Migration and the Patterns of Demographic Inequality in Malaysia

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Introduction
Since 1971, under the New Economic Policy (NEP) of eradicating poverty and restructuring society, the Malaysian government has tried to promote a balance in economic activities, which contributed to marked economic differences between geographical locations. Development planning has changed from “building upon the best” (under British colonial times) to “accelerating maximum growth” (1950s and 1960s) and finally to “growth with equal distribution” (1971 until now). The discussion in this article will attempt to establish the general pattern of demographic structural change in Peninsular Malaysia and its constituent regions and to examine the extent to which government policy (restructuring population and decreasing poverty) has influenced the pattern of regional inequalities in Peninsular Malaysia. The first part of this article will discuss the demographic structural change and distribution in Peninsular Malaysia, including population growth and concentration, age structure and dependency and how migration has responded to government policy to redistribute the population. The second part of this chapter will discuss the status and change in poverty and society that occurred in the states and regions in Peninsular Malaysia since 1970. Finally in the part three, some conclusions are drawn.

Based on the population census 1970, 1980, 1991 and 2000, the population of Peninsular Malaysia increased slightly from 8,809.5 million in 1970 to 17,670.1 million in 2000 with an annual growth rate of 2.3 per cent. The rate of population growth continued to slow down with the declining fertility rate as the country progressed towards a developed nation status. Peninsular Malaysia is well along the path of a modern fertility transition. Fertility rate in Peninsular Malaysia declined by 40 per cent from 6.2 per cent in 1958 to 3.7 per cent in 1983. The decreasing fertility rate was different between ethnic groups. The Chinese and Indian fertility rate declined by 60 per cent while for the Malays, it was 23 per cent (Hirschman 1986). About 30 per cent of the overall fertility decline of Malay and Indian and 90 per cent of the Chinese women was due to marital postponement for women in their 20s (Hirschman and Guest 1990; Leete 1989).

82 The fertility rate is defined as the number of children a woman bears during her reproductive age.

83 By socio-economic status, Malays are disadvantaged in several ways. First, rural-urban differences in opportunities (especially education) mean that the rural character of the Malays tends to limit their social status. Second, ethnic differences by occupation, income and education are present within urban and rural areas. The Chinese have, on the average, the highest level of socio-economic status of the three groups with the Malays having the lowest (Bach 1981:508).

84 Traditionally, Chinese women married at a later age (Hirschman and Guest 1990:133).
Education of females appears to be most salient - higher educational attainment leads to lower fertility (Hirschman 1986). Percentage of population (6-19 years) enrolled in school increased from 84 per cent in 1980 to 88 per cent in 1991 for the male population, and from 71 per cent to 80 per cent for the female population. In terms of ethnic groups, it was 84 per cent for Bumiputera ethnic group, 87 for Chinese and 88 for the Indians (General Report Population Census of Malaysia 1991: 105,109).

In general, there is the inverted ‘U’ shaped relationship between female education and fertility. However, the shape is more apparent among the Chinese and the Indians rather than the Malays. Besides that, non-Malays are more likely than Malays to use modern contraception to control fertility within marriage (Hirschman 1980).

**Rural-to-Rural and Rural-to-Urban Migration**

The unbalanced population growth in Peninsular Malaysia between states and regions was mainly due to the differences in the net migration and the natural increase. Population increment in Peninsular Malaysia has strong linkages to the economic growth rate and employment opportunity. From the early 1900’s, a huge population concentration occurred in the states of Johor, Selangor, Perak, and Negeri Sembilan due to the high rate of economic development through the establishment of mines (tin) and plantation (rubber estate), while in Pulau Pinang and Melaka, it was because of their role as an important port during the colonial era. Most of the immigrant labour (Chinese and Indians) lived in these states. The state of Johor was located in the Southern region; Selangor, Negeri Sembilan and Melaka in the Central region; Pulau Pinang and Perak in the Northern region. All these states are now categorised as more developed states. From the beginning, a small proportion of foreign labour (Chinese and Indians) moved to the Eastern region (Kelantan, Terengganu and Pahang). All three states in the Eastern region and two states in the Northern region (Kedah and Perils) are categorised as less developed states.

