



Human Development in Malaysia

Issues and Challenges

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20 Dec 2006

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What is human development?

- Conceptual approach to development that goes beyond income
- Process of increasing people's capabilities and choices
 - Vision of realization of human rights and human freedom
- Multidimensional concept with 3 key measurable dimensions
 - to have capacity to live a long and healthy life
 - to be educated and knowledgeable
 - to have access to assets, decent employment and income



Human Development Index (HDI)

- Composite index employed by UNDP for measuring key dimensions of human capabilities
 - Introduced in HDR of 1990, with an HDI for 1987, and has since become an annual must know

- Statistical indicators used in HDI are
 - life expectancy at birth
 - adult literacy and gross enrolment in primary, secondary and tertiary levels
 - per capita GDP (PPP US\$)

- MDG indicators provide for broader coverage of HD
 - capture several dimensions not included in HDI, including on environment

Current limits of indicators used in calculating HDI

	Maximum value	Minimum value
Life expectancy at birth (years)	85	25
Adult literacy rate (%)	100	0
Combined gross enrolment ratio (%)	100	0
GDP per capita (PPP US\$)	40,000	100

Computing the HDI

- $$D_{it} = \frac{X_{it} - X_{i, \min}}{X_{i, \max} - X_{i, \min}}$$

D_{it} is one of 3 indexed dimensions of HDI in given year

$$0 \leq D_{it} \leq 1.0$$

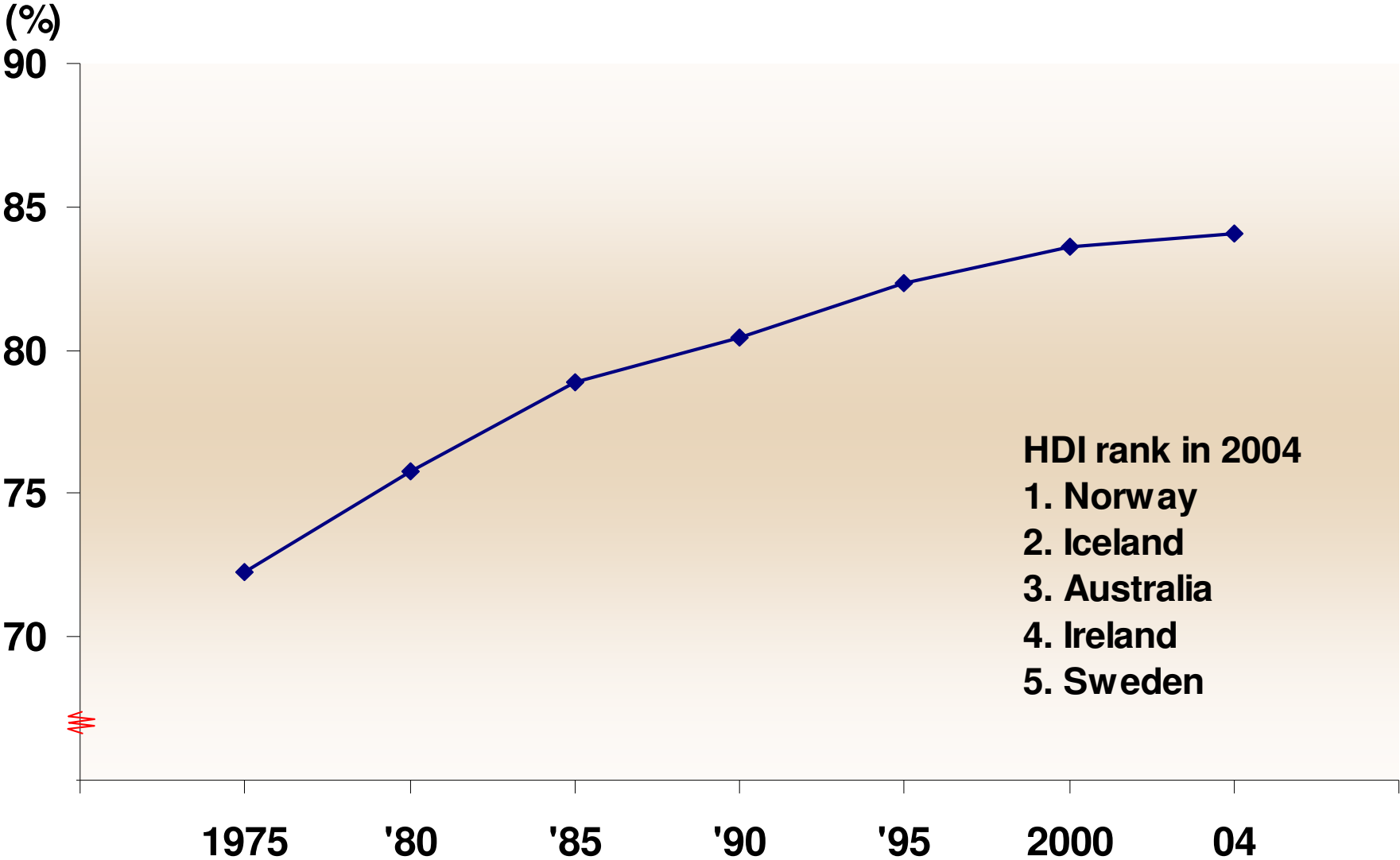
i = HDI dimension

$$HDI_t = \frac{1}{3} \sum_{i=1}^3 D_{it}$$

X_{it} is the value achieved and $X_{i, \min}$ and $X_{i, \max}$ are the minimum and maximum value selected

