LAUNCH OF THE
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MALAYSIA - A MODEL OF QUALITY GROWTH

SPEECH BY
TAN SRI NOR MOHAMED YAKCOP
MINISTER IN THE PRIME MINISTER’S DEPARTMENT

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Bismillahirrahmanirrahim.

AssalamualaikumWarahmatullahiWabarakatuh and good afternoon to all.

Let me first begin by thanking all of you for making the time to be here for the launch of the 2011 Malaysian Quality of Life Index Report, the fourth in its series since 1999. This presents an apt opportunity for us to review our history, ponder upon our past achievements and consider whether our recipe for past success remains relevant in the future.

2. As I was reading this latest report on Malaysian Quality of Life, I began putting it into a personal perspective. Many of us are living comfortable lives in Malaysia’s bustling cities. However, it may be interesting to note that many of us in this room today are but one generation away from the kampong. This, in itself, is a telling part of Malaysia’s success story. As Datuk Lat often reminds us, quality of life in the kampong was wonderful. We walked to school in the sunshine and the rain, and we were happy. Even though we were far from rich there was always food on the table. We had simple toys and we made toys out of simple things.

3. The quality of our agrarian, resourced-based kampong life was good at a personal level; but, our expectations were low, our horizons were limited and, if we had all remained in our happy kampong life, Malaysia would have disappeared as an economic entity and our quality of life would likely have gone with it.

4. Today, we can read a Malaysian Quality of Life Index Report that says we are making strong and steady progress. Progress that should be widely felt at a personal level by all Malaysians. But behind this report is the successful implementation of sound and courageous policies that have brought us to this point. Policies that will also take us beyond.

5. There have been three pivotal moments in our economic progress over the last 40 years and these moments have been roughly 20 years apart. In 1970, we were set on a path of new economic progress through the introduction of the NEP. It was an urgent response to a pressing need, but it was timely and far-reaching. In 1991, we were given an audacious plan under the title of Vision 2020. For the majority of Malaysians it was a pipe dream, but to the nation’s leaders it was a lighthouse and we had no option but to navigate towards it.

6. In 2010, we made another significant innovation in our Malaysian journey from the kampong to wealthy nation status by creating our New
Economic Model. And out of that model, we have created specialist bodies to plan and implement changes as part of our nation’s transformation programmes. The Government Transformation Programme (GTP) and Economic Transformation Programme (ETP) are all integrated components of the plan to steer our nation’s progress along the relatively short distance to Vision 2020.

7. Now what has all of that got to do with measuring our Quality of Life? In our post-independent days prior to 1970, Malaysia had a high rate of poverty and unemployment among a rapidly growing population. While there were substantial investments in education, health care and basic infrastructure, this one-dimensional focus proved to be inadequate to improve the quality of life for the rakyat. Thus the Government realized that other non-economic parameters must be taken into account in nation building, if development is to be sustainable and if the rakyat is to remain united.

Ladies and gentlemen,

8. We have been very fortunate that since Independence, the Government has been pragmatic and disciplined. This has been combined with sincere and courageous leaders, who have always championed national interests and have never been hostage to any one ideology.

9. From 1970 onwards, the Government undertook ambitious programmes of social and economic change, which intended to balance the economic participation of the various economic groups and promote growth with equity, within the context of an expanding economy and a pro-business policy stance. As a result, in the 30 years that we have been measuring Malaysia’s Quality of Life, the Income and Wealth Distribution measure has grown significantly. And the incidence of poverty has dropped from 75 percent in 1957, to 49.3 percent in 1970 and to only 3.8 percent in 2010; and hardcore poverty virtually eradicated. As Malaysia has successfully reduced absolute poverty, the focus of poverty eradication programmes over the last few years has shifted towards addressing relative poverty, especially the bottom 40 per cent of the income group.

10. Malaysia has now become an industrialised nation. The IMD World Competitiveness Yearbook ranks us 14th out of 58 countries, and in the World Bank Ease of Doing Business 2012 Report, we are 18th out of 183 nations.
11. And let’s talk about Education. The World Economic Forum ranks our Quality of Primary Education as 21st in the world out of 142 economies. This probably surprises most, but it should not. Since the mid-1990s, the Government regularly allocated at least a fifth of the national development expenditure to education and training, believing that knowledge is the key to better earnings for its people. This has proven to be correct. Malaysia's literacy rate is now above 93 per cent. Consequently, its work force is readily trainable and employable. This is not to deny that the quality of our education needs improvement – a subject that the Government is focusing on now.

12. Enhancing education is an economic imperative for Malaysia to become a developed nation. To ensure that Malaysian students with promising results have access to higher educational opportunities, the Peneraju Tunas Program has been implemented to provide disadvantaged students from low income group and living in challenging environment and who have achieved promising results in SPM and STPM to be groomed and nurtured to further their studies at the degree level. This year, the Programme has offered 225Bumiputera students who will be offered scholarships to further their studies at the foundation level, A levels, International Baccalaureate and degree levels.