Regional policies were given increasing importance in order to bring about a more balanced distribution in population and economic activities. Under the New Economic Policy (NEP) (1971-1990), regional policies in population distribution was focused on redistribution of the population through rural-to-rural migration and rural-to-urban migration strategies. Rural-to-rural migration involved migration from traditional agricultural sector to more modern agricultural sector; from less developed sates to new land development schemes. Most of the schemes were located in the Eastern region (Pahang and Terengganu) and the Southern

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85 Demographic transition theory leads to the expectation that the early stage of fertility transition is led by social innovators – those who wish to have fewer children or who have knowledge of an access to the means of reducing fertility (Hirschman and Guest 1990:138). More education may lead women to purchase better nutrition and more paediatric care (Panis and Lillard 1995:475). This interaction of education and fertility by ethnicity offers a possible interpretation of the different ethnic trends in fertility – an interactive effect of ethnicity and education on fertility (Hirschman 1986:178). According to demographic transition theory, the socio-economic and demographic change that have occurred in Malaysia should have led to a substantial and sustained fertility decline. Similar changes notably, in South Korea, Hong Kong, Thailand, Taiwan and Singapore (Leete 1989: 58).

86 Bumiputera refers to Malay and others indigenous ethnics.

87 The inverted ‘U’ shaped relationship between female education and fertility was recorded not only in Malaysia (Palmore and Marzuki 1969: 401) but also in other South-East Asia countries such as Thailand (Knodel and Prachuabmoh 1977: 56), Philippines (Concepcion and Smith 1977: 30), and Indonesia (Hull and Hull 1977: 48).

88 Significant aspects of this policy were initially to develop the new land development schemes, infrastructural facilities and then create the new growth centres in or near that particular area. This new growth centre will then be supported by a location incentive strategy (industrial dispersal strategy).
region (Johor) where substantial land resources for new land development schemes were abundant, while rural-to-urban migration involved migration from traditional agricultural sector to manufacturing and services sector; from less developed states to more developed states.

The government also used rural-to-urban migration as a strategy to reduce poverty in the rural areas (Malaysia 1976). Even though the disparity in poverty decreased during the 1970s and 1980s, it was still relatively high in the rural areas, and was a contributing factor in the migration process (Malaysia 1996). According to the experience of this country in the period of 1971-1990, rural-to-urban migration has reduced poverty and economic disparity between the rural and urban areas. Rural-to-urban migration seems as a mechanism that allows some of the disadvantaged rural population to partake in a small measure of the resources disproportionately concentrated in urban areas. This means that the rural-to-urban migration in this country, especially during 1971-1990, has contributed not only to economic development but also income distribution (Seers 1977).

Part of the increase in urban population in this country was contributed by rural-to-urban migration. One of the main reasons for this phenomenon is better job opportunities and high income in the urban areas. For example, in 1970, average household income in the urban area was 2.14 times higher that in the rural area. Thus, even though the unemployment rate was higher in the urban areas during the 1960s and 1970s, still many rural folk assumed that urban areas offered better job opportunities and higher monthly income than the rural areas. A study done by Jamilah Arriffin (1980) for Peninsular Malaysia found that 75 per cent of respondents migrated in order to improve their economic situation. Out of this, 20 per cent of the respondents were earning less than RM100 per month, while 51 percent earned less than RM250 per month before migration. Another study found that 68.5 percent of youths migrated in search of work (Main 1994).

The largest streams involved the net migration from Kuala Lumpur to Selangor; from 23.4 thousands in the 1975-1980 period to 53.3 thousands in the 1986-1991 period which was the reflection of the proximity of the two areas and the ease of moving from one state to another. Besides that, it was also because of high related pace of development of those two states.

The pattern of in-migration in Peninsular Malaysia is more likely to occur over relatively short distances. In the 1986-1991 period (Figure 4.3), 53.3 per cent of net inter-state migration to Selangor originated from the neighbouring state of Kuala Lumpur, and 33.3 per cent from Perak. In general, Selangor was the overwhelmingly favoured destination of out-migrants from all other states in Peninsular Malaysia in both periods of census (1980 and 1991).

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89 In 1999, average household income in the urban area decreased 1.81 times higher than in the rural area (Malaysia 2001, Eight Malaysia Plan).

90 Migration has long been seen as a means of improving one’s career prospects, particularly in developing countries where the distribution of economic opportunities is uneven (Chattopadhyay 1998), migration has been tied to employment probabilities as well as geographic difference in wage and salaries between origins and destinations (Menon 1987; Todaro 1976). Expected-income hypothesis (Harris and Todaro 1970; Hess and Ross 1997) and the human-capital model (Sjaastad 1962; Falaris 1979) imply that the socio-economic returns to migration accrue over the career span of an individual and their family (Sandell 1977). In China 43 per cent of the population migrated to improve their economic situation (Wakabayashi 1990).

