

## A CONCEPTUAL PAPER ON SUBJECTIVE POVERTY AS PERCEIVED LASTING SOCIOECONOMIC INSECURITY AMONG LOW INCOME HOUSEHOLD DURING MCO AND COVID 19 PANDEMIC

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### Abstract

*Studies into the relation between subjective perceptions of individuals and objective economic conditions have usually resulted in ambiguous empirical findings. Whilst most studies perceive subjective welfare as being operationalized by indicators of happiness or life satisfaction, this study narrow the approach to an economic domain of subjective , that is perceptions of poverty. Malaysia government is very committed in supporting and implementing the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). Having reduced absolute poverty to less than one per cent, Malaysia is now focusing on uplifting the quality of life of the bottom 40 per cent of households (B40). Nevertheless, the implementation of the Movement Control Order (MCO) and the COVID-19 outbreaks have affected the financial 'immunity' of households, traders, and employers to survive this critical period. This made many feels poorer. Poverty rates in the country have been found to increase as many Malaysians easily fall into poverty after losing their jobs or having their pay cut due to the Covid-19 pandemic. Recently, economist adding the subjective poverty approach in understanding the poor. Poor people have their own understanding and interpretation of their social certainty, and this is often different to an outsider's perspective. The paper aims to uncover subjective poverty as perceived lasting socioeconomic insecurity among the low-income household.*

### INTRODUCTION

The COVID-19 epidemic has been declared a pandemic by the Health Organization Worldwide (WHO) in general has affected global economic growth including Malaysia. In response to the outbreak of the disease and protect it people. This has limited the daily activities of the people as well as the traders, in turn affects the income received. The COVID-19 pandemic has sparked fears of an impending economic crisis and recession. Social distancing, self-isolation and travel restrictions have led to a reduced workforce across all economic sectors and caused many jobs to be lost.

Malaysia's economy has been impacted by the COVID-19 epidemic control measures, including the movement control order (MCO) and border closures. All Malaysian economic sectors and foreign

investment were negatively impacted, which led to many residents losing their jobs and seeing their incomes decline. Malaysia's poverty issue grew significantly because of the population's dramatic socioeconomic status change. Consequently, Malaysia's economic growth has been impacted by the COVID-19 outbreak and made the trajectory the country's economic growth is off track (Hasan, Jamalolail, Abd Rahman, Ahmad & Amaris (2022).

The Sustainable Development Goals are threatened by economic insecurity, which also has high human and societal consequences. Financial difficulty and deteriorated health are consequences of both actual and potential economic loss. People's productivity and capacity to make investments in the education and health of their children are both impacted by economic insecurity. At the same time, a significant contributor to insecurity is the price of basic services for individuals and households, particularly health care. Insecurity spreads because of poverty, which makes it more difficult to end hunger and poverty. Even though living standards have increased globally over the past few decades, these gains are fragile, as the COVID-19 epidemic has shown.

## **PROBLEM STATEMENT**

Department of Statistic Malaysia (DOSM 2020) listed the classification of household income classes in Malaysia as B40, M40, and T20. The B40 represents Bottom 40%, M40 Middle 40% while T20 represents the highest 20% of household income in Malaysia. Category B40 is the Bottom 40% or represents the lowest 40% of household income in Malaysia. They earn less than RM4,850 a month.

As Malaysia continues to grow, the B40 households should not miss out on the opportunities that come with national prosperity. Allowing the B40 households to remain in their current socioeconomic status will create social costs for all Malaysians as it reduces the number of skilled workers needed to grow national output, perpetuates urban inequality and limits the growth potential of rural and suburban areas. The Government will implement strategies to raise the income and wealth ownership of the B40 households, address the increasing cost of living and strengthen delivery mechanisms for supporting B40 households.

However, Malaysia's economy has been impacted by the COVID-19 epidemic control measures, including the movement control order (MCO) and border closures. Many Malaysians felt the detrimental effects of all economic sectors and foreign investment. Due to the COVID-19 epidemic, the socioeconomic situation of the Malaysian population has severely changed. A total of 88.5% of households with wage earners from the T20 group moved to the M40 group, while 74.2% of households with salaried workers moved from the M40 group to the B40 group. While, the percentage of people living in absolute poverty rose to 8.4% in 2020, up 2.8% from the year before. 638,000 households live in absolute poverty. There are now 76,000 households living in extreme poverty, an increase of 0.8%. (Department of Statistics Malaysia, 2021).

