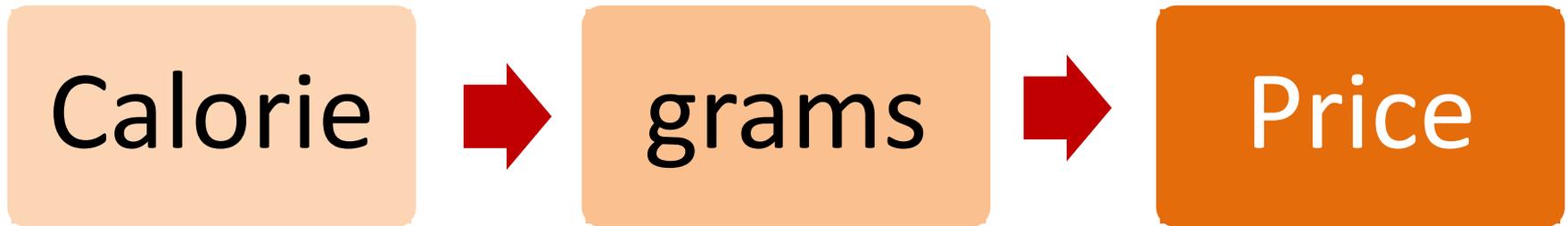
Step to determine Non-Food PLI

Consists of:

clothing	**+**	housing	**+**	durables	**+**	transport	**+**	other non foods

10
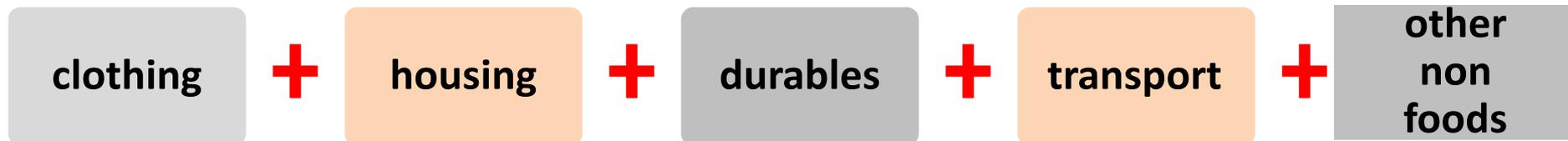
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Output: ➡

1	The price per 100 calories of a diet will full-fat milk suitable for a household with children aged 7 and under

2	The price per 100 calories of a diet with less full-fat milk suitable for a household without children under 7

3	Relative Non-Food prices by State and Stratum on each 6 digit Item

11

Recommended Daily Energy Requirements for Malaysian

Age Last Birthday	Body Weight (kg)	PAL	kcal/kg/day	kcal/day	MJ/day
Males					
0	7.7		85	650	2.72
1	11.5	1.45	82	950	3.97
2	13.5	1.45	84	1125	4.71
3	15.7	1.45	80	1250	5.23
4	17.7	1.50	77	1350	5.65
5	19.7	1.55	74	1475	6.17
6	20.7	1.55	73	1510	6.32
7	23.0	1.60	71	1630	6.82
8	25.7	1.65	69	1770	7.41
9	28.9	1.65	67	1935	8.10
10	32.3	1.70	65	2100	8.79
11	37.2	1.75	62	2305	9.64
12	41.3	1.80	60	2480	10.37
13	48.3	1.80	58	2800	11.72
14	53.1	1.85	56	2970	12.43
15	57.7	1.85	53	3060	12.80
16	59.0	1.85	52	3070	12.84
17	59.0	1.85	50	2950	12.34
18–29	60.0	1.75	43	2420	10.13
30–59	60.0	1.75	40	2385	9.98
60+	60.0	1.60	32	1900	7.95

12

Recommended Daily Energy Requirements for Malaysian

Females					
0	7.2		83	600	2.72
1	10.8	1.40	80	850	3.56
2	13.0	1.40	81	1050	4.39
3	15.1	1.45	77	1150	4.81
4	16.8	1.50	74	1250	5.23
5	18.6	1.55	72	1325	5.54
6	19.9	1.55	69	1510	6.32
7	22.1	1.60	67	1630	6.82
8	24.7	1.65	64	1770	7.41
9	28.4	1.65	61	1935	8.10
10	32.9	1.70	58	2100	8.79
11	37.9	1.75	55	2085	8.72
12	43.1	1.75	52	2240	9.37
13	46.5	1.75	49	2280	9.54
14	48.6	1.75	47	2285	9.56
15	50.5	1.75	45	2270	9.50
16	51.7	1.75	44	2275	9.52
17	52.2	1.70	44	2300	9.62
18–29	50.0	1.75	36	1950	8.16
30–59	50.0	1.75	40	2025	8.47
60+	50.0	1.60	36	1800	7.53