- Malaysia as an example
 - $HDI(2004) = \frac{1}{3} [0.81 + 0.84 + 0.77]$
 $= 0.805$
- Malaysia currently ranks 61st out of 177 countries – a similar ranking as 10 years ago

Malaysia's progress relative to world's top 5 HDI countries



For Malaysia to leapfrog other countries requires big increase in per capita GDP

	Life expectancy index	Education index	GDP index	HDI value 2004
Average HDI of top 5 countries	0.91	0.99	0.97	0.958
HDI of Malaysia	0.81	0.84	0.77	0.805
Ratio of Malaysia's HDI over top 5 (%)	88.8	85.2	79.2	84.0

Strengths and weaknesses of HDI

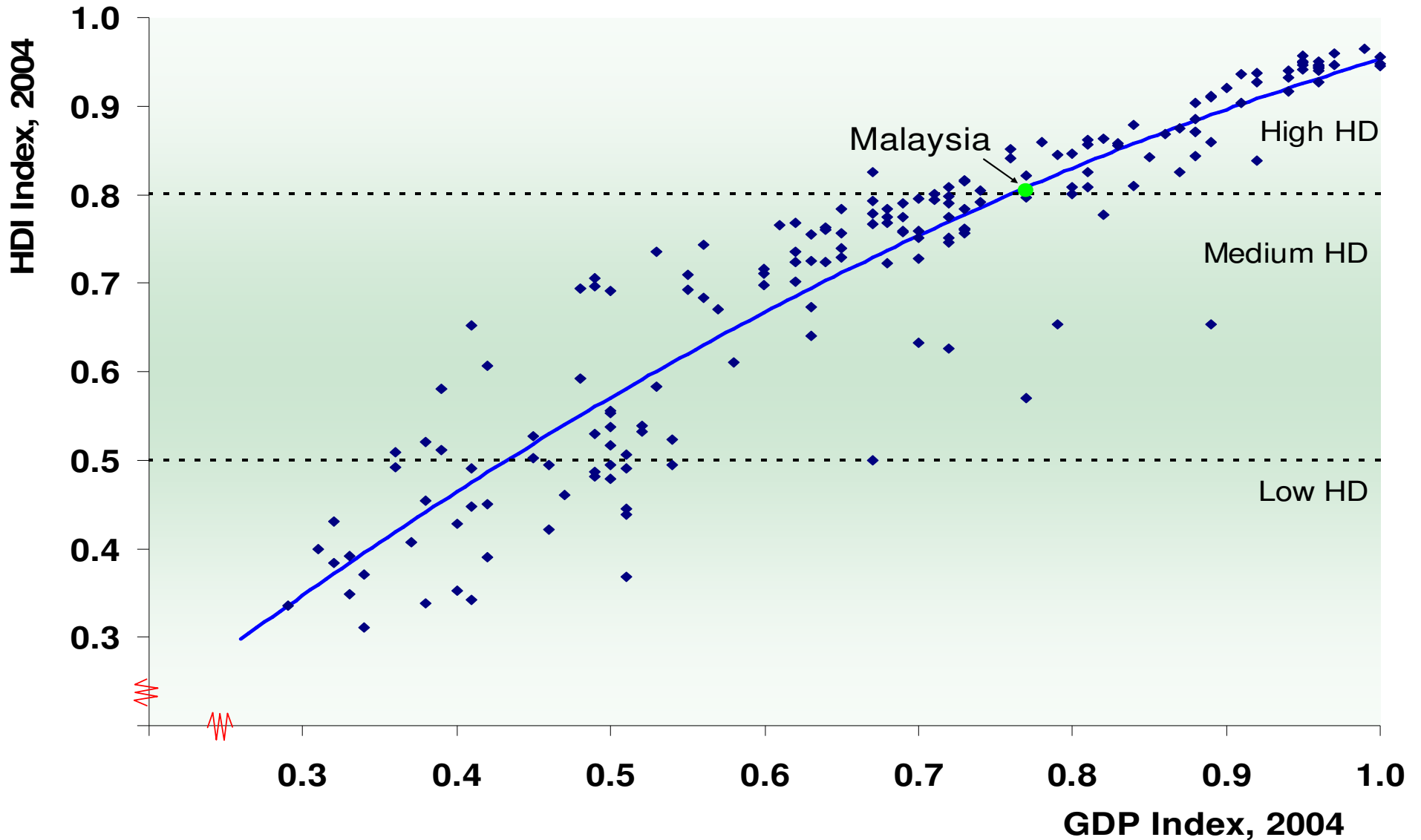
■ Advantages

- Promotes human dimensions of well-being of individuals, in addition to income, as indicator of development
 - Some countries with low levels of income can still achieve moderate levels of HD
- Widely used summary measure of HD
- Comparable across countries and over time
- Simple and amenable to refinements

