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## Chapter Four: Studying Urban Poverty

**Joseph Ko Tee Hock**  
Department of Statistics  
koteehock@gmail.com

### SUMMARY

This relatively longer chapter identifies and reviews the seven aspects of poverty, its socioeconomic objectives, and methods and problems of quantifying the poverty concept. Included also in this chapter is a more focused analysis on urban poverty in Sarawak to meet both income and welfare objectives of helping the targeted population, especially the squatters' settlements.

## 4.1 Methods and Problems of Studying Poverty in Sarawak

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### INTRODUCTION

The importance of poverty in Malaysia is reflected in the fact that the eradication constitutes one of the two basic objectives of the New Economic Policy (NEP) formulated with the launching of the Second Malaysia Plan (1971-1975) and the 10-year framework plan (1976-1985). The 1990-1995 framework plan (1990-1995) makes the eradication of poverty one of the basic objectives of the 5th Malaysia Plan (1996-2000) and the 6th Malaysia Plan (2001-2005). The 7th Malaysia Plan (2006-2010) also makes the eradication of poverty one of the basic objectives of the 7th Malaysia Plan (2006-2010).

## CHAPTER FOUR Studying Urban Poverty

### SUMMARY

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(a) identify the economic and social objectives of poverty eradication

and

(b) identify the socioeconomic objectives and problems of poverty eradication

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## 4.1 Methods and Problems of Studying Poverty in Sarawak

### INTRODUCTION

The importance of poverty in Malaysia is reflected in the fact that its eradication constitutes one of the two basic objectives of the New Economic Policy (NEP) enunciated with the launching of the Second Malaysia Plan (SMP) in 1971. Within the 20 year framework of the Outline Perspective Plan (OPP) 1970 – 1990, the Fourth Malaysia Plan (FMP) marks the third phase and inaugurates the second decade of the NEP within this perspective period. FMP continues to elaborate and refine policy measures and programmes embodied in SMP and TMP “to ensure that the socioeconomic objectives of the NEP are achieved”.<sup>1</sup>

The Mid-Term Review (MTR) continues to evaluate and emphasize the incidence of poverty not only in Peninsular, but also in Sabah and Sarawak. Although not quantitatively explained what the poverty line is, MTR states that “poverty” in Malaysia is more relative in nature and is in many ways closely tied-up with the distribution of income in the country and the quantity and quality of public services enjoyed by households”<sup>2</sup>. This reinforces the FMP recognition that poverty is multi-faceted in nature.

It is this paper’s objectives to:

- (a) identify and review the multi-dimensional aspects of poverty,
- (b) analyze the economic and social objectives of poverty programmes, and
- (c) discuss the various methods and problems of quantifying poverty, be it absolute, relative or externality terms,
- (d) reflect on some of my thoughts on poverty in Sarawak, and
- (e) conclude with suggestions for further statistical and socioeconomic research studies.

Poverty has to be studied within the context of the development level of the country as well as the prevailing norms of the country. Wherever possible, therefore, figures, cases or studies relating to Malaysia or Sarawak are cited in this paper not only as examples for their own sake but also as indicators of research work left to be done. Comparative examples, especially from other developing countries will also be incorporated.

## ASPECTS OF POVERTY

The multi-faceted nature of poverty is discussed below.

### *Statistical Aspect*

Most poverty studies start with conceptualizing and identifying the type of statistics required to define urban or rural poverty target groups, and subsequently to formulate objectives and programmes for these groups. Once implemented, the monitoring and evaluation of these programmes require additional statistics for both qualitative and quantitative analysis. The range of poverty statistics so requires have to be not only conceptually and methodologically sound, but also inter-temporally comparable and up-to-date.

Compared to the rural poverty exercise, the urban statistical task appears to be easier not only because survey costs are generally lower, but also because data collection is thought to be easier with better field-interviews, higher literacy and less imputations in urban areas. But unlike rural areas, respondents in urban areas are generally less cooperative and harder to contact; also their income and expenditure compositions are relatively more varied and complicated, often involving misreporting and recall problems. These problems are of course, not exclusive of the other various common definitional and data collection problems inherent in all income and expenditure surveys.

### *Time Dimension*

Poverty studies are faced not only with a range of statistical problems, but also with various conceptual and methodological problems. Dynamic as any population is, programmes planned for a poverty group defined to-day will eventually benefit many future migrants, some poor, others non-poor. The time dimension also implies that poverty groups are moving targets and change not only through turnover (e.g. changing earner-dependency ratios) but also through growth in absolute numbers caused by migration and natural population increase. The longer the time frame for a "poverty-reduction" programme, the more important will be the "poverty-avoiding" actions directed at potential recruits to the group (e.g. rural-urban migrants arriving illiterate and unemployed) as against actions directed at to-day's poor.