13

Alternative Malaysian Food Baskets

Food Item	Peninsular Malaysia		Sabah/Labuan and Sarawak	
	Option 1* *Including Milk Powder*	Option 2* *Reduced Milk Powder*	Option 1* *Including Milk Powder*	Option 2* *Reduced Milk Powder*
Rice	0.102	0.102	0.102	0.102
Wheat Flour	0.020	0.020	0.020	0.020
Biscuits	0.010	0.010	0.010	0.010
Fish	0.025	0.025	0.033	0.033
Chicken	0.054	0.061	0.054	0.061
Eggs	0.026	0.032	0.026	0.032
Milk Powder	0.016	0.008	0.016	0.008
SCM	0.004	0.004	0.004	0.004
Oil	0.011	0.011	0.011	0.011
Margarine	0.004	0.004	0.004	0.004
Sugar	0.025	0.025	0.025	0.025
Vegetables	0.034	0.069	0.034	0.069
Fruit	0.057	0.057	0.057	0.057
Green Beans	0.006	0.009	0.006	0.009
Dhall	0.003	0.003		

Household Expenditure Survey: Selected Food Item

HES Code*	Item	Food Category	Unit	Grams
01103 (PM)	Rice: Malaysia Standard B1 & B2	Rice	kg	1000
01101 (EM)	Rice: Malaysia Super A1	Rice	kg	1000
01201	Wheat Flour	Wheat Flour	kg	1000
01304	Biscuits: Cream Cracker	Biscuits	350-500g	425
03205	Fresh Fish: Ikan Kembong, Pelaling	Fish	kg	1000
02117	Chicken	Chicken	kg	1000
04405	Hen's Eggs Grade C	Eggs	10	580
04310	Powered Milk: Everyday			1000
04314	Powered Milk: Everyday	Milk Powder	kg	900
04205 (PM)	Condensed milk: Tea Pot	Sweetened		
04206 (EM)	Condensed milk: Tea Pot	condensed milk	397g	397
05204	Cooking Oil: Vesawit	Oil	2kg	2000
05305	Margarine: Daisy	Margarine	500g	500
07101	Sugar: White Coarse Local	Sugar	kg	1000
06404	Sawi	Vegetables	kg	1000
06107	Papaya	Fruit	kg	1000
06505	Green Peas (Kacang Hijau)	Pulses	kg	1000
06508	Dhal (*PM* only)	Pulses	500g	500

Price per 100 Calorie in 2004 (RM)

State	Urban		Rural	
	Option 1	Option 2	Option 1	Option 2
Johor	0.134	0.140	0.131	0.137
Kedah	0.128	0.134	0.130	0.138
Kelantan	0.131	0.136	0.124	0.129
Melaka	0.132	0.139	0.131	0.136
Negeri Sembilan	0.130	0.136	0.135	0.143
Pahang	0.138	0.146	0.137	0.145
Pulau Pinang	0.133	0.141	0.133	0.142
Perak	0.132	0.140	0.132	0.141
Perlis	0.126	0.129	0.132	0.139
Selangor	0.134	0.141	0.136	0.143
Terengganu	0.137	0.146	0.140	0.147
Kuala Lumpur	0.142	0.149		
Sabah/Labuan	0.144	0.148	0.148	0.154
Sarawak	0.154	0.163	0.155	0.164

16

Relative non-Food Prices by State and Stratum, 2004

State	Clothing	Housing	Durables	Transport	Other
Urban					
Johor	0.906	0.589	0.941	0.841	0.757
Kedah	0.939	0.463	0.933	0.903	0.904
Kelantan	0.762	0.405	0.848	0.912	0.432
Melaka	0.924	0.547	0.886	0.914	0.860
N. Sembilan	0.887	0.518	0.942	0.904	0.756
Pahang	0.873	0.458	0.899	0.913	0.865
P. Pinang	0.869	0.695	0.901	0.918	0.870
Perak	0.859	0.462	0.894	0.916	0.682
Perlis	0.978	0.430	0.879	0.881	0.909
Selangor	0.783	0.739	0.899	0.912	0.874
Terengganu	0.838	0.468	0.913	0.890	0.537
Sabah/Labuan	0.900	0.882	0.919	0.938	0.768
Sarawak	0.948	0.613	0.923	0.890	0.763

Relative non-Food Prices by State and Stratum, 2004, (cont…)

