Adult Education and Poverty Reduction: A Global Priority

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Rural Settlement Schemes and the Problem of Second Tier Poverty:
Evidence from Malaysia

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Introduction
Since the First Malaya Plan (1956) and subsequently under the New Economic Policy (NEP) (1971-1990), one important regional development strategy is the new land and resource development strategy. This strategy is geared towards the utilisation of available land in the less developed areas and at the same time increasing the rural population income, eradicating poverty and achieving greater equity in the distribution of income by mobilising large numbers of the rural poor population to the more productive land development schemes.

Developing new land development schemes was one of the tools used under rural urbanisation strategy. This strategy was geared towards the utilisation of available land in the less developed areas and at the same time increasing the rural population income, eradicating poverty and achieving greater equity in the distribution of income by mobilising large numbers of the rural poor population to the more productive land development schemes. The resettlement schemes were under the organizational framework of the Federal Land Development Authority (FELDA). This agency has resettled people comprising mainly under-utilized workers or landless and poor people. The land development schemes had successfully raised the average net monthly income of FELDA settlers to a level above the poverty line.

In Malaysia as well as in many developing countries, land settlement schemes have been adopted as one of the important tools that can form part of a rural development strategy. In 1954, the World Bank, as part of its mission, suggested that Malaya (now Malaysia) give due attention to land development to enhance agricultural production. At that time, agriculture made an important contribution to the Malaysian economy. Eventually, the Federal Land Development Authority or FELDA was established in 1956, as one of regional strategies with the special task of developing the rural sector. The main aim for the establishment of FELDA was to develop the rural areas into potentially successful agricultural areas. FELDA also functioned as the resettlement area for the poor, mainly Malay population, who did not own land in the rural areas and also provided basic amenities.

As time progressed, FELDA became the world’s largest plantation company in 1981 and the success of FELDA in implementing its objectives has been recognized internationally. However agriculture did not remain as Malaysian’s main economic activity. This is because Malaysia was well along the path of economic development and structural change, which implied a decline in agriculture’s share of the gross national product and a corresponding increase in the share of manufacturing activities. Until the mid 1970s, Malaysia was among the largest exporters of natural rubber, tin and palm oil. However from the mid-1980s onwards, the importance of the agriculture sector as the main contributor to the Gross Domestic Product (GDP) dwindled, and employment started shift to the manufacturing sector. At the same time, the importance of FELDA schemes as contributors to the production of
Malaysian export commodities (rubber and palm oil) as well as a source of employment and income was becoming relatively less important.

It is undeniable that FELDA schemes were successful at the beginning and in the medium-term of operation. In many cases, income levels have been raised more than double, poverty has decreased and in-migration to the scheme was relatively high. However, after the long term (approximately after 30 years), when the age of settlers and crops increased, the settlement scheme started to face the problem of decreasing crop yields as well as monthly low income and poverty. This scheme’s success in attracting in-migration (first generation – settlers) now faced the problem of largely out-migration by the second generation (settlers’ children). In some cases, land was abandoned and paid labour was used. This problem was due to the fact that the economic structure of the country has changed towards industrialization.

It is a critical issue, because FELDA schemes were one of the important regional strategies in Malaysia, but now its output (rubber and palm oil) has ceased to be so important. This research will therefore use a case study approach to investigate the achievements and new challenges faced by new land and resource development schemes in the long term due to the fact that the economic structure of the country has changed towards industrialization. In long run, when economic activities change towards the manufacturing sector (through the process of structural change - agricultural sector was no longer recorded as the main economic activity), the government will face the problem of high out-migration from agricultural sector and later on facing the problem idle land. The problems also occur in land development schemes. It is estimated that about 25 percent of the arable land in Peninsular Malaysia is lying idle. In this respect, one major issue faced by the agricultural sector in Malaysia is the sluggish rate of growth in productivity and hence incomes in the unorganised smallholding sub sector, which has attained a dominant position in the agricultural sector. Problems of labour shortages, ageing farm labour and the declining competitiveness of smallholder production units have helped to render idle large areas of cultivated land.

The problem of poverty remained the main issue faced by the government in the implementation of national socio-economic development policies. Poverty in Malaysia normally links the Malay people with the rural areas where they live. In the rural areas, the poor still comprise those who work in the agricultural field. The socio-economic position of the FELDA community differed from one community to another. This was influenced by the period of development of a particular area and the kind of crop grown. The income of the settlers was defined as what was obtained from the sale of the produce from the land.