13. Human capital development is a crucial ingredient in the journey towards becoming a developed economy. Realising the acquisition of knowledge is paramount in lifting nations to become developed and progressive, Malaysia provides universal education to all citizens at primary and secondary levels. Investments in human capital have helped reduce poverty and inequality, which in turn enabled greater social mobility and a better quality of life for the rakyat. So it is not surprising that education has recorded the highest level of growth of all the components of our Quality of Life index.

14. We have now established the Talent Corp. and have tasked it to become the focal point on talent issues, a mediator between private sector and Government agencies for necessary policy changes and to focus on building collaboration with employers to engage and develop top talent. One of the areas of focus for Talent Corp will be the development of women in the workforce. To win or even merely to sustain ourselves in what has become a very competitive world, we need to use all the resources at our disposal, of which human capital is the most important. It is vital that members of both genders are empowered so that they both contribute towards the strength and competitiveness of the community.
15. The Government has always been supportive in providing an enabling environment for the advancement of women at both the national and international levels. The five-year national development plans prescribed specific strategies and measures, including the establishment of appropriate mechanisms and institutional framework to progressively assimilate women into the mainstream of social and economic activities.

16. Today, we are witnessing more women as skillful politicians, administrators and managers in all key socio-economic areas, including education, health care as well as in the corporate and public sectors. The number of university-educated women now outnumbers men, which is not surprising given that the Malaysian education policy has always been gender neutral. And, the number of women among business executives in Malaysia, as a percentage of the population, is even greater than in European countries and certainly is much bigger than that in Japan or in other successful East Asian countries. The opportunities for women in Malaysia are actually better than in most countries where women claim to be more free and equal.

17. While it is true that women’s participation in the labour force has increased from 37 percent in 1970 to 49 percent in 2011, it is still not where we would like to be, especially for tertiary educated women. And to underscore our nation’s intent to enhance women’s participation in the labour force, our Prime Minister recently announced at Invest Malaysia that starting in 2013, a double tax deduction incentive will be provided on training expenditure incurred by companies re-employing women after a career break. The Prime Minister also requested leading listed corporations to disclose in their annual reports policies they have put in place to help promote and support women, such as flexible working arrangements. We view the returning of tertiary educated women into the workforce as a strategic advantage to the nation to ensure our nation’s competitiveness as our companies become multinationals competing in the regional and global marketplace.

18. To enhance the employability of unemployed graduates, the Government has implemented a graduate employability outreach program - Skim Latihan 1 Malaysia (SL1M) Programme, launched on 1 June 2011. The Program is developed in collaboration with companies to enhance marketability and employability of Malaysian graduates. The Program is offered to Malaysian graduates with a minimum qualification of a Bachelor's Degree and has been unemployed for at least 6 months after graduation. Priority is given to unemployed graduates from low income groups. Companies participating in the Program are given double tax deduction on monthly allowance of not less than 1,000 ringgit paid to graduates. Currently, there are 49 companies participating in the Program, involving 8,262
graduates. Of this, 47 percent or 3,879 graduates have been successful in securing jobs, while 4,324 graduates are still participating in the Programme. Ladies and gentlemen,

19. Another ingredient of the growth recipe is keeping the cost of living low, which results in higher purchasing power. The per capita income is now 25 times higher than that recorded in 1970 at about 9,500 US dollars in 2011. In terms of Purchasing Power Parity, the per capita income increased 13 times to 17,250 US dollars. In addition, low inflation is very important for economic development and keeping it low and stable is one of the major tasks of the Government. Although the market is free to operate, the prices of selected essential goods are controlled and the movement of prices in the market is monitored. Excessive profiteering is curbed. These are amongst the ways Malaysia is able to keep inflation low. Since 1970, the inflation rate has been kept below 3 per cent on average. The competitiveness of our country has been maintained and the standard of living has improved because inflation is relatively low, while greater skill and productivity results in better wages and income, enabling the people to have higher purchasing power. And not surprisingly, the World Economic Forum (WEF) has placed Malaysia in the number one position in terms of the annual percentage change in the consumer price index.

20. Infrastructure is another important ingredient in nation building as it reduces cost and promotes the growth of businesses. One of the reasons for countries remaining poor is due to their inability to build much-needed infrastructure. As Malaysia grew economically, large sums were spent on building roads, ports and airports, water supply and power plants, much of them through public-private partnerships. And again, not surprisingly Malaysia ranks 18th out of 142 nations in the WEF Report for having the most efficient road and railroad systems.

21. The construction of these growth enablers enhances connectivity and accessibility, facilitates the establishment of new growth centers while improving the living standards of the rakyat. Better infrastructure attracts higher investments by both locals and foreigners. Thus, good infrastructure will undoubtedly accelerate Malaysia’s advance towards becoming a developed country. Proof of the effectiveness of those policies is that transport and communication is the second highest-ranking contributor to our Quality of Life index.

