INCOME COMPONENTS AND POVERTY AMONG OLDER MEN AND WOMEN IN MALAYSIA

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ABSTRACT

The study aims to identify the income components and the incidence of poverty among older men and women in Malaysia. A national data on Household Income Survey (HIS) collected in year 2009-2010 was used in this study. Data from sub sample of 16,325 out of 43,026 older persons was used in the analysis. The respondents comprised of 47.9% male and 52.1% female with an equal proportion living in urban and rural areas. The total net income was used to determine poverty status among respondents who reported receiving income. Income Per Capita was used to determine the poverty status. Results indicated thata there were 42.3% older persons did not receive any income and can be assumed to be dependent on others to support their living. Only 57.7% of the elderly received income from the four main sources namely paid employment, other earned income, property income and total current transfer income. Majority of the elderly received income from other earned income as well as total current transfer income. Overall, a higher proportion of men received income from all sources except transfer income. A small percentage of the elderly received income from paid employment. This reflects that majority of the elderly are no longer employed. In addition, a large proportion of the elderly rely on other earned and transfer income in old age. Older women are more vulnerable to poverty in old age. Even though a higher percentage of older persons, especially women, received income from total current transfer, however this income component is still insufficient to address poverty among older persons. Thus, as part of productive ageing strategies, focus should be given on providing more job opportunities to enable older persons to increase their income.

Keywords: *Older men and women, Income components, Poverty*

INTRODUCTION

Malaysia has been experiencing improved health, longer life expectancy, low mortality as well as declining fertility. The combination of these factors has brought about a change in demographic profile of the country's population (Sim, 2002). Census shows that the life expectancy has continued to increase from 70 years for males and 74.7 for females in 2000, to 71.7 and 76.6 in 2010 and expected to increase to 74.2 and 79.1 in 2020. This implies that older women are living about 5 years longer than men and definitely they will make up this population. The definition of older persons used by this country was 60 years and above. This population keep increasing from 6.3% in 2001 to 7.3% in 2010 (Malaysia Department of Statistics, 2011; Malaysia Department of Statistics, 2005) and expected to reach 15% by 2030 (United nations, 2009). By that year, Malaysia will be considered as an "aged nation" (Cowgills and Holmes, 1970 in Chen *et al.*, 1989). Thus it may raise many issues and challenges for Malaysia to prepare in just 16 more years.

Poverty among older persons is one of the issues identified which cannot be separated from this population. The tendency of older female to be poor is likely higher than men (Minkler and Stone, 1985). Past research had shown that among older women, many were homemakers, were uneducated, engaged in low wages or worked as unpaid workers in family businesses; hence they tend to have no income and live in poverty (Masud *et al*., 2008). These facts also supported by other studies which stated that economic hardship and poverty are more prevalent among older women than older men (Angel *et al*., 2007; Masud *et al.*, 2008). Older women also have indicated that they are relatively more disadvantaged than men especially in their career.

Income components determine the total income someone may earn in a period of time. Magrabi *et al.* (1991) *in* (Masud *et al*., 2008) defined income as an amount of money received from various sources during a given period of time that must be measured in amount per unit of time. However, measuring income accurately in surveys is extremely difficult. The amount answered by survey respondents were always lower as they are not willing to disclose their real incomes. The components of income comprised of: wages and salaries, income from self employment, social security (private and government), interest, dividends, rental income, and other property income; unemployment - workers compensation and veterans benefits, public assistance, supplemental security income and food stamps, regular contributions for support, other income (including cash scholarships, fellowships, or stipends not based on working) as well as meals and rent (Masud *et al*., 2008). These components also have been categorised into different groups. For example, a study by Masud *et al.* (2008) indicated that there are three categories of sources of income for the older persons namely employment - related income (salary, business profit, agriculture, pension and bonus), investment - related income (rental, dividends, annuity and others) and social income (from son, daughter and grandchildren).

Since the number of elderly in Malayasia continues to increase, particular attention should be addressed to the elderly society. Normally older persons' engagement in work decrease with increase beyond retirement age; and correspondingly, their income related to employment also decrease. Data from Malaysia Department of Statistics revealed that in year 2013, only 41.4% of older Malaysians aged 60-64 participated in the workforce. The involvement of older men were significantly higher (57.1%) than older women (25.3%) (Malaysia Department of Statistics, 2014). This data showed that a high proportion of older persons (59,6%) depend on other components of income. According to Masud *et al*. (2008),a substantial proportion of older Malaysians received from social income followed by employment-related and investment-related income. The social income refers to transfered income from their children. However, with rapid urbanisation and high cost of living, there are concerns that familial support and filial piety associated with Asian cultural values may be eroding (Martin, 1989; Schulz, 1993 *in* (Caraher, 2000). Absence of monetary will push older persons, especially older women further into poverty.