Without addressing economic security and eliminating inequality, a comprehensive recovery from the epidemic would not be possible. Otherwise, those individuals and families who already experienced insecurity prior to the crisis are likely to be excluded from the benefits of recovery.

## **INQUIRY QUESTIONS**

The purpose of this study is to provide a better understanding of perceived subjective socioeconomic of the low-income household in Malaysia. The purpose is achieved by addressing the following research questions:

- i. What are the characteristics of the subjective socioeconomic insecurity?
- ii. How to propose the framework of subjective socioeconomic insecurity indicators?

## **RESEARCH OBEJCTIVE**

The main objective of the study is to explore the characteristics of subjective poverty as perceived socioeconomic insecurity among the low-income households that affected during the MCO and Covid19 pandemic. The specific objectives are as follows:

1. To determine the characteristics of the subjective socioeconomic insecurity among the low-income households
2. To propose the framework of subjective socioeconomic insecurity indicators

## **GAP OF THE STUDY**

Much of the debate among academics has focused on aggregate, money-metric measures of progress, such as per capita income growth and trends in the poverty headcount. These measures suggest that countries integrating into the world economy do better at growing and reducing poverty than those that do not, although with a great deal of variation among them, depending on their initial factor endowments and institutional structures. Mostly, however, such measures fail to capture phenomena that may have important effects on individuals' real and perceived welfare outcomes, such as vulnerability among the near poor, distributional shifts at the local, cohort and sector level, and changes in the provision and distribution of public services, among others. However, it is unclear how objective socioeconomic affect subjective feeling of insecurity. Poverty has both been a cause and consequences of insecurity.

## **LITERATURE REVIEW**

### **Subjective poverty**

The households with a history of poverty continue to perceive themselves as poor even if their material consumption improves (Alem, Köhlin and Stage, 2014). Poor people have their own understanding and interpretation of their social reality, and this is often different to the outsider's perspective and the jargon sometimes used by academics, politicians and consultants whose knowledge of poverty often comes from books, television, documentaries, newspapers and questionnaire interviews with the poor (Davids, Maphunye and Theron, 2005:37). Subjective data offer to expand the information set traditionally used for assessing welfare and measuring poverty (Ravallion, 2012).

In Malaysia, most of the existing researches on poverty is dominated by the objective poverty measurement: absolute and relative poverty approaches. The research on determinants of either relative of subjective poverty in developing countries is still dearth (Dartanto and Otsubo, 2015). Subjective poverty perceptions also provide interesting insights on the dimension of poverty as it is based on the poor own assessment on their poverty condition. Commonly, the poverty measurement methods are from the perspective of parties involved in policy making or researchers but neglect the views of poor people themselves. Instead of viewing poverty from outside which is regarded as incomplete, it is recommended for research to be undertaken that views poverty from the perspective of the poor themselves. Using various tools and methods suited to each locality, this approach would be able to identify the welfare of households such as social well-being and freedom of choice, beyond the state of poverty. This would enable the interpretation and understanding of poverty from various dimensions.

It is recommended for research to be undertaken that views poverty from the perspective of the poor themselves. Using various tools and methods suited to each locality, this approach would be able to identify the welfare of households such as social well-being and freedom of choice. Poverty is a multifaceted phenomenon (Posel and Rogan, 2016; Jansen et.al, 2015; Jansen et.al, 2013, and Dartanto and Otsubo, 2013). In contrast to the absolute and relative poverty measures, which are mostly constructed from the objective data of expenditure and/or income, subjective poverty is based on psychological perceptions of individual. The subjective poverty means that individuals evaluate their poverty status by their subjectively (Niemi, 2011). Commonly, the poverty measurement methods are from the perspective of parties involved in policy making or researchers but neglect the views of

poor people themselves. Instead of viewing poverty from outside which is regarded as incomplete, it is recommended for research to be undertaken that views poverty from the perspective of the poor themselves.