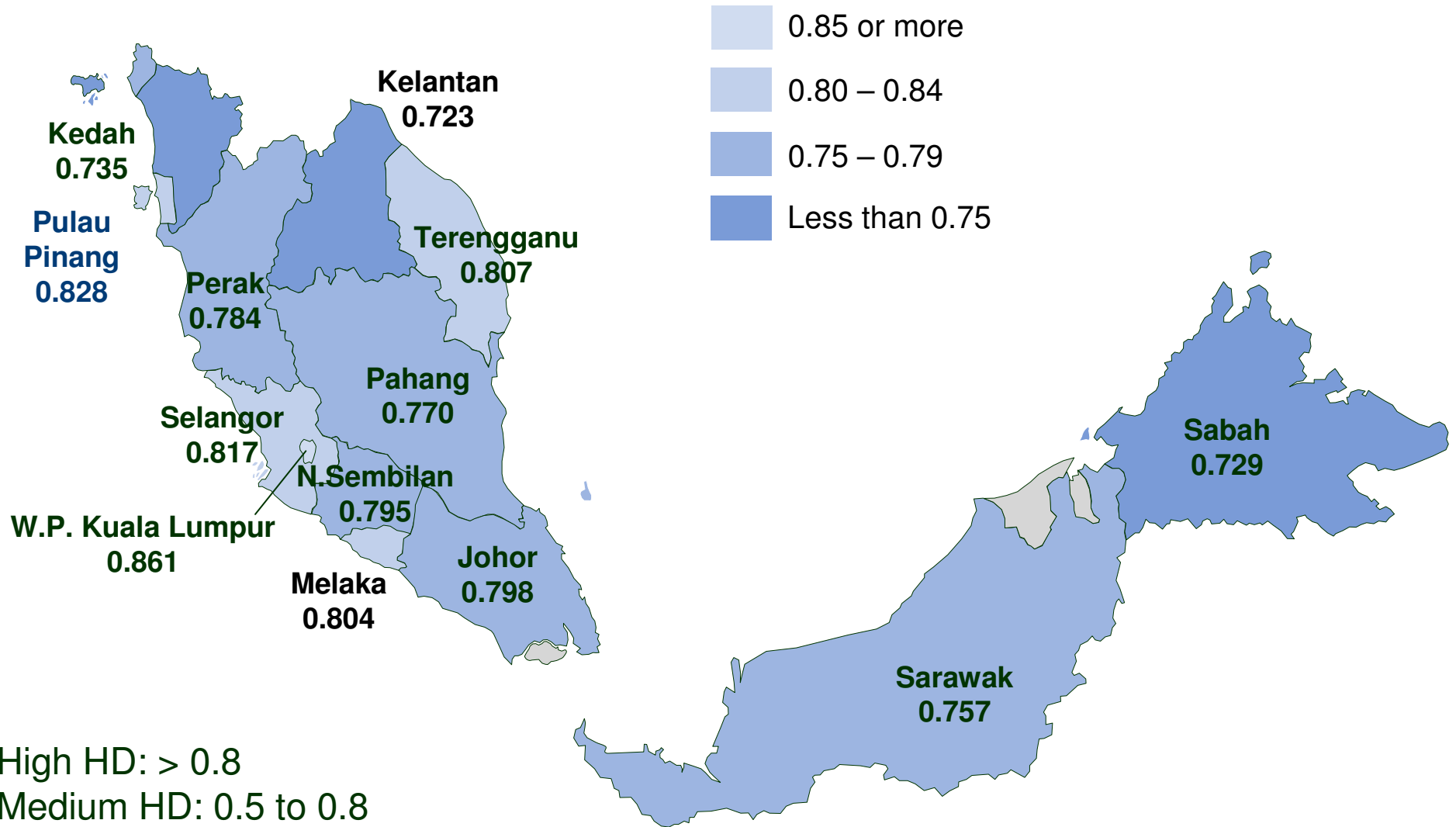
■ Disadvantages

- Include only 3 dimensions of HD – ignores some key dimensions of HRs
- Like GDP per capita, HDI does not capture inequities
- Gender insensitive
- Not directly amenable to policy prescriptions

HDI highly correlated with GDP per capita but dispersion high at lower GDP per capita levels