Poverty among older persons, especially the 'feminisation of the aged' is an issue facing countries all over the world, especially the developing countries. Since the mid 1980's, the World Bank has responded to the need to strengthen social insurance and contractual savings systems providing old age income support in developing countries. Currently The World Bank's policy framework applies a five-pillar model. The pillars comprise of (i) a non-contributory "zero pillar" extending some level of old-age income security to all older persons in poverty; (ii) an appropriately sized mandatory "first pillar" with the objective of replacing some portion of lifetime pre-retirement income through contributions linked to earnings; (iii) the "second pillar" -- a funded mandatory defined-contribution that typically provides privately-managed individual savings accounts; (iv) a funded voluntary "third-pillar;"and (v) a non-financial "fourth pillar" (Holzmann *et al.,* 2008). However, not all countries subscribe to this model. Data from the Malaysia Economic Planning Unit of the Prime Minister's Department, showed the overall incidence of poverty for the general population has been drastically reduced from 8.5% in 1999 to 1.7% in 2012 (Economic Planning Unit, 2013). This indicator shows that poverty can be reduced with rapid economic growth of the country; but a new phenomenon emerged with an increase in number of older persons living below the poverty line. This is evident from the increase in number of older persons who received financial aid from Government safety net programme known as "Old Age Financial Assistance (OAFA)_" or "Bantuan Orang Tua (BOT)". For example, in year 2009, there were 99,399 cases of OAFA/ BOT recipients with RM228,176,605; this has increased to 152,138 cases with RM 519,297,450 in year 2012 (Department of Welfare, 2012). Such situation shows the rapid increase in the financial burden borne by the government within just four years. Imagine what is going to happen if poverty of the aged is not addressed by the Government now, before Malaysia becomes an aged nation? At present, the percentage of older persons is small when compared to other Asian countries. Older persons have been viewed as a dependent group and therefore they are likely to be marginalised. This condition also leads to the other issues of older persons such as maltreatment, loneliness and depression etc that were left unaddressed. Therefore research on older persons is critical. Research findings on poverty and the well-being of older persons may help the policy makers and stakeholders to plan their poverty eradication programs more efficiently. Such input will help the country prepare to become an aged nation. The objective of this study is to identify the income components and the incidence of poverty among older men and women in Malaysia. The combination of income components among older men and women also will be highlighted in the study.

RESEARCH METHOD

A national data on Household Income Survey (HIS) 2009-2010 was used for the study. A sub sample of 16,325 older persons aged 60 years and older out of 43,026 total samples was used in the analysis. The paper will focus on analysing the income components received by older men and women. The Income Per Capita of RM 210 per month for Peninsular, RM 240 for Sabah and RM 230 for Sarawak were used to determine the poverty status among older men and women. Net Total Income of older person was used to indicate the poverty status. The income components used in this analysis are ; Paid employment income (from all the formal sector), Other earned income (self employment and rental), Property income (royalty, interest of agriculture and investment divident) and Total current transfer income (remittance, alimony, scholarship, pension, periodic payment and gift and cash/in kind). Concatenate prosidure was used to obtain the various combinations of income received by respondents. Descriptive analysis using SPSS program were used to meet the study objectives.