State	Clothing	Housing	Durables	Transport	Other
Rural					
Johor	0.717	0.439	0.894	0.902	0.620
Kedah	0.699	0.369	0.854	0.873	0.735
Kelantan	0.774	0.326	0.816	0.861	0.415
Melaka	0.758	0.456	0.910	0.874	0.651
N. Sembilan	0.741	0.498	0.910	0.895	0.694
Pahang	0.789	0.418	0.918	0.854	0.576
P. Pinang	0.801	0.532	0.923	0.884	0.856
Perak	0.635	0.375	0.898	0.895	0.616
Perlis	0.680	0.390	0.860	0.840	0.548
Selangor	0.817	0.525	0.862	0.872	0.582
Terengganu	0.798	0.424	0.885	0.896	0.542
Sabah/Labuan	0.786	0.784	0.918	0.925	0.764
Sarawak	0.860	0.537	0.902	0.883	0.755

2005-based PLIs for the 'Model Household'* by state and Stratum, 2004

State	URBAN Poverty Line Income			RURAL Poverty Line Income		
	Food	Non-Food	Total	Food	Non-Food	Total
Johor	380	331	711	373	274	647
Kedah	364	320	683	370	266	636
Kelantan	373	245	618	352	220	572
Melaka	374	335	710	372	282	653
Negeri Sembilan	368	316	684	382	298	680
Pahang	391	312	703	388	264	651
Pulau Pinang	378	373	751	378	326	704
Perak	374	292	666	375	254	630
Perlis	356	311	667	373	248	621
Selangor	379	381	760	384	292	677
Terengganu	389	276	664	398	263	662
Sabah	409	412	821	420	382	802
Sarawak	437	342	779	438	318	756
WP Kuala Lumpur	404	476	880			
WP Labuan	409	412	821	420	382	802

COMPARISON PLI 1977 & PLI 2005

PLI 1977

- No spatial CPI differential
- Nutrition based on PLI
- The calorie requirement were not sex specific
- Changing by update of CPI

PLI 2005

- Spatial price difference
- Nutrition based on advice from nutritionist
- Calorie requirement differ by sex
- Change in basket of good

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POVERTY RATE

Methodology 1977	Methodology 2005
$\dfrac{\text{No. HH below than PLI}}{\text{Total Household}} \times 100$	$\dfrac{\text{No. HH below than Total PLI}}{\text{Total Household}} \times 100$

HARDCORE POVERTY RATE

Methodology 1977	Methodology 2005
$\dfrac{\text{No. HH below than middle of PLI}}{\text{Total Household}} \times 100$	$\dfrac{\text{No. HH below than Food PLI}}{\text{Total Household}} \times 100$