Human Development Index by state, circa 2000

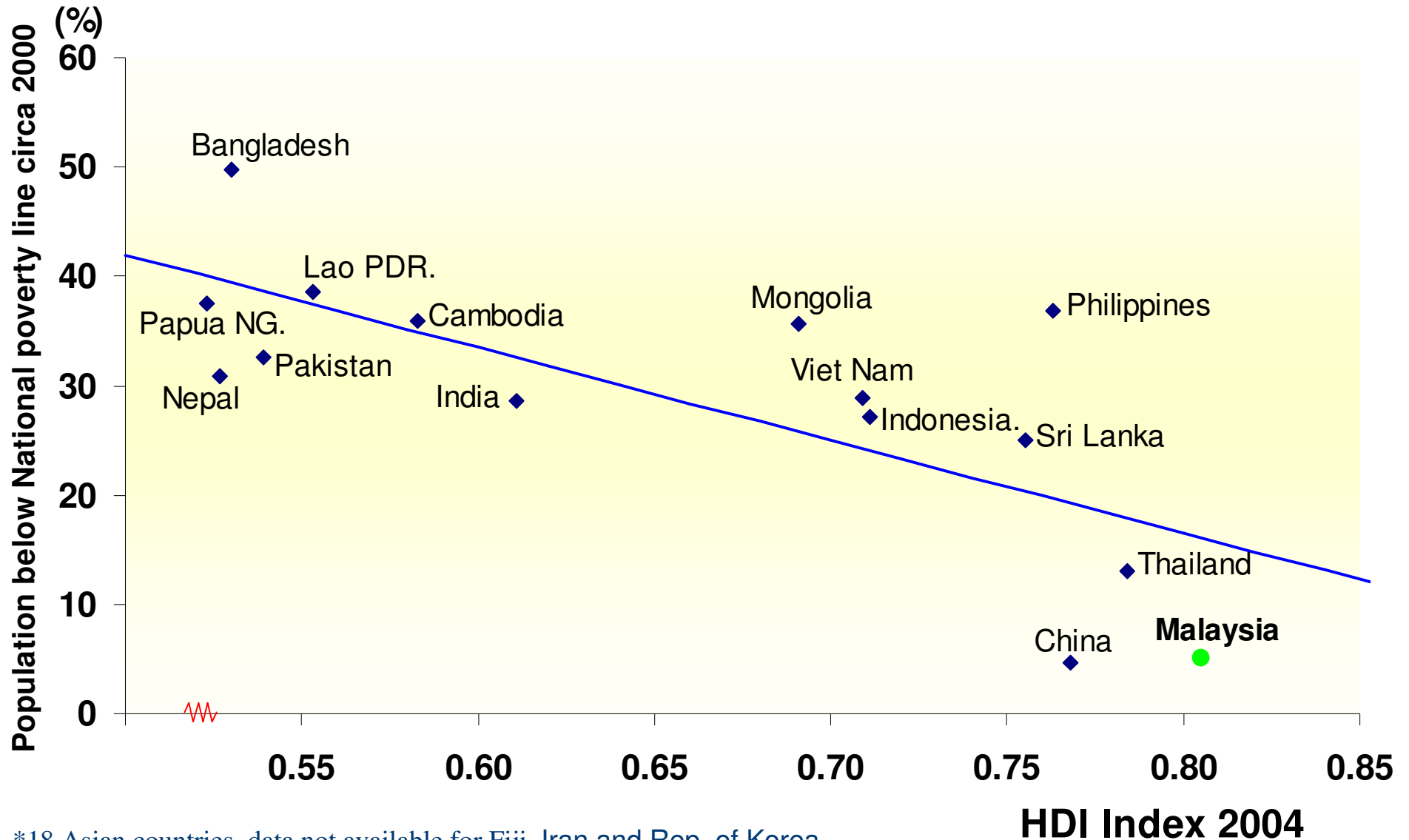


High HD: > 0.8

Medium HD: 0.5 to 0.8

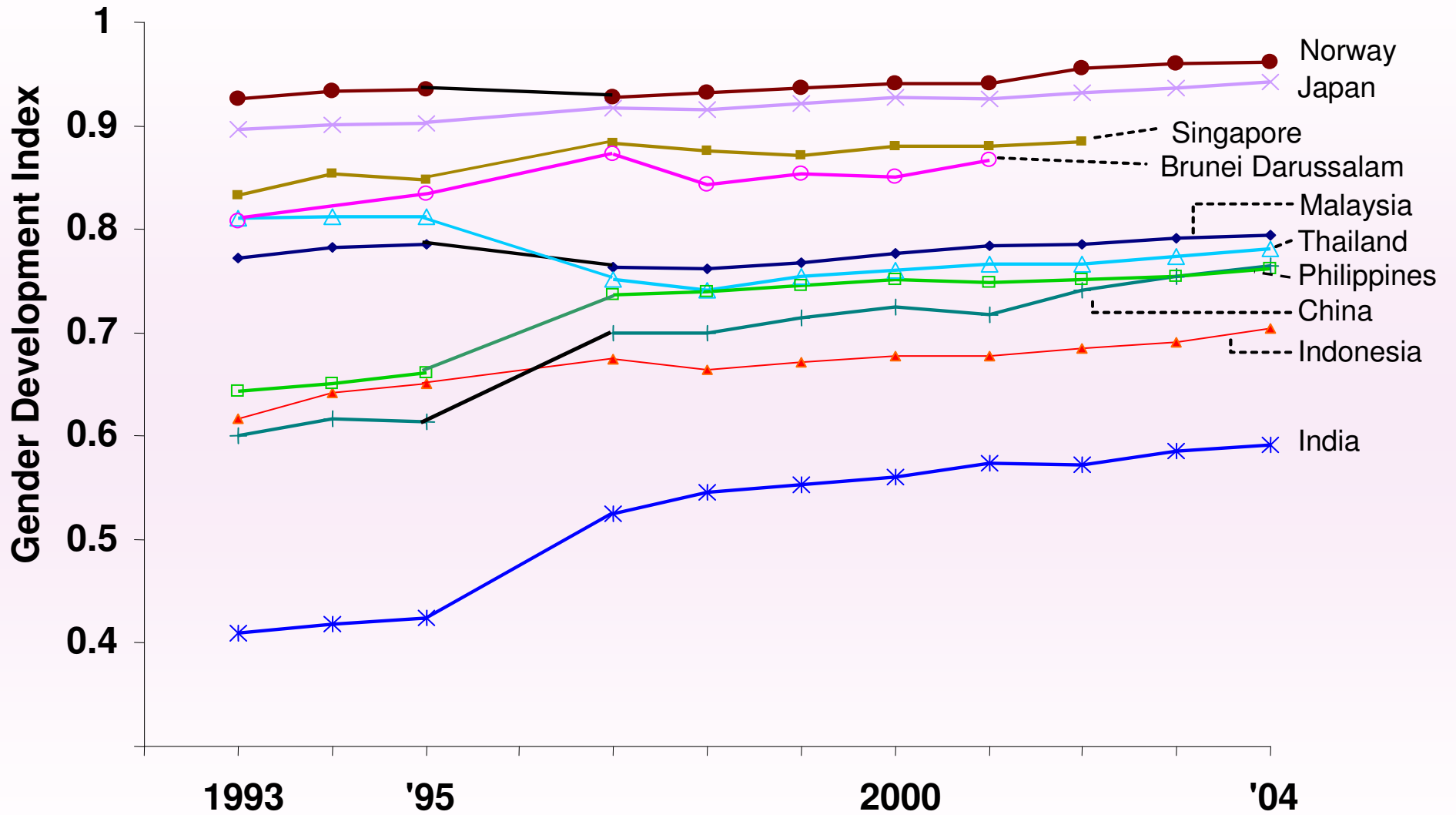
