

In Pursuit of Resiliency: Societal Well-being, Not Just Growth

by Dr Nungsari A Radhi

The Department of Statistics (DOSM) updated its 2019 Household Income Survey to account for what happened in 2020 via its Household Income Estimates and Incidence of Poverty Report.

Median household income fell by more than 11% in 2020, a year the economy contracted by 5.6%. Some 20% of households – about 550,000 households – who earned more than RM4,850 a month in 2019 fell below that threshold in 2020. Further, the number of poor households rose by more than 50%, from 405,400 households in 2019 to 639,800 households in 2020. Incidence of absolute poverty therefore increased from 5.5% to 8.4% in one year.

There was also the Salaries and Wages Survey for 2020 which complemented the household income survey with equally startling findings. Median monthly salaries fell by almost 16%, from RM2,442 in 2019 to RM2,062 in 2020. As a reminder again, GDP contracted by just 5.6% in 2020. These are staggering numbers that show the severity of the economic consequences of the pandemic, and the accompanying human tragedy. The numbers also

Summary

Dr Nungsari A Radhi observes that indicators such as the median household income, monthly salaries and the incidence of poverty fell significantly in 2020. In view of these figures he suggests that it is misguided to pursue economic growth as a target. Rather, social well-being should be the policy objective. He proposes that the post-pandemic policy emphasis should be on the protection of social well-being – not on accounting growth and construction and contractor-driven development.

show the vulnerability of wage earners in any economic downturn which is a reflection of the demand side of the labour market; that many firms, smaller ones, are vulnerable to downturns. This, despite the wage subsidy program that was implemented. There is also a sizeable portion of households which operate in the informal sector, a worrying feature of the economy. All of this paints a picture of a lack of resiliency in the economy.

It is evident that countries that have managed the pandemic better and therefore more likely to move towards normalcy faster in the post-pandemic era are ones that have resiliency. Such resilience is not just about having the means and resources to put in place an effective safety net but resiliency is also about strong social norms and therefore, overall social capital. More broadly, a case can be made that the resilience comes from the strength and therefore the effectiveness of both economic and social institutions within a society; in other words, its social well-being.

THE ECONOMY HEALTH

The health-economy trade-off that guided some countries' response, including in Malaysia, in managing the pandemic is a false axiom to build a decision on. How well the pandemic is managed is not inversely related to how well the economy will perform, and targeting economic growth as a policy objective is the wrong thing to do in a crisis.

If resiliency, including economic resiliency, depends on social well-being as it is broadly defined, then policy objective should be about developing and protecting social well-being. Unfortunately, Malaysia has been neglecting to develop this broader foundation to national development as policy has been obsessed with the narrow focus on GDP growth. Much fiscal resources including the massive deficits accumulated over the years have been used to obtain accounting growth which are typically driven by physical development projects. It has been a construction and contractor-driven development policy framework which is also a major source of abuse and corruption.

Beginning in 1990, the Economic Planning Unit developed the Malaysian Quality of Life Index (MQLI) that was made up of eleven measures ranging from income and income distribution to family life, social participation, public safety and culture and leisure. This series of index ended in 2007 as it was presumably taken over by the Malaysian Well-Being Index (MyWI) which was started and maintained by DOSM in 2000. The MyWI measures fourteen variables bucketed into economic and social well-being categories; a more comprehensive index that maintained all the measures of MQLI and added new ones such as governance.

Both these indices had alarm bells going off. The first ten years of the MLQI, 1990-2000, actually saw declines in its "environment" and "public safety" sub-components while "family life" essentially stagnated, and when the MyWI started in 2000, the family life component showed deterioration over the years. Even before the onset of the pandemic, the social well-being components of MyWI were declining with the overall index only marginally improving. Overall, the more intangible social measures: the state of the family, how they live and their safety do worse than tangible economic measures.