91 It is in line with Ravenstein's "Laws of Migration", migration will have inverse relationship with distance especially for the female (Ravenstein 1976).
By using correlation analysis (Table 1), we see that, there is a negative relationship between in-migration and percentage of population age 0 to 14 years and above 64 years of age\textsuperscript{92}. Besides that, in-migration also has a negative relationship to the dependence ratio. This implies that states with high in-migration tend to have low dependency ratio. This is because in-migration recorded a positive correlation with the percentage of population of age 15 to 64 years.

\textbf{Table 1}  
Correlations Between In-Migration and Demographics, GDP and Labor Indicators, 1970, 1980, and 1991

<table>
<thead>
<tr>
<th>Correlation Between In-Migration and Selective Demographic Indicators</th>
<th>Peninsular Malaysia (n=36)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per cent population age 0-14</td>
<td>-0.210**</td>
</tr>
<tr>
<td>Per cent population age 15-64</td>
<td>0.300**</td>
</tr>
<tr>
<td>Per cent population age above 64</td>
<td>-0.376**</td>
</tr>
<tr>
<td>Dependency ratio</td>
<td>-0.303**</td>
</tr>
<tr>
<td>Per cent of Malay population</td>
<td>-0.425*</td>
</tr>
<tr>
<td>Percent of Chinese population</td>
<td>0.286</td>
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<tr>
<td>Per cent of Indian population</td>
<td>0.488</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Correlation Between In-Migration and Contribution to GDP by Industry/Sector</th>
<th>Peninsular Malaysia (n=36)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, fishing, etc.</td>
<td>0.354</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>-0.133</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.815**</td>
</tr>
<tr>
<td>Construction</td>
<td>0.617**</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.367</td>
</tr>
<tr>
<td>Transportation, storage, and communication</td>
<td>0.749**</td>
</tr>
<tr>
<td>Wholesale, and retail trading</td>
<td>0.248</td>
</tr>
<tr>
<td>Dwelling, banking, insurance and real estates</td>
<td>0.133</td>
</tr>
<tr>
<td>Government services</td>
<td>0.359</td>
</tr>
<tr>
<td>1\textsuperscript{st} sector</td>
<td>0.131</td>
</tr>
<tr>
<td>2\textsuperscript{nd} sector</td>
<td>0.813**</td>
</tr>
<tr>
<td>3\textsuperscript{rd} sector</td>
<td>0.385</td>
</tr>
<tr>
<td>TOTAL</td>
<td>0.702**</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Correlation Between In-Migration and Employed Persons by Occupation</th>
<th>Peninsular Malaysia (n=36)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, technical and related workers</td>
<td>0.301**</td>
</tr>
<tr>
<td>Administrative and managerial workers</td>
<td>0.457**</td>
</tr>
<tr>
<td>Clerical and related workers</td>
<td>0.453**</td>
</tr>
<tr>
<td>Sales workers</td>
<td>-0.153</td>
</tr>
<tr>
<td>Services workers</td>
<td>0.064</td>
</tr>
<tr>
<td>Agricultural, animal husbandry and forestry workers, fishermen and hunters</td>
<td>-0.354**</td>
</tr>
<tr>
<td>Production and related workers, transport equipment operators and labourers</td>
<td>0.137</td>
</tr>
</tbody>
</table>

\textsuperscript{92} Age, education and unemployment rate were the main factors that caused out-migration (Todaro 1997).
In-migration also has a strong relationship to the states’ Gross Domestic Product (GDP). Correlation between in-migration and the contribution to GDP by industry shows that in-migration has a strong positive relationship to the contribution to GDP by manufacturing industry; construction; and transportation, storage, and communication. In general, the higher the GDP contributed by the second sector, the higher was the in-migration to that particular state. In terms of occupation, in-migration tends to have a positive relationship to the number of employed persons as professional, technical and related workers; administrative and managerial workers; clerical and related workers. All these positive relationships were located in the more developed states; in other words, in-migration was more concentrated in developed states. In less developed states, in-migration tends to have a negative relationship because they still have a high number of persons employed as agricultural workers, animal husbandry and forestry workers, fishermen and hunters.