RESULTS AND DISCUSSION

Results indicated that out of the total respondents of 16,325, more than half (52.1%) of the respondents were female with an equal proportion of the total population lived in urban and rural areas (Table 1). The mean age of the total respondents is 68.9 years. Sixty one percent is in the 60 to 69 years age category and 39% of them are 70 years and above. About 65% of respondents were currently married and the remaining 35% were respondents without spouse. The older persons in this study were born more than half a century ago i.e. before Malaysia gains her independence. They have less opportunity in receiving formal education. At that time women were not encouraged to go to school due to the old school of thoughts believing that women should a housewife after they get married. Therefore the percentage of respondents who received secondary and higher level of education was relatively low especially among older women. Lower educational attainment will definitely affect the employability of older persons and their income as well. In this study, results found that only 57.7% of older persons received income and 42.3% do not received income at all. When compared by sex, a higher proportion of older men received income (87.7%) than older women (69%). Majority of older women (70.6%) who do not receive income are homemakers, retirees, unemployed and others makes up 27%;while 78.6% of older men who do not receive income are from "others" category which comprises of retirees, unemployed etc.A substantial proportion (19.5%) helped out with family duties (termed here as homemakers) On the other hand, most older men who received income are from "others" category (41.9%) mainly retirees on government pension; a substantial proportion are self-employed (34%), and 15% worked in private sector. Almost one third of older women who received income are homemaker (38.8%), others such as retirees (34.7%), self-employed (17.6%) and those working in the private sector (7.6%).

Table 2.0 shows income components by gender. There were 1357 (8.3%) older men and 5553 (34.0%) women reported having no income. Among 9415 (57.7%) respondents who received income, majority of them received from total current transfer, followed by other earned income and property income. The percentage of respondents receiving paid employment income was much lower due to mandatory retirement as well as lack of employment opportunity for older persons. Data also shows that even the number of older persons involved in paid employment is low but the mean income is the highest. However the mean paid employment and other earned incomes of older women tend to be lower than men.

Table 3.0 shows the poverty status of men and women using the four income components. The percentage of older persons who are poor was the lowest when paid employment income is considered. This is followed by other earned income. The highest incident of poverty occurs when property income is used in the poverty measurement. Total current transfer income also did not successfully bring older persons out of poverty whereby there were 42% of men and 34% women still poor. In general, the percentage of women in the poor group is much higher for all the income categories except total current transfer income. This may indicate that the total current transfer income is more important to older women compared to men. This is more crucial especially when the labour force participation of women in Malaysia is only 52.4% (Malaysia Department of Statistics, 2014). Nevertheless women involvement in the labour force is potentially critical in providing economic security in old age since the data shows that labour related income (employment or other earned) is important in ensuring economic status of older persons. Table 4.0 shows the detail categories of income components received by respondents. Highest percentage (55.3%) of respondents received income from a combination of other earned and total current transfer, followed by other earned, property and transfer (16.1%) and total current transfer only (9.1%). The remaining sources are low.

Table 1.0: Profile of respondents

Variable	No Income n=6,910		Received income n=9,415		Total n=16,325
	Male	Female	Male	Female	Total
Strata					
Urban	63.7%	52.0%	46.8%	46.8%	50.0%
Rural	36.3%	48.0%	53.2%	53.2%	50.0%
Age (mean/years)	70.9	69	67.6	68.9	68.6
60-64 years	24.4%	34.7%	40.8%	33.8%	36.1%
65-69 years	21.6%	24.4%	26.0%	25.8%	25.0%
70-74 years	23.7%	20.0%	18.1%	19.5%	19.5%
>75 years	30.4%	21.0%	15.0%	20.9%	19.4%
Marital status					
Single	5.1%	2.7%	1.6%	3.5%	2.6%
Married	67.9%	59.4%	87.7%	25.2%	65.1%
Widow/widower	26.2%	37.4%	9.9%	69.2%	31.3%
Divorced	0.5%	0.3%	0.6%	1.5%	0.6%
Separated	0.2%	0.1%	0.2%	0.5%	0.3%
Level of Education					
Primary	39.3%	37.6%	50%	33.7%	41.9%
Secondary	15.0%	10.3%	21.9%	13.8%	15.9%
Tertiary	2.3%	.9%	6.3%	4.2%	3.8%
No formal education	43.4%	51.2%	21.8%	48.3%	38.4%
Job status					
Employer	-	-	1.9%	0.6%	0.9%
Employee_Government	-	-	1.3%	0.5%	0.6%
Employee_Private	-	-	15%	7.6%	7.3%
Self Employment	-	-	34%	17.6%	16.6%
Unpaid Family Worker	1.4%	2.2%	0.1%	0.3%	0.9%
Homemaker	19.5%	70.6%	5.8%	38.8%	34.9%
Student	0.5%	0.2%			0.1%
Others (including retired, unemployed and others)	78.6%	27.0%	41.9%	34.7%	38.6%

Out of 15 categories, poor respondents group have less (11) components of income as compared to non-poor (14). Highest percentage of non-poor received income from a combination of other earned and total current transfer components meanwhile poor respondents recorded high percentage for component of total current transfer only. As expected the percentage of poor older women received from total current transfer only is significantly higher than men. Less than 35% of this group received income from a combination of other earned and total current transfer. The remaining categories of income components is respective low.