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MALAYSIA WELL-BEING INDEX, 2018 & 2019

Components 2000=100	2018	2019	2018-2019	
			Index point change	Growth (%)
Economic Well-being	128.8	131.8	3.0	2.3
Transport	134.4	139.6	5.2	3.9
Communications	130.0	130.9	0.9	0.7
Education	129.6	133.2	3.6	2.8
Income and distribution	130.3	130.7	0.4	0.3
Working life	119.4	124.6	5.2	4.4
Social Well-being	115.6	114.9	-0.7	-0.6
Housing	119.0	120.3	1.3	1.1
Entertainment and recreation	133.2	132.5	-0.7	-0.5
Public safety	130.7	132.3	1.6	1.2
Social participation	119.9	121.2	1.3	1.1
Governance	120.2	122.7	2.5	2.1
Culture	108.6	96.7	-11.9	-11.0
Health	102.5	106.7	4.2	4.1
Environment	109.3	104.5	-4.8	-4.4
Family	97.3	97.4	0.1	0.1
Malaysian Well-being Index (MyWI)	120.3	121.0	0.7	0.6

Source: DOSM (2000=100)

What is evident from these statistics is that political stability and one would infer from that, policy continuity, is not sufficient to further the social well-being agenda. In other words, political continuity alone does not lend itself to enhanced social well-being. Entrenched political interests do not make governments more altruistic. Over 60 years of 5-year plans and supposed social engineering did not see social well-being being optimised. Key elements of well-being; the family, environment and public safety have actually deteriorated throughout the years.

The second observation is that social well-being can deteriorate even when there is economic growth. We can look at both GDP growth over the years or at a slightly more micro level, how median household income has grown and contrast that with both the MQLI and MyWI over the years. The compounded growth rate of median household income has always exceeded the growth rate of both the MQLI and MyWI by healthy margins. These gains in median household income over the years, albeit at a slower pace during the last 10 years, did not improve key elements of social well-being.

The post-pandemic policy emphasis, indeed, the policy in mitigating the consequences of the pandemic, should be on protecting the social well-being of families and communities. The overall developmental principle should be about the well-being of the child and the individual and her smallest social unit, the family, and thereafter, the community. That is the only way to build national resilience and it is this resilience that will generate growth, indeed develop economic resilience as well.

This year's celebration of Merdeka should be a sombre affair. At the point of writing this, the pandemic has taken the lives of nearly 22,000 people, many more lives than the total loss of lives on all sides during the 1948-1960 Emergency which was estimated to be around 8,500 fatalities. And more are dying every day. This magnitude of loss of lives is akin to a war, worse than actual war in its pace. The Second World War in Malaya saw the loss of 60 thousand civilian lives over a much longer period. Death and suffering and the devastating consequences of destruction that war entails is no different from what we are experiencing now. Lives are lost and many more lives are made worse. We have paid such a heavy price in human lives and that demands us to seriously reflect on the state of affairs of the country.

At the beginning of the pandemic in March 2020, this author co-wrote an open letter to the then newly installed PM expressing our views on the urgency to act cohesively, decisively and transparently in anticipation of the severity of the situation. In concluding the letter, we said:

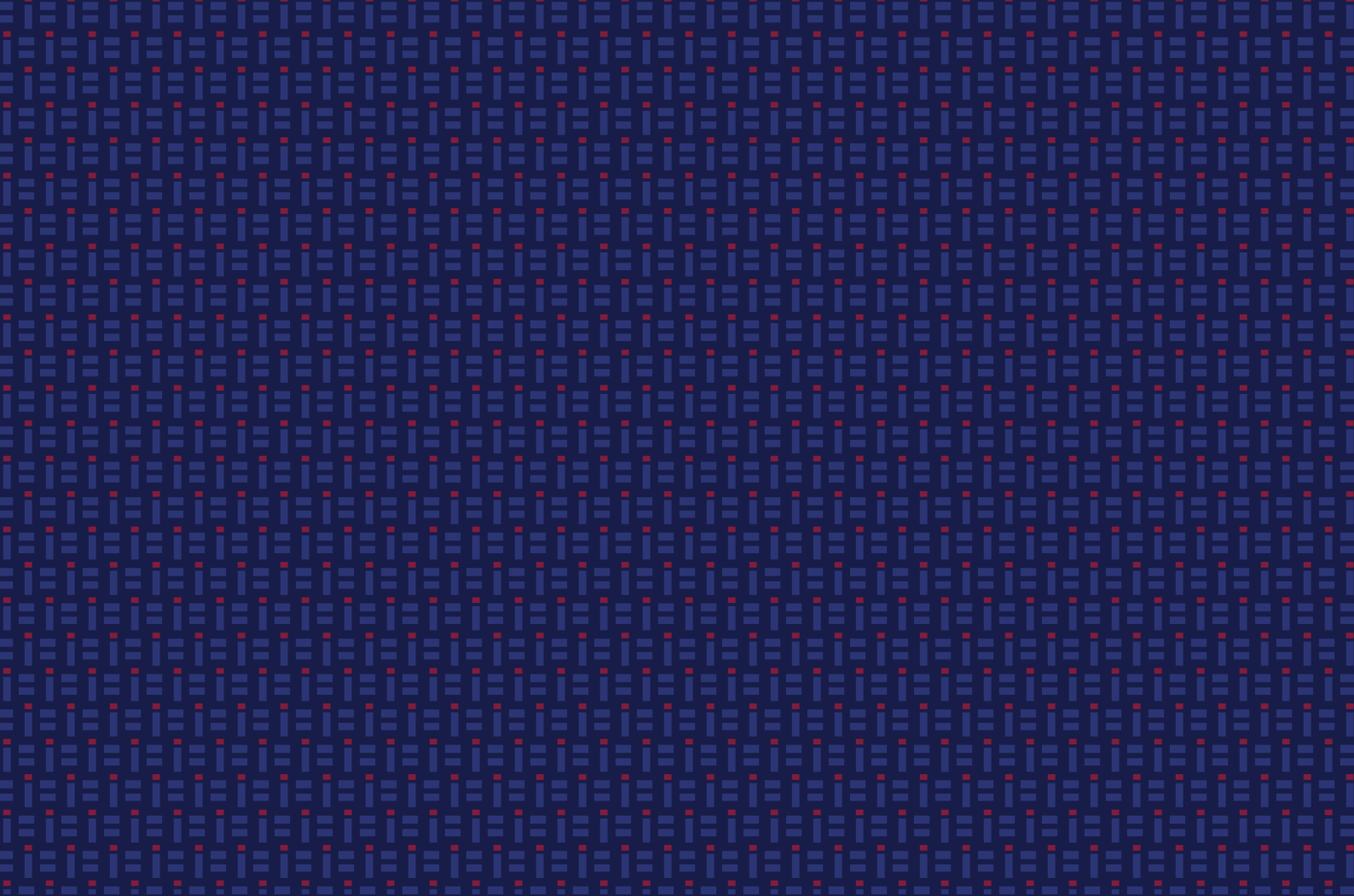
"This is a time for national unity and non-partisan politics. Our ability to address this pan-

-demic and its immediate and ensuing consequences depends on the country's resources. It needs much more than what the political leadership can offer. It needs every Malaysian."

The challenge in terms of policy is this absence of clarity of focus – which should have been clear: protect the well-being of families and communities while protecting the integrity of public institutions.

CONCLUSION

As the country celebrates Merdeka, we have yet another government, the third within the same general elections – a sign of weakened public governance, a key component of protecting social well-being and therefore building national resilience. As in most things that are important to us, we must put effort to improve them. Things do not improve by themselves. The new government would do well to prioritise the well-being of the people; individuals, families and communities, their safety, and the environment they live in ahead of the typical aggregated economic numbers. Certainly, ahead of narrow partisan interests. Those hard economic numbers and the creativity and innovation so necessary to generate growth will come with societal well-being. There must therefore be continued pressure on politics and public policy debates to cause this shift towards broader measures of the ends of development, away from these narrow targets that benefit only a minority and therefore, not benefit society more generally.



ABOUT THE AUTHOR

Dr Nungsari A Radhi is an economist by training and in a career spanning over 30 years, he has been in academia, corporate advisory, economic research, a Member of Parliament and policy advocacy. He holds a PhD in Economics from Purdue University and is a contributing columnist for The Edge since 2000. He is also currently a member of MARA Council, and the Public Sector Housing Financing Board.

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