The relationship between in-migration and GDP by industry and employed persons by occupation also has a relationship to the labour force education level. Most of the jobs were in the more developed states that were involved in the modern economic sector. In the more developed states, in-migration tends to have negative relationship to the number of labour force with primary and lower secondary levels of education, and positive relationship to the number of labour force with upper secondary and tertiary levels of education (Table 2). This situation contradicted the level of development status. In these states, in-migration tends to have positive a relationship to the number of labour force with primary level of education, and negative relationship to the number of labour force with tertiary level of education. This situation shows that in-migrants with high level of education tend to migrate to the more developed states. On the other hand, in-migrants with a low level of education tend to migrate to the less developed states.

### Table 2

<table>
<thead>
<tr>
<th></th>
<th>Less Developed States (n =15)</th>
<th>More Developed States (n=21)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No formal education</td>
<td>-0.201</td>
<td>-0.114</td>
</tr>
<tr>
<td>Primary</td>
<td>0.456**</td>
<td>-0.290*</td>
</tr>
<tr>
<td>Lower Secondary</td>
<td>0.143</td>
<td>-0.371**</td>
</tr>
<tr>
<td>Secondary</td>
<td>-0.232</td>
<td>0.197</td>
</tr>
<tr>
<td>Upper Secondary</td>
<td>-0.208</td>
<td>0.371**</td>
</tr>
<tr>
<td>Tertiary</td>
<td>-0.331*</td>
<td>0.434**</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)
3. Migration and Challenges of Rural Dwellers

Discussions on rural-urban migration will not be complete without looking at the impact of this phenomenon on the rural population. While rural-urban migration usually helps to reduce the over-supply of labour in the rural areas, it also tends to affect the age distribution of the rural population, since most of the migrants are youngsters. Thus, the majority of the rural folk are mostly of old age, and those who are younger than 15 years of age. Official figures have shown that 64.1 percent of farmers in Peninsular Malaysia are over 45 years old. This factor, coupled with increasing production costs, has led many farmers to abandon their land; a problem that is becoming more serious of late. In addition, the old age problem has hampered new technology from being introduced in the rural areas, thus reducing output productivity of the farmers. In fact, there is a high correlation between rural poverty and lack of younger farmers in rural areas.

The migration of youths has left the elderly to work on their land. The children of the small farmers are not interested in agricultural sector, thus resulting in lack of labour in this sector. The manufacturing sector, not only offers higher wages, but also prestige and better living. It is estimated that 30 percent of idle rubber land exists because of lack of labour (Othman 1998). Most of the household heads are old, and being supported by children that are working in other sectors. These farmers do not rely on agricultural income, resulting in low farm productivity and higher average costs (Abdul Malik 1998).

Low monthly income in the agriculture sector was the main rural-to-urban “push factor”93. Plantation workers, especially rubber tappers earned lower mean monthly income than other workers in other sectors. For instance, plantation workers only earned mean monthly income about RM258 (RM2.5 = US$1) per month, much lower compared with general labourers (RM315), production operators (RM480), watchmen (RM491), and lorry drivers (RM673) respectively in the electronic and electronic industries in 1989. The services sector, waiters and waitresses in the hotel industry earned mean monthly income about RM630 and office boys in the banking industries about RM492 (Ramachandran and Shanmugam 1995). For the smallholder farmer, large fluctuations in price of commodity products (especially rubber)94, was the other rural-to-urban “push factor” to move to other permanent jobs especially in the manufacturing sector, where the salary was high and relatively consistent (pull factor). Although since 1986, efforts have been undertaken by the Labour Ministry to encourage the unemployed to work in the plantations areas, the results have not been very encouraging (Business Times 1990:47). To overcome this problem government encouraged migration of unskilled foreign workers from Indonesia to work in the agriculture sectors to fulfil the shortage of workers in that particular sector.

The economic growth in Peninsular Malaysia is generally based in more developed states. The government has diversified the economic activities in these regions by introducing manufacturing industries and it relatively reduces the important role of the agriculture sector. In addition, the urbanisation process also creates a large population in these areas. This situation in fact, will not only lead to the income differential between urban

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93 Push and pool factors, was mainly discussed in by Todaro (1976), and Harris and Todaro (1970) in the migration theory.

94 For instance, reduction in international demand, the sport-market price of Rubber Smoked Sheet (RSS) dropped from RM280 per kilogram in January 1974 to only RM0.97 in November 1974 (Stubbs 1983:86).
and rural areas, but also to the poverty problems in the urban area. This situation is related to education level/basic experience, old age, a large family, lack of job opportunities and/or inappropriate jobs. In more developed states, manufacturing and services industries are well developed. In contrast, the importance of primary industries is declining in these states.

