

How to tackle poverty among Ethnic Malays

Open letter to delegates of the Bumiputra Economic Congress

Sunday 24 March 2024, by [DEVARAJ \(Dr\) Michael Jeyakumar](#) (Date first published: 5 March 2024).

Dear Delegate,

I agree that the economic status of the Bumiputra community in Malaysia is still lagging compared to the non-Bumiputra community. This fact is displayed in the figures of total EPF savings by ethnic breakdown, before and after the MCO1. These statistics were reported in the Dewan Rakyat in early 2023. Because of this reality, it is necessary that we craft measures to handle the economic problems faced by the Malay and other Bumiputra communities. I hope that this Economic Congress will come up with effective policies. (Stating this is not to deny that there are also groups of non-Bumiputra who are poor and are facing economic problems).

In order to enact accurate and effective policies, it is essential to first understand the causes of poverty in the Bumiputra community. Based on my experience as the member of parliament for Sg Siput for two terms, the causes of poverty in the Malay community there are:

1. Lack of job opportunities

Although there are many job opportunities in the plantations, the Felda scheme in Lasah and in the factories in Sg Siput and in the adjacent Kanthan Industrial area, unemployment is a major problem for the Malay community in Sg Siput. Factory employers are predisposed to hire foreign workers because these foreign workers will work 12-hour shifts continuously. Foreign workers are also easier to control as they are afraid to question the employer, for example if the overtime payment is wrongly calculated. Oil Palm harvesting contractors, small farmers and fish rearers prefer to hire undocumented migrant workers because this group can be paid much lower wages. And in Malaysia, there is no short supply of this category - we have 3 to 4 million undocumented migrant workers.

The oversupply of undocumented foreign workers pushes wages in the informal sector to below the minimum wage level, and is a major reason why the Malaysian B40 faces difficulties in finding decent work with reasonable wages. The Bumiputra Economic Congress should address this issue. In my analysis, the main reason for this oversupply of labour is because the migrant labour importing agencies earn RM 5,000 to RM 10,000 from each foreign worker they bring in. So, they utilize their strong cables with the Ministry of Home Affairs and the Immigration Department to get inflated quotas and thus make good profits, but as a result, the local B40 stratum (Malays and Indians as well) face difficulties in finding work.

2. Weak gross demand amongst the Malay community

Entrepreneurship is promoted by several government agencies as a way to escape from poverty. There are several hundred small traders in Sg Siput. They run stalls in the night market, and on the sides of roads in the village areas. But the majority of them get small and uncertain returns and continue to be enmeshed in poverty. The problems they face are

a) Their customers, the kampung folk, earn low incomes. Thus, they are unable to buy many products.

b) There are too many stalls selling the same products.

Due to the anemic demand, the net income of most small traders in Sg Siput (and I believe in many areas throughout the country) does not even reach RM1500 per month, and they remain poor.

3. The dishonesty of contractors who are given the responsibility of implementing projects / policies to “help” the villagers. Two examples -

a) The replanting of palm oil has, in many FELDA schemes, been ‘outsourced’ to private companies. The agreement between FELDA settlers and the replanting company is that

- The company will bear all costs of replanting
- The company will pay a monthly stipend of RM 1500 to the settler until the smallholding is returned to the settler to manage
- The smallholding will be managed by the company and the produce sold to cover the cost of replanting and to settle the FELDA settler’s debt to the replanting company.
- The smallholding will be returned to the settler to manage once the debt has been paid up.

The problem with this arrangement is fraud in the accounting process – returns from the sale of produce are not recorded in full, but the expenses of managing the plantation are fraudulently augmented. Hence, the settler’s debt takes a long time to be paid back. FELDA, a good scheme targeting rural poverty, has been hijacked by replanting companies (with the cooperation of the FELDA management).

b) The replanting of rubber plantations has also been outsourced to contractors certified by RISDA. These contractors are paid to replant rubber smallholdings using high-yielding clones. These clones have to be purchased by the contractor. Many rubber smallholders complain that contractors have cheated by using normal rubber seedling to save costs and increase their profit margins, instead of the high-yielding clones that they were supposed to use.

Similar things happen in many of the other programs that have been enacted to help poor Bumiputras, such as the supply of fertilizer to rice farmers, the rice floor price guarantee scheme, the PPR house building program in village areas, and many more. Programs to help the poor Bumiputra have now been turned into a source of quick profits for the contractor group.

Class Differentiation in the Bumiputra Community

The Bumiputra Congress delegates should remind themselves that the Bumiputra community has evolved in the past 60 years and now exists as various strata and classes. At the peak of the community are the millionaires, politicians and the CEOs of large GLC companies. At the second level are the professional groups – lawyers, accountants, doctors, engineers, professors – and government employees with a monthly salary exceeding RM10,000 per month. The total of these two upper classes is approximately 20% of the number of Bumiputras in the work force. They make up the T20.

Below the T20 layer, there is the M40 layer, with monthly incomes between RM 3000 and RM10,000. They consist of government employees, employees of large companies and small traders.

The next strata is the B40 which is made up of lower grade government employees, factory workers, GLC and private company workers, gig workers, micro business people, contract workers in schools, hospitals and other sectors, farmers, fishermen, young people who are looking for work, those who do “village work” (kerja kampung) and the unemployed.

One of the questions I would like to ask the delegates of the Economic Congress is - are the economic problems of Bumiputra B40 and M40 the focus of this congress, or are the interests of the T20 layer the main focus?

This question should be taken seriously, because the interests of the different strata are different and in some cases, there are conflicts of interest. For example,

- A small number of Bumiputras control the companies that bring in excess foreign workers and depress the wages of the B40 Bumiputra layer, making it difficult for the B40 to find work with a decent salary;
- A small number of Bumiputra investors and managers of private hospitals promote the development of private hospitals. This increases the exodus of specialist doctors from government hospitals, and affects the quality of treatment for the B40 and M40 Bumiputra who depend on government hospitals;
- Several thousand Bumiputra businessmen who get school and hospital cleaning contracts are oppressing Bumiputra and other workers by not complying with the minimum wage, cheating in EPF payments and overtime calculations, etc.

Which is the Bumiputra category that will get the support of the congress when there is conflict of interests - the millionaires and contractors, or the Bumiputra Marhaen? Will such cases of conflicting interests be identified and discussed?

One last question - wouldn't it be better for the B40 Bumiputra if we returned to Tun Razak's approach which implemented programs to help the Bumiputra poor through not-for-profit government agencies? Under Tun Dr Mahathir's administration, almost all schemes to help poor Bumiputras were outsourced to private contractors to manage. And as described above, the non-transparency and abuse of power have become the norm and the intended assistance does not fully reach the target groups.

I hope the issues raised in this brief letter will be taken into account in the Bumiputra Economic Congress which starts on 29/2/2024 and that the Bumiputra Marhaen will get some benefits from this Congress.

With Best Wishes,

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