Malaysia's 2004 HDI: 0.805

As human development increases poverty declines

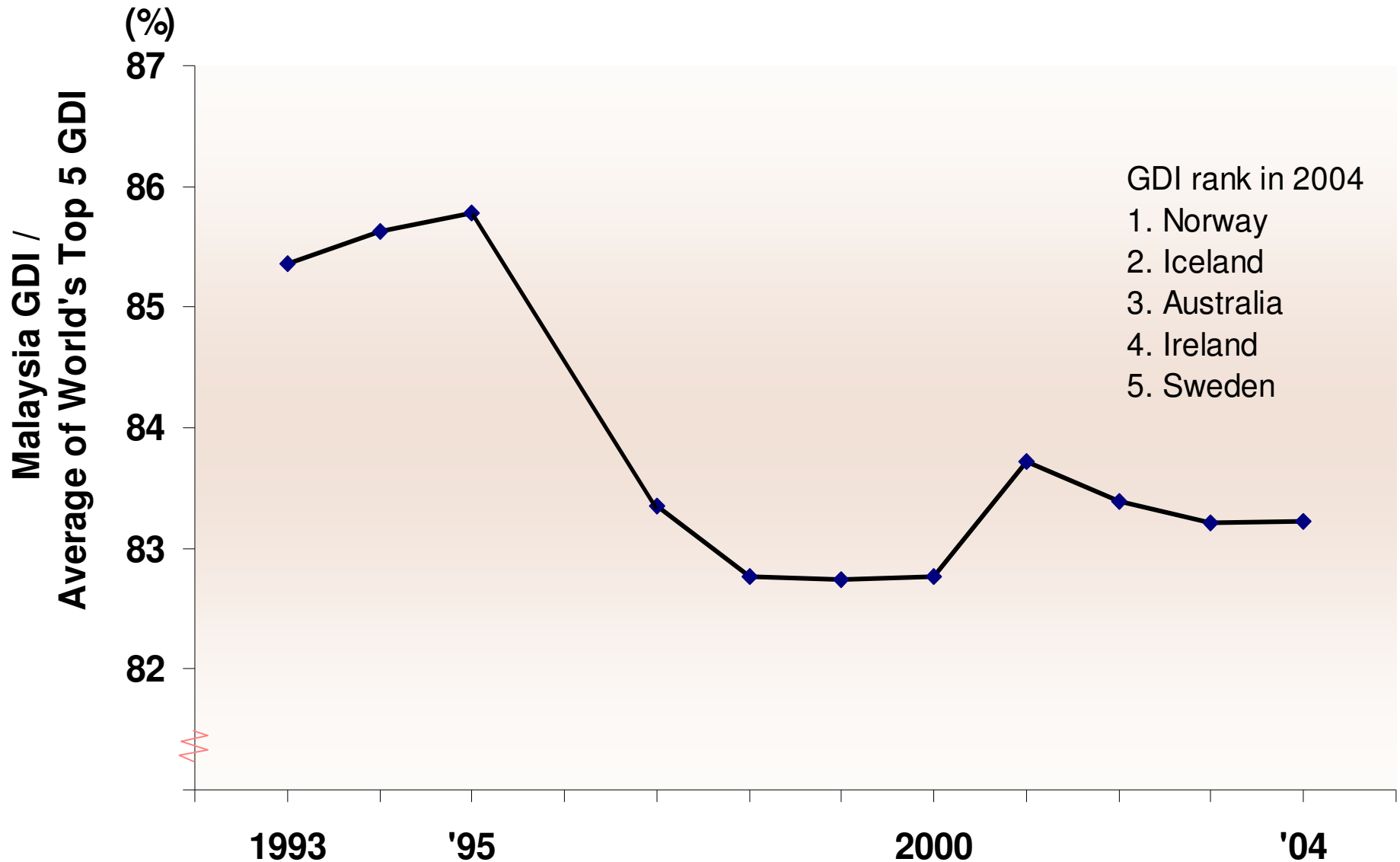


*18 Asian countries, data not available for Fiji, Iran and Rep. of Korea.