There is an inverse relationship between the education level and the poverty rate. This means that when the education level is getting higher, the poverty rate gets lower (Mohd Yusuf 1990). It is undeniable that an educated and experienced worker will migrate to the developed regions and the inexperienced ones will remain in the less developed state (Pryor 1976). This creates a lower technological industrial environment in the less developed state giving rise to such industries as food processing, drinks, furniture, paper products, rubber products and non-metal products. These industries are not only providing lower labour product ability but also lower wages (Anuwar 1983).

In fact, most of the professionals, technicians, administrators and managers work in the well-developed regions. This has a close relationship with experience and education level. The percentage of the population that has been to school (literacy rate) in these states is high compared to the less developed states (Appendix 4.1). Most of the people in less developed states work in agriculture, farming, forestry and fishery industries. These states have a slow population growth, as a result of those who are educated and well experienced migrating to the developed regions and those who are inexperienced being left behind. Besides that, these regions also have to deal with a poverty problem. Perhaps only lower-end technological industries are involved in these regions. Of course, these industries are more suitable for the population as they only require inexperienced and less educated labour. Besides that, the number of towns in these states was relatively small compared to the number of towns in the more developed states. Thus, the development in these regions will be slow because it cannot cope with the business flow between the towns/regions.

Meanwhile, migration among the age group of 15-64 will increase the dependency ratio among those who live in that region. Besides that, the gender ratio will increase as large number of males migrate to another place. Indirectly, this will lead to the inequality of development among the regions. For example, in year 2000, dependency ratio in the state of Kelantan (one of the less developed states) was 81.0 compared to only 50.4 in the state of Selangor. In terms of rural-urban dependency ratio in year 2000, the dependency ratio in the rural areas was 79.0 while in the urban areas, it was only 58.0.

Migration from the agricultural areas to the industrial areas as well as from a small to a big town will lead to a slow growth rate in the rural area. Besides that, migration to developed states/areas will reduce the number of labour force in the agricultural sector and plantation estates have to use foreign workers to overcome this problem. This will create the reduction of economic chains among the regions.

4.3.2 Migration and the Challenges of Urban Poverty

One important implication of rural-to-urban migration is the rise in urban poverty. Studies have shown that an influx of migrants from the rural areas, especially the poor, will increase poverty in urban areas. On the contrary, the Malaysian experience is the reverse. According to the official figures, the poverty rate in Peninsular Malaysia for example, has fallen from 22.3 per cent in 1970 to 8.2 per cent in 1985, and further reduced to 4.4 per cent in 1993. In Malaysia, the poverty rate in urban areas decreased from 8.5 per cent in 1985 to 4.1 per cent in 1995.

The domestic migration for the period of 1971-1990 has helped to reduce the poverty in the rural areas, as well as improve the wealth distribution in the country.
However, the migration process also created poverty in the cities. The problems of poverty of Malays in the cities are the extension of the poverty they endured in the rural areas. There is an inverse relationship between the education and poverty levels; the higher the education level of a population, the lower is their poverty level. Increase in the size of the urban labour force mainly expanded through rural migration. Most of the immigrants were who were Malay, unskilled and lacked qualifications for industrial employment and worked at the lowest level (of salary).

The number of poor households in the cities has increased from 77,900 in 1993 to 95,000 people in 1995. The city poor represented 14.5 per cent of the total poor in Malaysia in 1985, but rose to 15.1 per cent in 1993, and 23.0 per cent in 1995. The migration phenomenon has also created the problem of squatters in the cities. The problem of population concentration in the cities will lead to poverty if the majority of the population are Malays. In 1992, 28 percent of the squatter households in Kuala Lumpur were earning less than RM450 per month. The squatters represent 13 percent of total population of Kuala Lumpur.

Squatter settlements in Malaysian cities especially in Kuala Lumpur have continued since 1958 in the wake of increased displacement of rural population into towns and cities. The increase of squatter areas appear to have absorbed the largest proportion of Malay migration. While Malays increased from 15 per cent to 25 per cent of the total population of Kuala Lumpur between 1957 to 1970, they accounted for an estimated 80 per cent increase in squatter numbers in that particular period. The urban Malay population rapidly increased since the implementation of the NEP in 1971. This increase in urban Malay has been encouraged by the government and the preferential treatment given to Malay squatters (Johnstone 1983).