Different measurements of poverty might produce different analytical results and sequentially, call for a different set of policy interventions. Mahmood, Yu & Klasen (2019) stated that the determinants of subjective poverty (feeling poor) are not limited to household consumption, but include household size, household demographic structure, agriculture land ownership, sanitation facility, physical and food insecurity. Ping, Yip & Law (2020) suggested that solving economic poverty alone is insufficient to tackle the issue of subjective poverty in Hong Kong. Several policy initiatives, including improving the career prospects of the secondary-educated, enhancing the mobility outcomes of public rental tenants, and reducing the rent-to-income ratio of private rental tenants, could contribute to alleviating subjective poverty.

People found to be better off, according to the absolute and relative approaches, were sometimes found to be poor under the subjective methods, and vice versa. Using the objective approach alone would have yielded different results from the ones produced in subjective approach (Othman,2019).

According to Mau, Mewes & Schöneck (2012), subjective insecurity is dependent on subjective expectations and mentalities that have developed over time based on objective security parameters. There is no way that these feelings of insecurity are just peculiar mental states. Thus, insecurities are held in people's minds and subjective perceptions, not only objective events, influence the individual well-being of people

### **Economic Insecurity**

According to Bossert & D'Ambrosio (2013), economic insecurity is "the anxiety induced by the potential exposure to unpleasant economic events and by the anticipation of the difficulties to recover from them", such as a worry about losing job or an expectation of financial condition getting worse. Economic insecurity refereed as the risk of economic loss faced by workers and households as they encounter the unpredictable events of social life (Western, Bloome, Sosnaud & Tach, 2012).

So far, although there is not yet a consensus in the definition of economic insecurity nor in the best methodology to measure it, the literature has explored alternative ways to proxy insecurity resulting in a variety of indices which could be classified according to different criteria: aggregate versus individual indices, subjective versus objective measures or uni dimensional versus multidimensional indicators (Rohde and Tang, 2018). Comparative analyses on economic insecurity are still scarce and are based either on multidimensional approaches that use aggregate indices on the different insecurity dimensions (Osberg,2018) or are essentially uni dimensional when considering individuals or households (Rohde, Tang and Rao, 2014). Most often approaches to the measurement of insecurity are based only on subjective measures linked to employment or job insecurity but fail to consider other individual objective risks.

### **Socioeconomic Insecurity**

Mau, Mewes, & Schöneck (2012) stated that objective socioeconomic and institutional conditions affect subjective feelings of insecurity. In their study in multilevel analysis of 18,412 individuals in 19 countries and found that the socioeconomic (GDP) and institutional (welfare state effort) factors are relevant to subjective socioeconomic insecurity. The greatest insecurities with respect to employment, making ends meet and health care provision in case of illness.

A study on perceptions of socioeconomic insecurity among Europeans by Akaeda & Schöneck (2022), mentioned that respondents in different countries reported more or less grave fears of employment and income insecurity depending on their respective countries' performance during the crisis.

This study will favour socioeconomic micro conditions in understanding the subjective poverty as perceived lasting socioeconomic insecurity.

### **Job insecurity**

Food insecurity is a multidimensional and multifaceted phenomenon, encompassing aspects related to food accessibility, sufficiency, security, as well as sustainability (Onori, Dinachandra, Jaleel, Saraswat & Sethi (2021). In a study by Grimaccia, Maggino & Rao (2022), found that education, economic wealth, and homestead kitchen garden can act as a buffer against food insecurity, while the number of pregnancies seems to exacerbate a situation of food insecurity. Both studies adapted the 8-item Food Insecurity Experience Scale (FIES), FAO Food Insecurity Experience Scale (FIES) proposed by the Food and Agriculture Organization (FAO) in 2013 within the Voices of the Hungry (VoH) Project.

### **Food insecurity**

Food insecurity refers to a lack of consistent access to enough food for an individual or family due to limited financial or other resources (USDA,2022). The food insecurity among low-income and disadvantaged families has affected their health and well-being making them increasingly vulnerable to the COVID-19 infection (Singh, Sunuwar, Shah, Sah, Karki & Sah (2021).

The absence or ineffectiveness of political, economic, and social interventions to maintain jobs, as well as compromised food production, distribution chains and reduced access to healthy foods in various nations around the world, especially the poorest, may all contribute to the COVID-19 pandemic's potential to worsen poverty and food insecurity levels (Pereira & Oliveira, 2020).