New Land Development Scheme: Achievements and New Challenges
The success of FELDA in land and agricultural sector development has received world recognition. FELDA succeeded in raising the socio-economic status of the rural people to a better level. A majority of those involved were Bumiputeras (Malay) and this was consistent with the New Economic Policy which carried out regional restructuring of society programmes. FELDA had therefore succeeded in attaining its objectives. However, the monthly income average of the settlers from the produce (rubber) was highly influenced by several factors like kind of crop, market price, duration of crop and weather. Land produce was also influenced by land fertility, the cooperation of the settlers in one block, age and the generation factor. The second generation of settlers did not have the same drive to continue the efforts of the first generation settlers.
The income of the settlers differed from one area to another. Often, income was high in one area whilst at the same time, in another area, income was low and even below the poverty line. This income difference subsequently influenced their income distribution. Many FELDA participants were Malays without education or land with an average income of less than RM50 (US$1 = RM3.60) a month before participating in the FELDA land scheme. Although a great deal of research finds that the settlers escaped poverty, in the actual sense, the poverty problem in land schemes continued to occur, especially after trees were felled for re-planting until these trees were ready to yield. The study on poverty incidence carried out in FELDA land scheme areas proved that the hardcore poor and the poor existed because of several factors including size of household which was relatively larger, the old age of the head of the household, no side income, and other sources of income of the head of the household as well as the large number of non-working members of the household. A low education level, an unsatisfactory land yield, as well as price and unsatisfactory hiring of labour worsened the incidence of poverty and uneven income distribution of the areas under study. A majority of the hard-core poor were left behind in the development process due to abject poverty, being too old or living in areas too isolated to benefit from economic programmes. The declining poverty rate was reflective of an increase in agricultural output and productivity. The increase in agricultural output contributed to an increase in income for the rural folk.

Socio-economic status among the FELDA community differs from one area to another. This situation is influenced by various factors, such as the period the land has been developed, the type of the crop and the age of the crop. Income that is received by the settlers is usually defined as what they get from selling their produce. According to this definition, findings from various previous studies tend to show that income of settlers, who joined the FELDA scheme, increased by about 70 percent compared to their incomes before joining the scheme. However, findings about settlers’ average monthly income tend to differ among schemes. Generally, factors that determine monthly income in the FELDA schemes can be summarised as in Figure 1. All these factors can be aggregated into two main factors: Crop’s status; and how long the scheme has been occupied. With regard to crop’s status under the first time planting, the age of most of the settlers was less then 45 years old. As shown before, in the second study area (occupied areas between 10 to 15 years), the total income of the settlers has a close relationship with the income obtained from the crop (1 - in Figure 1). At this time the income from the crop (rubber) provided sufficient monthly income from the average sized household and was able to further increase the income if the head of the household has a second job (2). Other income sources, such as settler’s other income, income from other members of the household and income sent from migrated members of the household was less significant in terms of the contribution to the total household income. This is because in this area, a majority of the children were still at school. Incidence of poverty in this area mainly occurs because of two factors, large numbers of members of the household (3) and debt burden (4) to repay the government for all that has been given to them together with interest at the rate of 6.25 per cent per annum.

Meanwhile, with regard to crop’s status under the second time planting, the age of most of the settlers was more than 45 years old (first study area - occupied areas between 29 to 40 years and trees planted for the second time), and there was a weaker relationship between the total monthly income of the settlers and the income obtained from the land. In some cases, they did not get any land yield until the replanted rubber trees could be tapped (a – in Figure 2). Incidence of poverty in this
area was more obvious compared to the second area. The settlers’ older age factor and the presence of working adult children reduced the settlers’ involvement in side jobs. Incidence of poverty of settlers in this area mainly occurs because of two factors. Firstly, they did not have any side jobs (b) (too old to have a side job), and secondly, they did not receive any monthly contributions from their children who were working but not residing with them. These areas also faced the problem of high out-migration by the second generation (c) (settlements’ children). In some cases, the children of the settlers who are too old or have passed away have taken over the scheme, but they prefer to hire labour to work the land (d) (rubber crop) because they have a permanent job outside the agricultural sector (including FELDA scheme). Because of health problems (very old), some of the settlers moved away to live with their children outside the land schemes and this later caused the problem of abandoned land and abandoned homes (e).