Household poverty has tented to increase in urban areas since 1971. There are two areas of concentration of poor; in the less developed states (Kelantan, Kedah, Perlis, Terengganu) and the more developed states (Selangor, Penang, Kuala Lumpur). Ishak Shari (1992) discovered that Terengganu, Kelantan, Kuala Lumpur and Johor had a large number of urban poor households in 1989. In fact, one-third of the urban poor households in that year were from Terengganu and Kelantan.

If these findings are to be accepted, two points need to be emphasized. One, urban poverty in this country is mainly concentrated in states that provide less job opportunities. Thus, these states have a high unemployment rate compared to other states, and many people work in the low paying informal sector. Second, those states that are experiencing a high urbanization rate are also facing a serious urban poverty problem. In fact, a continuous rural-to-urban migration would occur and increase the number of poor in the urban areas. Although the poverty rate in urban areas is declining, there are still many that have low incomes but are not categorized as poor. These people could not afford to own houses and become squatters in the city.

95 Studies done by Michael Johnstone (1983:304) in city of Kuala Lumpur, Kuantan and Alor Setar recorded that half of the squatters earned income RM300 or less per month and higher proportion of families below the poverty line. The majority of the squatter household can be grouped into two occupational categories. The first comprises “low status” but regular wage earning employment in the modern economic sector, particularly in factories, offices and government services. The second group encompasses a wide range of “informal” sector jobs, often irregular and intermittent, in the small scale distributive services, transport, primary and traditional pursuits, as well as the gamut and casual work.

96 Research in New York reported that most of the urban poor was unemployed because of unskilled (Fitchen 1995).
Even though rural-to-urban migration tends to improve the average income of the migrants compared to those in the rural areas, yet these migrants faced another major problem; insufficient low-cost urban dwellings. With their low income, many of these migrants live in squatter houses that lack basic amenities such as water, electricity, toilets, and drainage system.

Currently, there is no comprehensive estimate on the number of squatters in this country. Many of the squatters can be found in big cities such as Kuala Lumpur and Johor Baharu. In a study done by the Kuala Lumpur City Council for example, there were around 243,000 squatters in Kuala Lumpur in 1982, or 23 per cent of the total Kuala Lumpur population. Other studies have found out that most of the squatters are poor (Fong 1984).

A study by Kuala Lumpur City Council (1992) also found that 23 per cent of squatters have incomes of less than RM450 per month. Thus, it is quite difficult for them to buy or rent houses in the city. For example, in order to get a housing loan to buy a house costing RM25,000 (low cost house), the applicant must have a minimum income of RM550 per month. On the other hand, if he or she wishes to buy a house costing RM60,000 (medium cost house), he or she needs to have a minimum income of RM1,300 per month to be eligible for the housing loan. Besides the number of low cost houses are limited, even though the government provides incentives to the private sector developers to encourage them to build more low cost houses. Thus, it is easier for the poor migrants to become squatters than purchase a home in the urban areas. Most of the squatters located near to the Kuala Lumpur city (Selangor-Kuala Lumpur border), at the government reserve land whether along the river, railway, high-powered electrical towers (and cable): and next to abandoned mines or at abandoned agricultural areas.

Due to their low income, inability to access the formal credit system, and other constraints, the problem of housing for the city-poor is becoming more serious, especially during strong economic growth. Thus, it can be expected that this issue will become more prominent in the near future. The government is currently introducing new steps to face the challenges, but still new measures need to be considered to complement those that currently exist.

4.3.3 Foreign Labour and Poverty

Since late 1980s, Malaysia became one of the most rapidly growing economies in the world, especially in the period of 1990-1995 when the economy grew at an average rate of 8.4 per cent per annum, above the target of 7.0 per cent set by the Second Outline Perspective Plan (1991-2000) (Malaysia 1996). This high rate of economic growth was due to the rapid growth of manufacturing industry. Employment in the manufacturing industry increased from 542,817 in 1980 to 2.6 million in year 2000, while GDP by manufacturing industry increased from RM5,374 million in 1980 to RM58,010 million in year 2000. As mentioned earlier, increasing manufacturing activity will have strong linkages with services industries. In the rapid economic expansion scenario, employment rate increased 3.4 per cent per year while labour force only expanded at the rate of 2.9 per cent and this caused labour a shortage especially in the manufacturing, construction and agriculture sectors97.