22. Malaysia has also done well in extending affordable basic health care services to the rakyat and has achieved impressive outcomes. The
Government’s continuous investments in health care (soft and hard infrastructure) have led to life expectancy levels and mortality rates that are on par with those in developed nations. Now, Malaysians can look forward to live longer, on average up to 71 years for men and 76 years for women. Infant mortality rate has come down from 16 per 1,000 live births in 1990 to only 6 in 2010. Healthcare has made significant advances in our measurement of Malaysia’s Quality of Life.

23. Housing is fundamental to the well-being of the rakyat. One of Malaysia’s long-standing development objectives is the provision of adequate, comfortable, quality and affordable housing to all segments of the rakyat. Malaysia has made major in-roads in this effort with the provision of affordable housing, playing a key role in supporting successful poverty eradication programme. The improved availability of quality Housing is the third highest contributor to the Quality of Life index. And PR1MA, our new programme launched in 2011, will assist families with household monthly incomes of less than 7,500 ringgit to own their first homes.

24. Malaysia has always given priority to sustainable development and the concept of sustainable development is integrated into national policies. For example, the Government is committed to ensure that at least 50 per cent of the land area remains as forest cover. As at 2010, the proportion of forested land area is almost two-thirds of total land area, unlike in some developed countries where their forested areas have been severely depleted. Those policies, combined with improved water quality in our rivers and better air quality, due mostly to co-operation with neighbouring countries, has seen the environment component of our Quality of Life index rise.

Ladies and gentlemen,

25. Fifty-five years after Independence, the Malaysian economy has one of the best records anywhere in the world, by whatever measure – whether in terms of the eradication of poverty, provision of basic needs for the rakyat, development of infrastructure and in terms of sustained growth. In spite of facing few economic crises that stemmed from global imbalances, the Malaysian economy grew rapidly, achieving an average GDP growth rate of 6.8 percent per annum during the 1970-2011 periods. Malaysia’s trade in nominal terms reached 1.3 trillion ringgit in 2011 and we are the 25th largest exporting country in the world. And whereas 30 years ago the Government was the key driver of development, today the private sector has become a dynamic and robust partner. The market capitalization of our stock market has exceeded 1.3 trillion ringgit in 2011 and continues to rise. Malaysia has
undergone a transformation into a modern industrialised and diversified economy.

26. All of this progress answers my earlier question - how do we measure Quality of Life in a way that is meaningful and tangible to the community. The Malaysian Quality of Life Index (MQLI) is a composite of 11 components that relate to the concept of quality of life. It was first introduced in 1999 and has tracked improvements in the quality of life since 1980. The 2011 MQLI presents the achievements as at 2010. It reflects the broadening of the Government’s policy framework from a quantitative agenda to also include a qualitative component involving the human, social and environmental dimensions of development. The overall performance of these indices is in line with the national aspiration to achieve high-income developed nation status by the year 2020.

27. The MQLI is a tool to gain insights into understanding the changes and improvements in the quality of life of the rakyat that includes physical, social, economic and psychological aspects. This allows for the evaluation of the socio-economic policy effectiveness on a broader scope and thus, provides guidance to future planning.

28. What it tells us is that the Government has put all the necessary ingredients in place for people to create their own quality of life in a prosperous, progressive Malaysia. But we cannot be complacent. We are a Government that is rooted in reality. We acknowledge that challenges exist, but we have a definitive plan with the NEM and the 10th Malaysia plan, and our nation’s transformation programmes are real and delivering results.

29. If I may highlight again, our development approach boils down to three important points:

   i. That our development model is multi-dimensional in nature that reflects quality growth;

   ii. Our transformation programmes have evolved over the years but they have always been anchored to one overriding objective of national unity; and

   iii. That the Government has always been pragmatic and consistent in implementing its policies.
Ladies and gentlemen,

30. Today, the world is a much different place. While our development model of quality growth has served us well in the past, we may need to re-think the way we do things. As a country, we want to do the right thing right and to make sure that the current needs are met without compromising our future. It is on this basis that the Government has embarked on structural reforms through our various programmes such as the New Economic Model, Economic Transformation Programme and Government Transformation Programme. What is different this time around is the widespread public engagement, the emphasis on transparency and meritocracy, clearer roadmaps as well as benchmarks for the outcomes on which we will be judged. We want to ensure that in the next decade or even several decades, this country will continue to prosper in all dimensions – socially, politically and economically.

31. With our nation’s transformation programmes, I have no doubt, the current dynamic and pragmatic leadership of Dato’ Sri Mohd Najib Tun Razak, Malaysia will continue to march forward towards even greater prosperity for all.

32. Finally, I would like to congratulate and thank the Economic Planning Unit of the Prime Minister’s Department, for publishing the 2011 Malaysian Quality of Life Index Report, and it is my pleasure to launch this Report today.

Thank you.

Wasalamualaikum Warahmatullahi Wabarahkatu.

Economic Planning Unit
Prime Minister’s Department
Putrajaya
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