Figure 1 Determinant Factors of Income and Poverty
It has been mentioned before that it is undeniable that settlement schemes were successful at the beginning and in the medium-term of operation. The trend of monthly income and poverty in the FELDA schemes can be shown in Figure 2. After the settlers have been accepted to join the FELDA scheme, they will receive a monthly recruitment allowance of about RM75 until the tree starts to produce rubber (7 years). Although in the beginning (period (a) in Figure 2), the monthly income was under the poverty line but it was still higher compared to their income before they joined the scheme. The settler’s income will start to increase when the rubber trees are ready to be tapped. The economic age of rubber trees is 30 years and maximum rubber is produced when the age of the tree is about 15 years. In the medium-period (period – b and c), settlers’ income from the crop can reach about RM1,500 per-month, and then will start to decrease after that (peak of rubber produced). They were expected to obtain ownership of the land (and house) after a period of 10 - 15 years depending on the price of the crops.

After 30 years of the crop’s age (settlements’ age about 55 years), the plantation must be replaced with new trees to sustain the income of settlers. In this period, the settler will receive monthly essentials allowance of RM250 (period – d). For replanting, half of the agricultural land is cleared as new land, whilst the other half is maintained so that the settlers can still obtain an income. Although their income is decreasing, the minimum income that the settlers will receive is about RM150 per month. When the new trees can yield, only then is the second half of the land cleared and replanted. During this period, the monthly settler income is about RM400 (RM250 from essentials allowance + RM150 from crops), which is under the poverty line. Monthly settler’s income will start to increase again when the re-planted rubber trees are ready to be tapped approximately 5 years after re-planting.
Conclusion

Although in many cases, income levels have increased more than double, after a long period (approximately after 30 years), when the age of settlers and crops increase, the settlement scheme started to face the problems of decreasing crop yields as well as the decreasing monthly income and increasing poverty. This scheme’s success in attracting in-migration (first generation – settlers) now faces the problem of largely out-migration by the second generation (settlers’ children) in the long period. In some cases, land and houses were abandoned and paid labour was used. In other words, it can be said that regional policy in terms of increasing income and decreasing poverty, based on the new land development scheme instrument, was successful only in terms of the short and medium period. At that time also (before the 1990s), the agricultural sector, especially rubber and oil palm as the main major export commodities, was the main contributor to employment and GDP. However due to the fact that the economic structure of the country has changed toward industrialisation, it shows that that the agricultural sector (including the FELDA scheme) has become less important. The agricultural sector has also become less attractive in terms of job creation due to the relatively low wages compared to the manufacturing sector. This caused high out-migration from the agricultural sector to the manufacturing sector, including from the FELDA scheme.

FELDA land schemes and other small holding schemes often faced a labour shortage. The rapid expansion of the manufacturing sector attracted a lot of workers from the plantation sector. This resulted not only in idle plantations but also homes and villages were abandoned. A majority of the older heads of household had children who worked in non-agricultural sectors and who made monthly monetary contributions. Although in Malaysia, where the land settlement programme is conceived as part of an integrated regional development programme, the problem has not been solved. Initially, one plot of land (4-5 hectares) is perhaps adequate to provide a minimum income for the family, utilize the family labour, and satisfy the emotive need for land ownership. This is workable during the early years while the settler’s family is small. As it grows, however, the triple functions of land fail. One of the rigid principles of land development scheme in Malaysia is that the settler’s land cannot be subdivided, for fragmentation creates uneconomic holdings. This means that the settler’s dependents will have to leave the land settlement scheme to seek employment opportunities elsewhere. A new cycle of out-migration is thus generated. Young settlers can only be attracted to take over land if agriculture production returns are similar to other employment opportunities. Poverty is expected to be high in the replanting period. The poverty rate among ageing households as well as households headed by women, is relatively high in the long-term period.

The problem of migration of the second generation from land schemes in Kedah has left the job of working the land schemes to the first generation that have progressed in age. They are forced to hire workers to work in the land schemes, and some land and homes of the settlers were abandoned when the first generation passed away. In this instance, the FELDA management and state government must plan strategies and action plans to overcome problems, which occur in FELDA land schemes especially in the areas, which have been (the schemes) long developed. At the same time, the production from the settlers’ land is not stable. Market price fluctuation is amongst the factors, which influence their income. Other than this, the replacement of natural rubber with synthetic rubber also influenced the demand for rubber, which in turn influenced the price of rubber.
Bibliography