The high economic growth in Malaysia has attracted around 1.5 million foreign workers at this moment (Malaysia, 1991b). This high influx of workers has contributed to

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97 In 1995, 35per cent of the total work force in Malaysia comprised foreign workers, 65per cent of them from Indonesia, 21per cent from Bangladesh, 7per cent from Philippines, 5per cent from Thailand and 2per cent from other countries (Mohd Asri 1997).
the increased number of poor city dwellers since many of them are poor and highly unskilled. For example, according to the Seventh Malaysia Plan (1996-2000), around 12 percent of total urban poor were foreigners.

The influx of these unskilled foreign workers tends to create excess supply of total unskilled workers, thus depriving them of higher wages, as compared to skilled workers. This would induce a wider income gap in the economy than before. Lim (1975) has reported a similar phenomenon occurring in Hong Kong and Singapore between 1976-1981 and 1979-1983 respectively. In fact, the influx of foreign labour could delay the process of poverty eradication, and widen the income gap in society. Although under government policy it is necessary for the employer to provide a house or hostel for the foreign workers, the housing is rather poor. Most of the housing is just a ‘container’ that modified to a house or just an abandoned (unused) site office without basic unity supply (electricity and water) (Figure 4.6).

4.4 Conclusion

The demographic changes in Peninsular Malaysia since 1970s is in line with modern fertility transition. However the decreasing fertility rate is different between ethnic groups. The decrease in the fertility ratio also has a close link with the level of education. The percentage of Malay enrolled in school is relatively less. Because of the low literacy rate among them, they were less exposed to modern contraception to control fertility within marriage. These factors and the improving health standards (decreasing mortality) contributed to high annual population growth rate in the states where the majority of the population was from the Malay ethnic group. Meanwhile, the non-Malay ethnic group was dominant in the urban area (or more developed states) where low fertility was recorded as well as high enrolment in school.

At the same time, the majority of the population in the less developed states (Kelantan, Terengganu, Pahang, Kedah and Perlis) was Malay. The percentage of rural Malay population in these states continues to increase mainly because of high natural increases, while in the more developed states population increase was mainly because of the high net in-migration flows from other states (majority of the population was non-Malay - low fertility rate).

Less economic activities (manufacturing sector) in the less developed states caused high out-migration to the more developed states, especially by the early middle age group (25-44 years). All states in the less developed region (Kelantan, Terengganu and Pahang; located on the east-coast of Peninsular Malaysia) were traditionally dependent on agricultural activities and were quite late in transforming their economy towards a manufacturing-based one.

As well as the rural-to-urban strategy, the government has constructed a policy to redistribute the population through encouraging rural-to-rural migration specifically to develop the rural area under the new land development scheme strategy. This was successful in utilising available land in the less developed areas and at the same time increased the rural

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98 The population of Malaysian citizens grew at an average rate of 2.3 per cent per annum while the non-citizen population increased at a higher rate of 4.3 per cent during the Seventh Malaysia Plan period (1995-2000). Non-citizen population increased from 1 million in 1995 to 1.23 million in 2000 and is expected to continue to increase to 1.38 million in 2005. Non-citizens accounted for 7.6 per cent of the population in the working age group in year 2005 (Malaysia 2001, Eighth Malaysia Plan 2001-2005: 88-89).
population income, eradicated poverty and achieved greater equity in the distribution of income by mobilising large numbers of the rural poor population to the more productive land development schemes (This will be discussed in further detail in chapter 7: New Land Development Scheme Instrument).

However this strategy was not successful in decreasing the percentage of Malay population in the rural areas (less developed states) because most of the FELDA schemes are located in the less developed states where substantial land resources for new land development are in abundance. Rural-to-rural migration involved more Malays than other ethnic groups. Most of the non-Malays especially the Chinese, remain dominated the urban areas and had a relatively high standard of living. Less than 30 per cent of the non-Malays lived in the rural areas. They were not interested in migrating to the new land development scheme because they already had a sustained monthly income, which was not under the poverty line. The percentage of non-Malays in the new land development scheme was less than 10 percent. Although the government policy to encourage migration of the poor Malay population from the less developed states to the more developed states was successful (shown by the increase of Malay population in the urban area), they were replaced by the poor Malays who lived in more developed states. These poor Malay from the more developed states migrated to join the FELDA scheme. Because of this the size of the Malay ethnic population in the less developed states did not change much.

This means that the rural-to-urban and rural-to-rural migration in this country, especially during 1971-1990, has contributed not only to economic development but also income distribution and decreasing poverty. Although the migration process helped to induce economic growth, and was in line with regional policy to redistribute population especially to the more developed states and at the same time reduce the poverty problem in the rural areas, it also had side effects in urban and rural population. In the urban areas, this included urban poverty, housing problems and a high influx of foreign workers, while in the rural areas, it included an increased dependency ratio, gender inequality, increased poverty and abandoned land.