Table 4. The percentage of respondents based on components of income by gender and poverty status

Income Components	Men			Women			Total		
	Poor	Non poor	Total	Poor	Non poor	Total	Poor	Non poor	Total
Paid employment income only	0.9	0.4	0.4	0.8	0.9	0.9	0.8	0.5	0.5
Other earned income only	8.3	2.3	2.4	3.8	2.4	2.5	5.1	2.3	2.4
Property income only	0.0	0.0	0.0	0.8	0.1	0.2	0.5	0.0	0.1
Transfer only	48.1	3.1	3.8	66.3	16.2	20.7	61.0	7.0	9.1
Paid employment and other earned	0.0	1.1	1.1	0.0	0.4	0.3	0.0	0.9	0.9
Paid employment and transfer	1.9	1.0	1.0	2.7	2.0	2.1	2.4	1.3	1.4
Paid employment and property	0.0	0.3	0.3	0.0	0.6	0.5	0.0	0.4	0.4
Other earned and Property	0.0	0.8	0.7	0.8	0.3	0.3	0.5	0.6	0.6
Other earned and transfer	35.2	57.3	57.0	18.6	55.0	51.7	23.4	56.6	55.3
Property and transfer	4.6	0.8	0.9	4.5	4.1	4.1	4.6	1.8	1.9
Paid employment, property and transfer	0.0	0.8	0.8	0.0	1.1	1.0	0.0	0.9	0.8
Paid employment, other earned and property	0.0	0.8	0.8	0.0	0.1	0.1	0.0	0.6	0.6
Paid employment, other earned and transfer	0.0	8.6	8.4	0.8	3.3	3.1	0.5	7.0	6.8
Other earned, property and transfer	0.9	18.4	18.1	0.8	12.9	11.8	0.8	16.7	16.1
All four sources	0.0	4.3	4.2	0.4	0.6	0.6	0.3	3.2	3.1

Table 3. Poverty of main income components by gender and poverty status

Income components	Men					Women					Total				
	Poor		Non poor		Mean (RM)	Poor		Non poor		Mean (RM)	Poor		Non poor		Mean (RM)
	n	%	n	%		N	%	n	%		n	%	n	%	
Paid employment	40	3.6	1065	96.4	19,435.0	48	18.8	208	81.3	10,322.2	88	6.5	1273	93.5	17,720.9
Other earned	1057	17.6	4940	82.4	9,850.4	782	37.6	1299	62.4	5,116.6	1839	22.8	6239	77.2	8,630.9
Property	1387	82.9	286	17.1	2,516.8	464	84.7	84	15.3	2,594.2	1851	83.3	370	16.7	2,535.9
Total current transfer	2561	42.0	3531	58.0	6,522.9	956	34.1	1851	65.9	6,178.9	3517	39.5	5382	60.5	6,414.4

CONCLUSION

The proportion of older women who did not receive income was three times higher compared to older men and majority of them were homemakers. In order to achieve the goal of The National Policy for older persons i.e. to enhance the well-being of older persons, productive ageing program should be designed to support those without income to achieve financial independence.

Among those who received income the percentage of women who received income from the four components were low compared to men. Mean income among the women was also low. As such women are more vulnerable to poverty in old age. This reflects the feminization of ageing. The changing in family structure may also accelerate the feminization of ageing. The study shows that older women were more economically vulnerable in old age.

In addition, not many older persons have property income. This reflects that majority of older persons in this study did not invest during younger age. Therefore younger generation should be encouraged to save and invest for old age. There were higher percentage of respondents receiving income from total current transfer who were poor. This reflects that the transfer income component is still insufficient to address poverty among older person. Those who received more than one components of income tended to be less vulnerable compared to those receiving from one component income. Based on the World Bank Social Protection Framework, having more pillars of social protection is more favourable compared to one pillar. As such integrated social protection strategies must take into account the formal and informal support. Finally, the data shows that by having paid employment income, higher proportion of older persons were not poor. Thus, focus should be given to provide more job opportunities to enable older persons to increase their income as part of productive ageing strategies.

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