Trends in Malaysia's Gender Development Index (GDI)



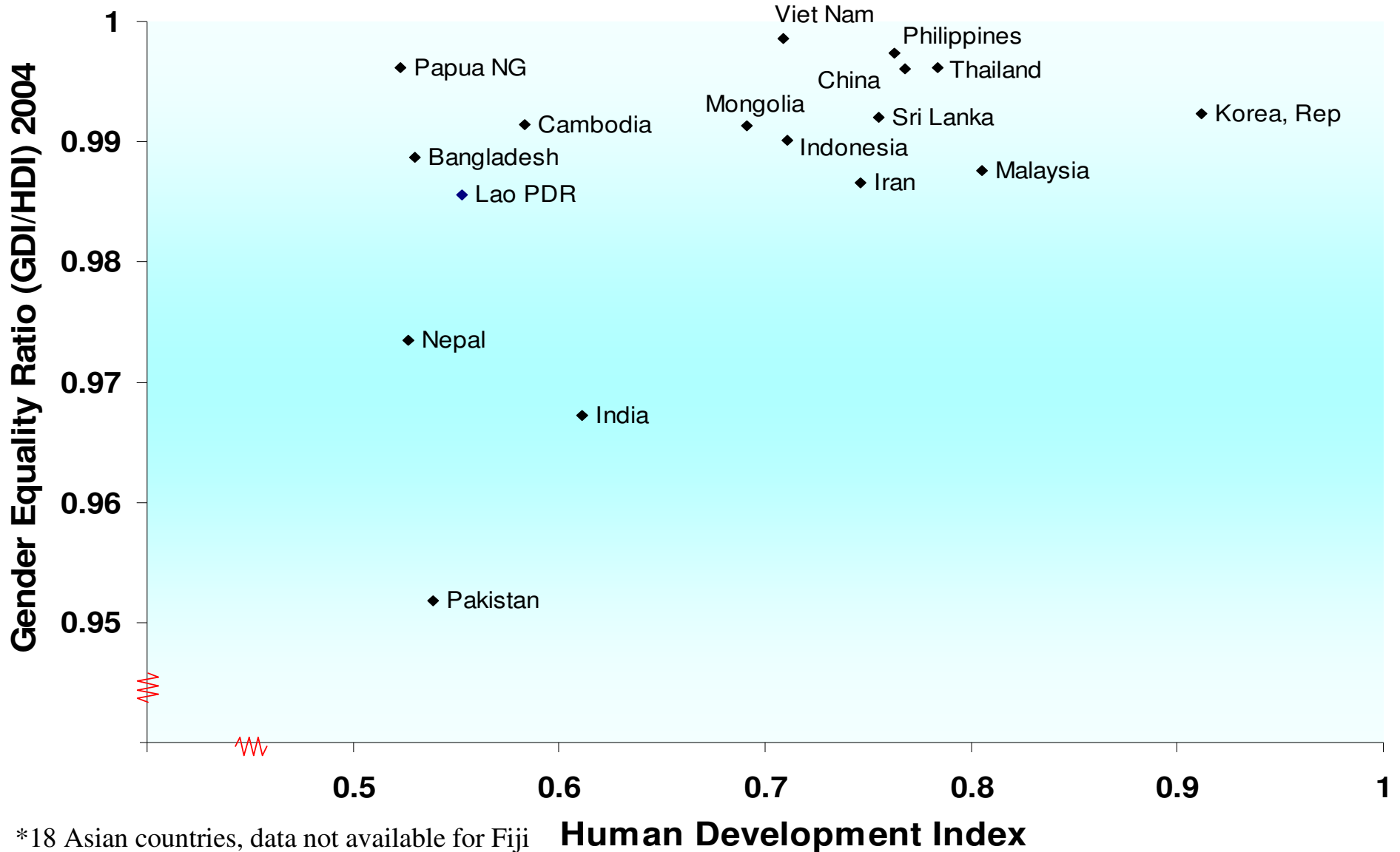
Malaysia's standing relative to world's top 5 GDI countries