### **Financial insecurity**

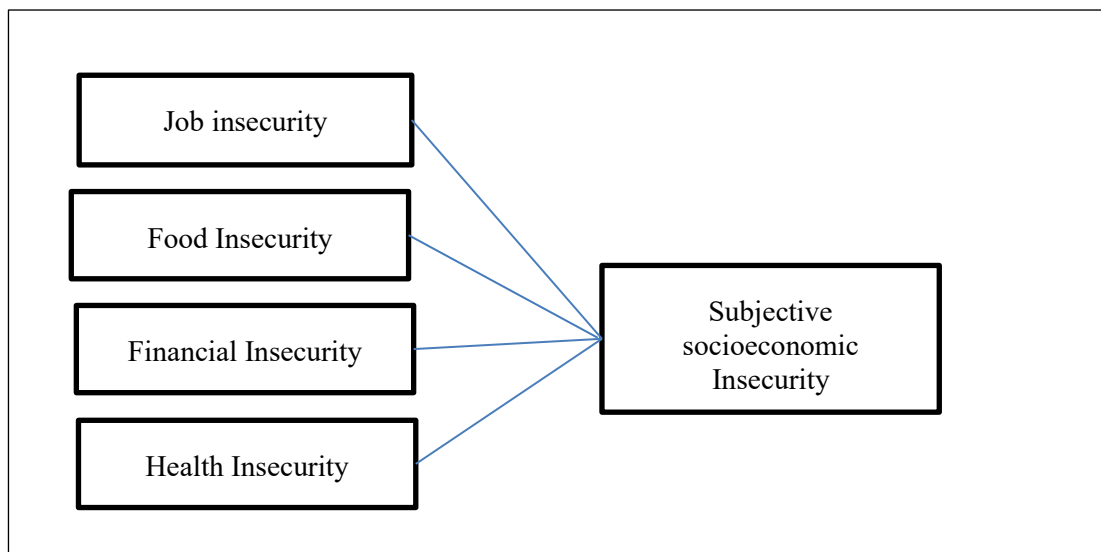
Weinstein & Stone (2018) suggests that experiencing financial insecurity lowers and increases problematic financial. Moreover, lower satisfaction of basic psychological needs linked financial insecurity to a greater likelihood of engaging in financial cheating and risky financial decisions. A study by Rasdi, Zaremohzzabieh, & Ahrari (2021) showed that greater levels of financial insecurity and burnout associated with greater levels of work disengagement. The results of their study displayed burnout as a predictor of extra-role performance via a moderated (financial insecurity) mediation (work disengagement) relationship. The spread of COVID-19 combined with the resulting loss of income and revenue has led to high levels of concern among households regarding their health and financial well-being.

### **Health insecurity**

An examination of the nexus of security, insecurity, and health shows that security is a prerequisite for health (Robin,2007). Insecurity is experienced in a variety of different ways in a complex world where threats are multifaceted. COVID-19 is merely the latest health crisis which has impacted populations around the globe in both developed and developing countries.

Kopasker, Montagna & Bender (2018), stated that economic insecurity has negative effects on mental health. The most important cause of adverse effects on men's mental health is unquestionably work-related economic uncertainty. Economic insecurity may result in a largely hidden welfare loss resulting from psychological distress that can affect any workforce member.

Putting these pieces together, socioeconomic insecurity can be measure as a combination of four explanatory variables: job insecurity, food insecurity, financial insecurity, and health insecurity as in Figure 1:



**FIGURE 1. CONCEPTUAL FRAMEWORK**

## CONCLUSION

The paper has suggested in understanding subjective poverty as perceived lasting socioeconomic insecurity among low income households. Analysis on subjective poverty that is from the assessment of the poor themselves get a more insight and enhance the programs that focus on improving the income and living standard of the poor households, parallel to sustainable development goals (SDG) goals 1(No poverty) and 2 (Zero Hunger). In addition, the input of this study can beneficial to government agencies and NGOs in designing assistance programs for the poor specifically the B40 Households. Without tackling economic security and eliminating inequality, a comprehensive recovery from the epidemic would not be possible. If not, those individuals and families who already experienced insecurity before to the crisis may not be included in the advantages of recovery. It is possible to lower inequality and economic insecurity by strengthening resilience to shocks in the future.

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