MEASURING POVERTY

Based on PLI table

Each HH have their own PLI

Headcount Index
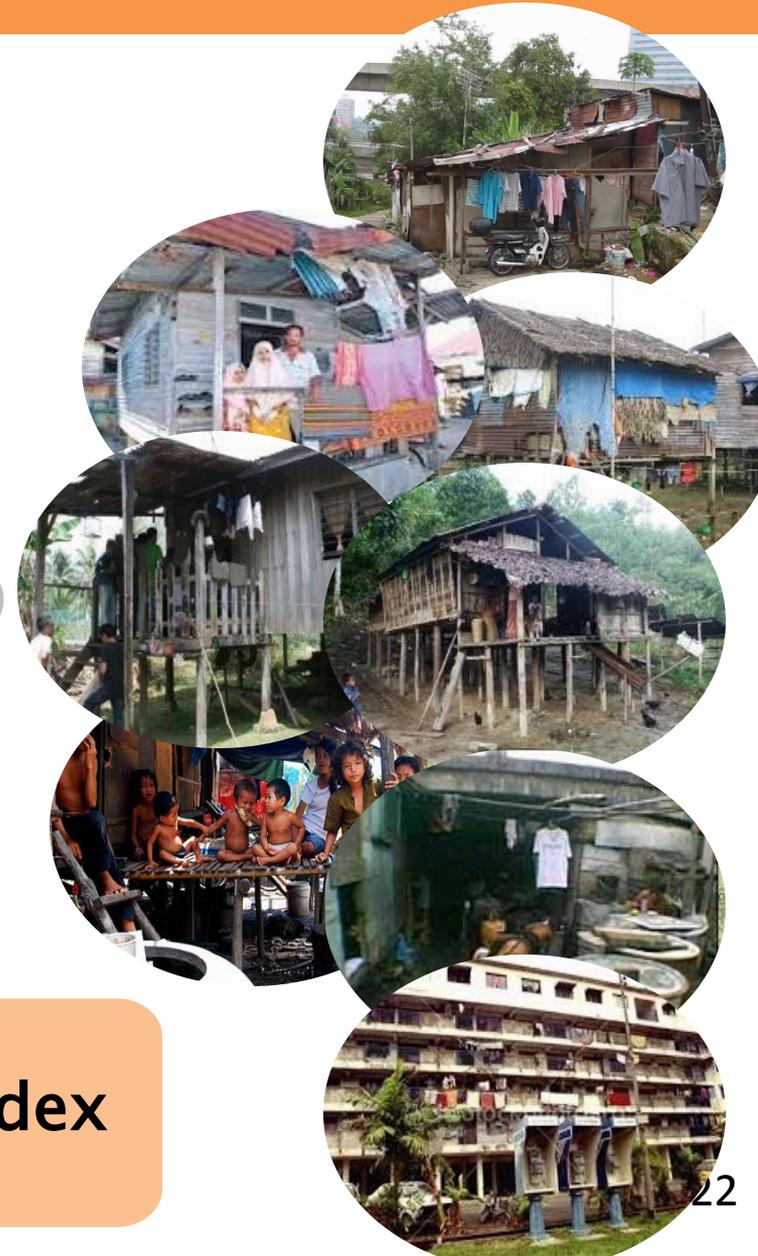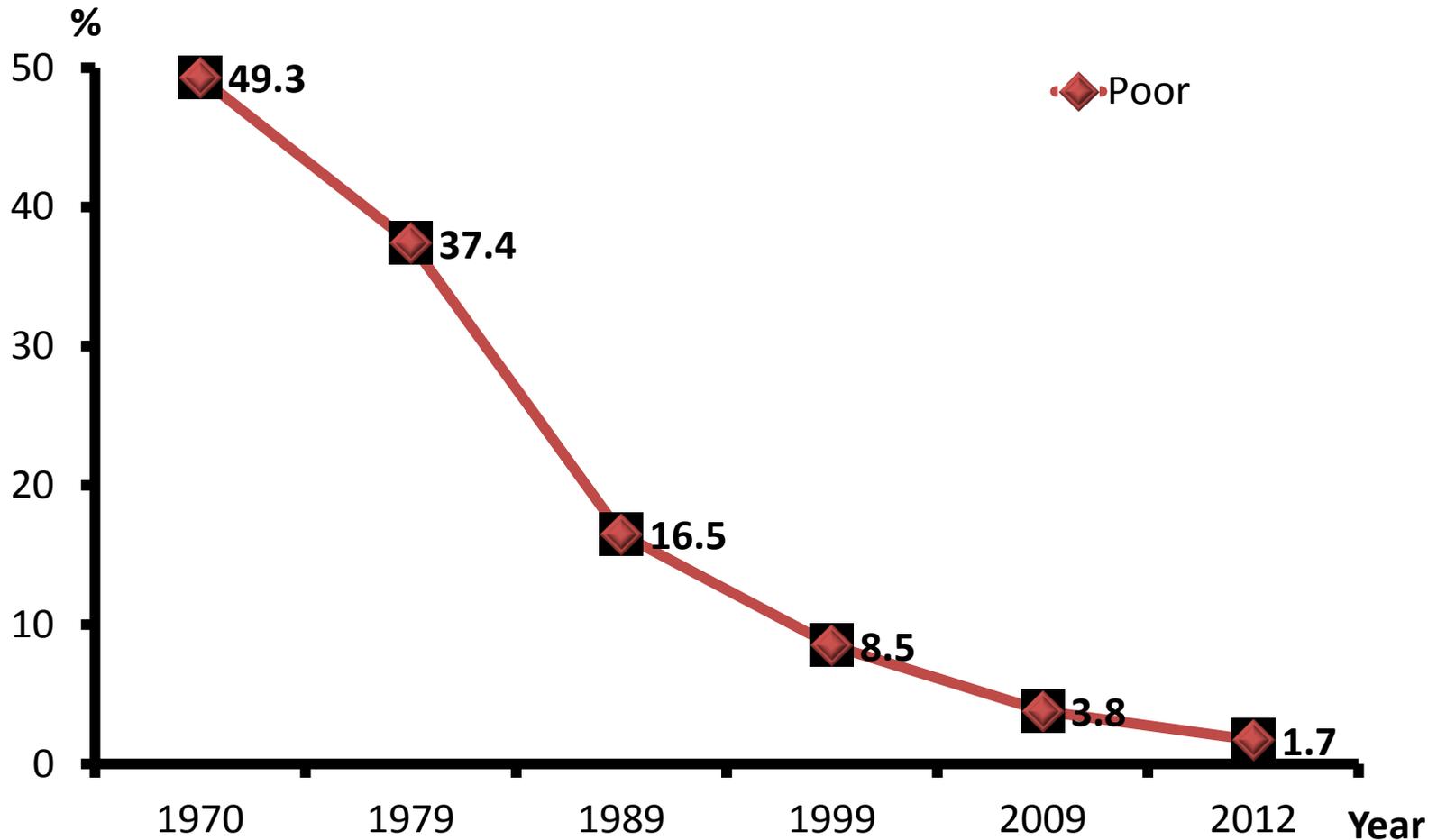
LOOKING FOWARD

i	Bottom 40%
ii	Poverty Gap
iii	Poverty Mapping

THANK YOU