### *Activities Inter-related*

Also, because production and consumption are so varied and inter-related, intended positive direct effects (e.g. low-cost housing using cheap labour) could cause unintended negative indirect effects (e.g. lower wages). Conversely, measures directed at non-poor could lead, through the “trickling down” effect, to poverty reduction or avoiding via increased demand for labour or output of small-scale industries. It is, for example, the World Bank policy to attack poverty indirectly via productivity;<sup>3</sup> since poverty-reduction is a complex objective, complex and inter-related, sets of data are needed to study and estimate behavioural parameters.

### *Geographical Areas Inter-related*

In fact, many “urban poverty action programmes” are defined broadly for a complementary, integrated attack to reduce both urban and rural poverty. This is because of the many known close urban-rural linkages, for example, through migrants’ remittances, and transfer of technology and skills to the originating rural areas or conversely through the inflow of poor village workers to higher income occupations in urban destinations<sup>4</sup>. At the regional (e.g. district) level, inter-regional linkages require that poverty programmes be defined with allowances for integrated regional development.

### *Social and Welfare Aspects*

Inter-related also are the economic and social aspects of poverty. Social or welfare aspects such as basic amenities, health and education are casually related with poverty and are instrumental objectives in poverty programmes<sup>5</sup>. Moreover, these are generally collective goods with significant external or community effects,<sup>6</sup> correlated with but not separately measurable in individual household or family incomes. The deficit group will include those who lack the “minimum” level of housing or nutrition, access to utilities or health services. In contrast, the poverty group, be it absolute or relative is defined in terms of money or imputed income. The deficit group may overlap, often only partially, with the poverty group. Thus, households or families above the poverty line, however defined and quantified, may lack the “minimum” level of, say, housing or education i.e. physically or mentally poor. In fact, a 1976 World Bank report<sup>7</sup> on poverty shows that the overlap

between poverty and service deficit can be less than expected. For instance, in Columbia, only 23 percent of the poorest (bottom quintile) urban families lacked piped water, while most families lacking water were not in this bottom quintile. In Malaysia, about half of all urban households needing water were not in the absolute poor group. Further studies on such “income-access” relations should be undertaken not only in Peninsular Malaysia, but also in Sarawak.

#### *Variability Aspect*

To complicate the above question it is difficult to quantify, say, what is “minimum” nutrition since requirements vary between urban and rural areas, ethnic groups, sexes, ages, time, and even between occupations. In the case of non-food needs, the problem is even greater.

For example, access to piped water does not reflect actual availability, usage (possibly because of inadequate income), distance, number of other users, quality of water, rate and regularity of flow. Some of the alternatives to such variability and qualitative problems are discussed later in this paper.

#### *Distribute Aspect*

Important to note also is that there are degrees of poverty. An absolute poverty line can only artificially separate the group of poor below this line: within this group, variations still exist between those at the bottom and those at the top or line margin, and through time there could be income improvement within this group, although its number or relative importance does not improve. Also, because of the non-contiguous, dispersed or scattered locations of these poor, it is difficult from a programme implementation point of view to have action programmes that can directly reach the affected households or families without some leakage of benefits to the “non-poor” in the area<sup>8</sup>. The question then is what the socioeconomic value of these leakages is and how much are such leakages to households or families just above the poverty line. While economic growth is a major vehicle for eventual poverty reduction, it is important also to consider the distributive effects, because much of the potential impact on poverty will flow not from macro, be it general or sector-specific, direct-benefit programmes but from general growth policies (e.g. impact on demand for labour or population mobility) and from the distributive

spread or spillover of the “non-absolute poor” benefits (e.g. groups just above the poverty line).

An inter-country comparative study<sup>9</sup> of 60 countries on the statistical relationships between growth, poverty and inequality<sup>10</sup> shows that while empirical evidence supports the existence of Kuznets’ U curve, average absolute incomes of the lower percentile groups rise as per capita GNP rises, although slower than for upper income groups. The cross-section results do not support the hypothesis that faster rates are systematically associated with higher inequality. In fact the operation of four processes were observed as contributory to improvement in income distribution;<sup>11</sup> they are intersectoral shifts in the structure of production, expansion in educational attainment, higher skill levels, and reduction in population growth rate.

#### THE INCOME OBJECTIVE

The economic and social aspects of poverty identified as needs for actions in poverty programmes require that poverty objectives, be it for poverty eradication, reducing or avoiding, be both income and welfare orientated. The income objective can be defined in terms of income deficit, direct beneficiaries or specific statistical indicators.

##### *Income Deficit*

Statistically, the need for frequent household surveys on income, expenditure and nutrition lies in the use of statistics for measuring and monitoring not only the number of poor but also their income deficit in terms of how far each falls below the poverty line.

Since not all the poor below the line are equally poor, a numerical reduction in the number of poor needs not be accompanied by a corresponding reduction in the poverty deficit. To monitor this, consistently comparable per capita income figures are required.

##### *Counting Beneficiaries*

In the absence of data for measuring income-deficit, counting the beneficences