Education and income scores dragging Malaysia's GDI down

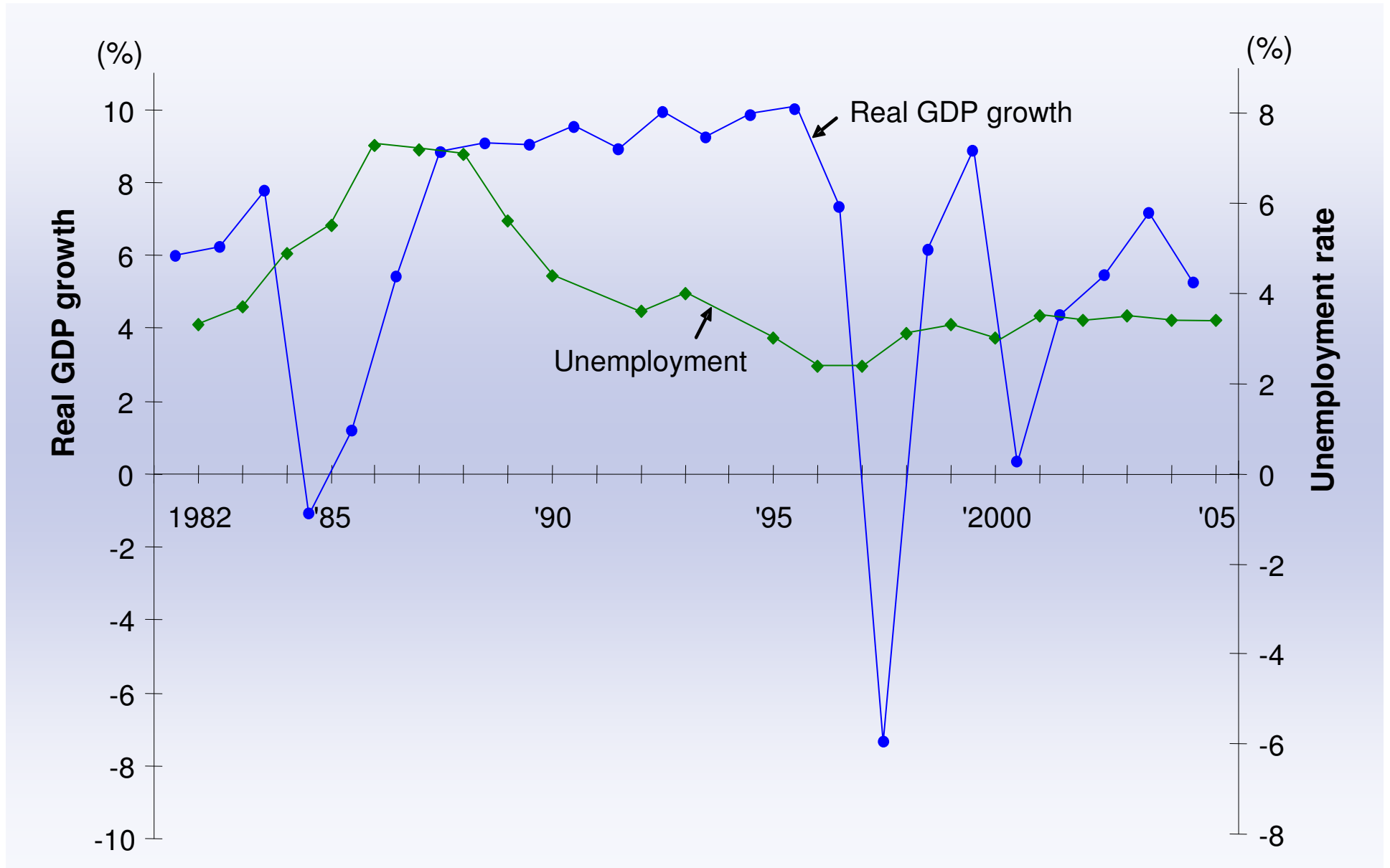
	Life expectancy index	Education index	Income index	GDI value 2004
Average equally distributed GDI of top 5 countries	0.91	1.00	0.97	0.96
Equally distributed GDI of Malaysia	0.81	0.83	0.74	0.80
Ratio of Malaysia over top 5 countries (%)	88.4	83.7	76.5	83.2