In terms of restructuring of demographics, the thrust of government policy is to encourage migration, either rural-to-rural or rural-to-urban migration. Besides that, in a rapid economic expansion scenario, the government also encouraged migration of unskilled foreign workers to fulfill the shortage of labour force especially in the manufacturing, construction and agriculture sectors. This migration both by domestic rural-to-rural or rural-to-urban and by foreign workers had positive and negative effects on government policy to redistribute population and society, and decrease poverty (increase income). A stage of migration direction due to the impact of government policy is shown in Figure 4.7.

The migration direction can be divided into three stages. Stage one; started since 1971 when government encouraged rural-to-urban migration (1a) and rural-to-rural migration (1b). This strategy gives the advantage to the rural area (I) in terms of decreasing percentage of the Malay population in the rural areas as well as restructuring society in the urban areas. This involved migration from traditional agricultural sector to more productivity and modern agricultural sector in the new land development schemes (III) or encouraging rural population to be involved in manufacturing or services sector in the urban areas (II). At the new place, either in the FELDA scheme or in the urban areas, the migrants achieved

99 For reasons of both population distribution and policy, most of the beneficiaries of these projects are Malays (Nagata 1974:305; Baydar et.al. 1990:99). About 94% of FELDA settlers from Malays (Lim 1975).

100 Besides that, the existence of a FELDA schemes in a district will reduce out migration from that district by about 20%. This is because increasing the number of schemes will require large amounts of local labour for land clearing and infrastructure building (Baydar et. al. 1990: 106)
relatively high monthly income and standard of living compared with their original place (I). Besides that, this strategy also provided advantages to the rural areas (I) in terms of increasing per capita income and decreasing poverty. This per capita income will increase in two ways. First, through remittances of the working children who no longer resided with the head of the household in the rural area (I); and second by decreasing the number of households101.

However the disadvantage of the policy was; high out-migration caused low percentage in the middle age group, as well as high dependency ratio and abandoned land in the rural areas (I). Thus, the majority of the rural folk are mostly of old age, and those who are younger than 15 years of age. Because of that, this area also faced the problem of lack of new technology and urbanization process. In the urban areas (II), although the rural-to-urban migration has helped to reduce the poverty in the rural areas and increased the labour force in the urban areas (or in the manufacturing sector), the migration process created poverty and squatters in the cities. This is because the poverty problem in the urban areas was an extension of the poverty they endured in the rural areas.

Stage two; started since the end of the 1980s when the government encouraged migration of unskilled foreign workers to the manufacturing and construction sectors in the urban areas (II) and to the agriculture sector in the rural areas (I). Migration of the foreign workers to the urban areas was to fulfill high demand of labour force in the manufacturing and construction sector. This was in line with national industrial strategies in order to maximize economic growth towards industrialised country. While, migration of the foreign workers to the rural areas (I) was to fulfill shortage of labour in the agriculture sector, mainly because of high rural-to-urban migration by the domestic population. However this strategy had a disadvantage because the influx of these unskilled foreign workers tended to create excess supply of unskilled workers and contributed to the increase poor city dwellers.

Figure 4.7
Stages of Migration Direction Due to the Impact of Policy

Stage 1

(I) Rural areas

(1a) rural-to-urban migration;
(1b) rural-to-rural migration

(II) Urban areas

(III) Rural Areas
(New Land Development Scheme)

Stage 2

(I) Rural areas

(2a) Foreign workers

(2b)

(II) Urban areas

(III) Rural Areas
(New Land Development Scheme)

101 This is because per capita income was dependent on the number of households, where per capita
And stage three (3); since the early 1990s when the percentage of farmers (settlers) in the new land development schemes (FELDA) were getting old and the children of the farmers were not interested in the agricultural sector and have migrated out to urban areas (3a). Most of the heads of households (aging settlers) are being supported by children that are working in urban sectors. At this stage, the settler will hire workers (including foreign workers) to work on the land schemes (3b). In terms of raising the standard of living of the settlers, FELDA has clearly achieved its objective. However, FELDA is currently facing a critical continuity problem that is the transition phase from the first to the second generation. Among the main problems are poverty, income instability, and other second-generation high out-migration problems.

Source: The researcher

income = total household income / number of households.