

## Urgent need to narrow income gap, says economist

PETALING JAYA: The government needs to immediately address the rich-poor income gap with more equitable development policies and approaches.

This will serve to reduce income inequality and spread the benefits of development throughout the country, especially in poorer and less developed states, said Sunway University Business School economics professor Dr Yeah Kim Leng.

“The economy is also experiencing rising income inequality that worsened following the Covid-19 pandemic, with more households falling below the poverty line and M40 households slipping into the B40 category.

“It is noted the labour share of national income has been declining over the years, leading to a widening of the rich-poor income gap, which has to be immediately addressed,” he said.

Yeah added that the appropriate policies and strategies have been incorporated into the 12th Malaysia Plan, especially the green economy and digitalisation thrusts.

“However, the main challenge is to implement these strategies effectively with clear and consistent action plans and efficient allocation of budget resources,” he said when commenting on Klang MP Charles Santiago’s recent statement on the cost of living crisis that is hitting the B60 group – a downgrade from the B40 due to inflation and price increases.

“This means 60% of Malaysian households are now earning below RM4,850. The steep increase in prices of household necessities and essentials impacts different groups of people differently.

“It also exposes the vulnerabilities in Malaysia’s food security, and hits the poor significantly as they spend about 25% of their monthly income on food as opposed to the rich, who spend about 12.6% (of their income).”

Yeah said income distribution within the B40 group itself is uneven, although it continues to register annual increases based on household income survey data published by the **Statistics Department**, and that the bottom segment of the B40 group continues to face slow or stagnant inflation adjusted income increases.

He said extending government assistance to B60 could be considered if fiscal resources and capacity permit.

“Unfortunately, with the need to reduce the high 6% or more deficit, and national debt level nearing 65% of gross domestic product, the government has limited fiscal flexibility or space to extend the required assistance.

“It will have to raise taxes or spread out the financial aid more widely with much smaller assistance received by each household compared with confining the aid to B40 or B20.”

Yeah said accelerating economic growth, attracting high-quality investment that generates high-paying jobs and raising labour productivity through upskilling and technology adoption are key strategies to create “a rising tide that lifts all boats”.

He stressed that with the government facing fiscal constraints, private sector dynamism, resources and innovative capabilities must be mobilised and incentivised to sustain economic growth and development.

Meanwhile, senior economist Tan Sri Ramon Navaratnam said the Klang MP was “substantially correct in his comments on the B60 as there are more poorer people today than before the 1960s”.

“The government should conduct a quick survey to ascertain the number of poor people and families Malaysia currently has. It should go to every corner of the country, and I believe there will be more of them than what statistics claim.”

Ramon said if the economic weaknesses are not addressed more efficiently, the standard of living will deteriorate further.

“In the 1960s, we were more rural, so food was more affordable.

“Just as importantly, there was far less corruption, wastage, inefficiency, cronyism and a lot more unity and harmony among the people. We were inspired to work hard and honestly for national progress and the upliftment of all races.

“The government should apply the new economic plan to all and be multiracial in our policies and practices. Malaysians are tired and fed up with mismanagement, politicking and a feeling of decline. We need more transparency, integrity and unity of purpose,” he added.

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