As human development increases so too does gender equality

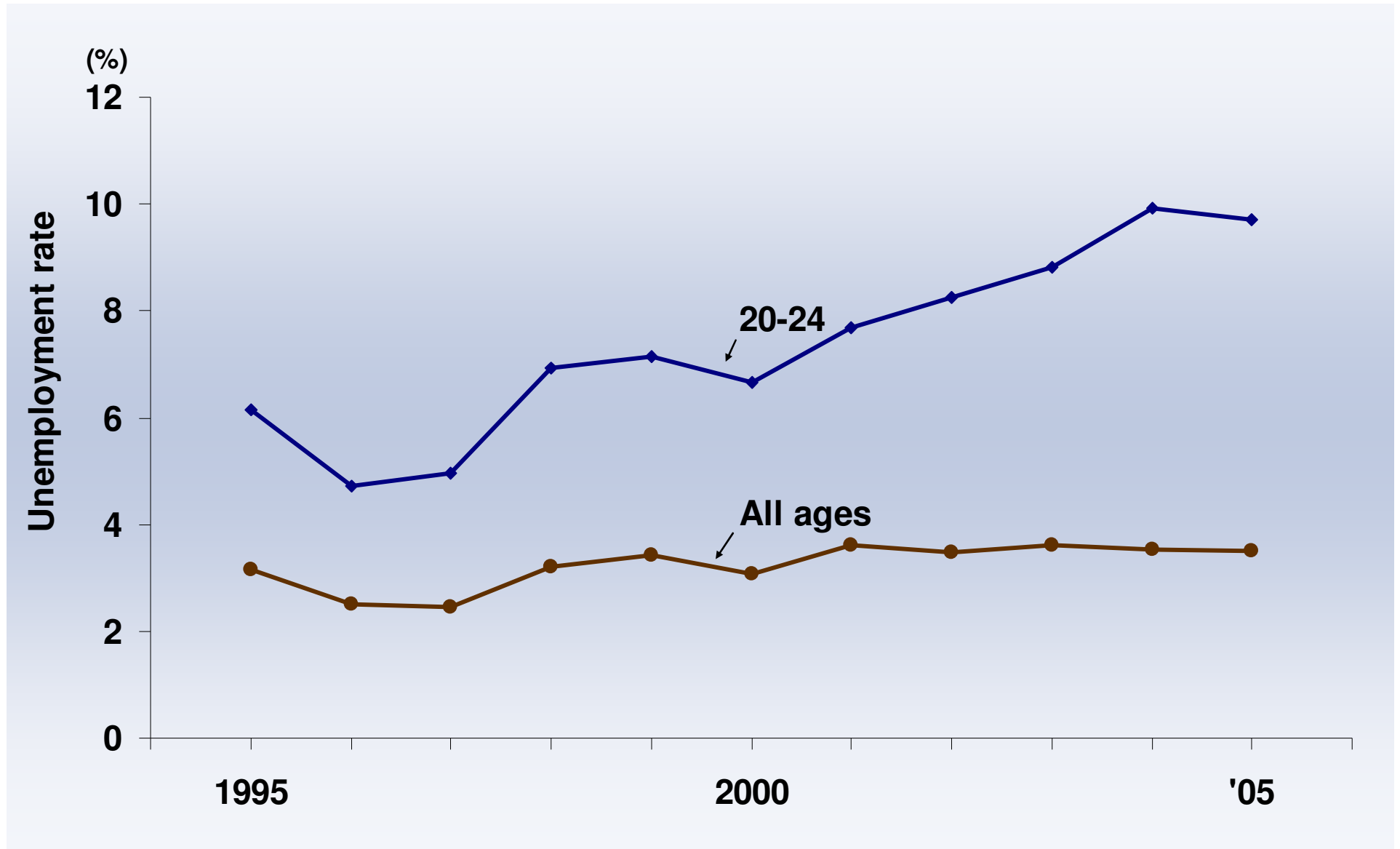


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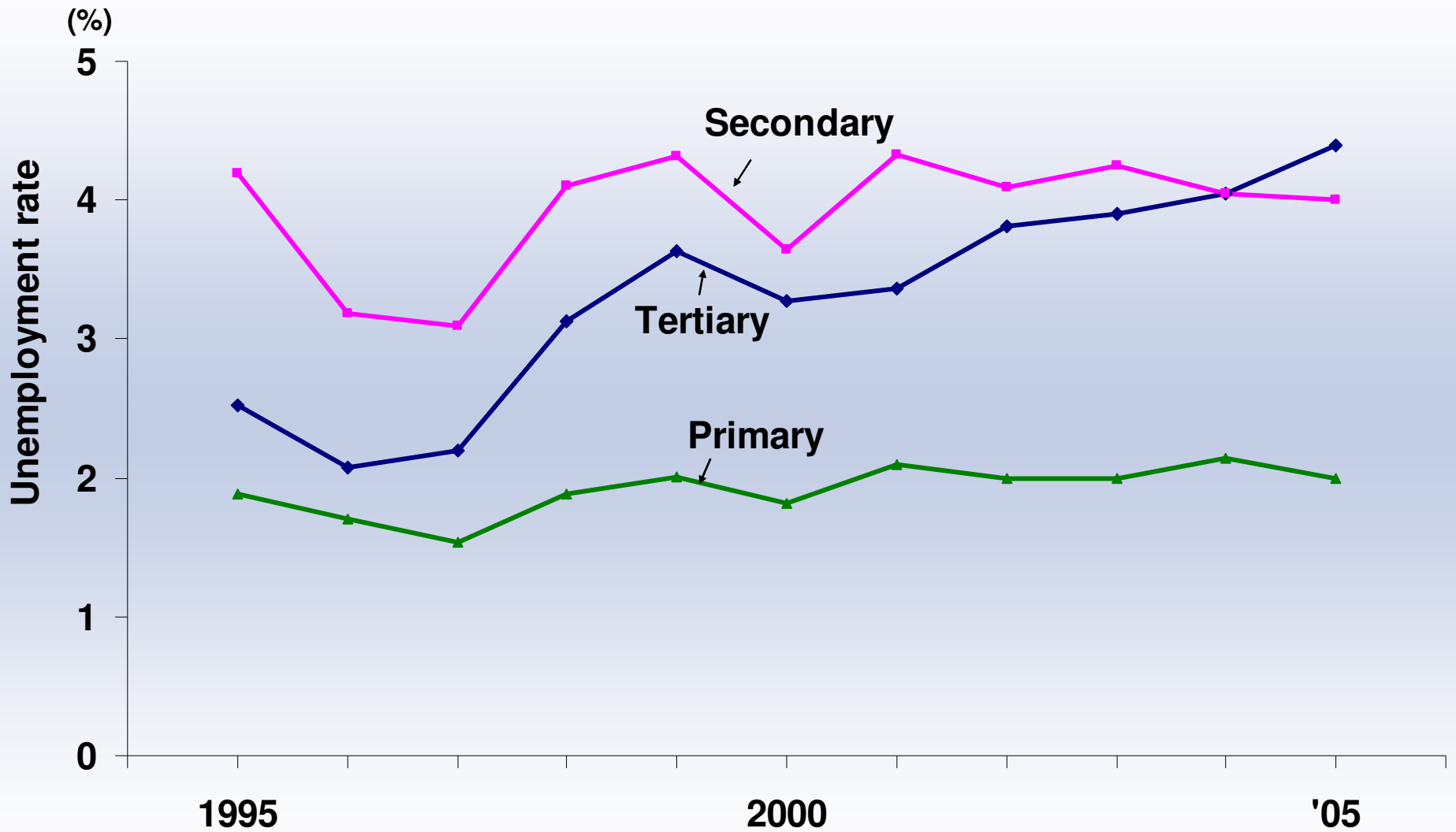
Real GDP growth and unemployment rates



Rising unemployment among young Malaysians



Unemployment rates rising and now highest among Malaysians with tertiary education



Conclusions

- Malaysia has just graduated to high HD
- Compared to top 5 countries, M's achievements in health and education exemplary: per capita GDP, however, only 79% of top 5
- Large spatial inequities in M's HD provide a focus for pro-poor policy and programme intervention – lens of HRs principles of equality and non-discrimination
- Gender imbalances, especially in political life
- Challenge to match skills of tertiary graduates with industry needs and to upgrade human capital