

Fiscal consolidation should be budget priority, says analyst

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KUALA LUMPUR — Centre for Public Policy Studies (CPPS) senior policy analyst Jordan Heng-Contaxis said Budget 2017 will likely continue the process of fiscal consolidation and deficit reduction as seen in recent years.

"Additionally, most big ticket items or 'mega-projects', have already been laid out in the Eleventh Malaysia Plan.

"So what we are likely to see here is the announcement of details in relation to these projects that have yet to start including high-speed rail, highways and public transport infrastructure," he told *Malay Mail*.

As for housing, there may be an expansion of the PR1MA and civil service housing (PPA1M) schemes, he said.

"The Finance Minister II has also hinted that there will be a relaxation on the amount of Employees Provident Fund (EPF) that can be drawn down for first home owners."

For low-cost housing, this is currently at 30%.

"The difficulty here will be for middle-income urban Malaysians to find affordable housing large enough for a family which also allows them access to amenities and work. For example, it is incredibly difficult to find this within the Klang Valley," Heng-Contaxis said.

He said the government will need to work together with property developers to provide such housing, which may be achieved through tax incentives (to developers) or other methods such as providing the land for affordable housing construction.

Asked about what can be done to raise the standard of living for both the Middle-40% (M40) and Bottom-40% (B40) segments, Heng-Contaxis said there is no easy fix to this problem.

"For the middle and lower income groups, they have seen wage growth outstripped by the rising cost of living and the answer to increasing wages is multifaceted and complex. But in short, this largely relies on raising the productivity of the workforce.

"To be fair, the government is addressing this by investing in technical-vocational

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education and training programmes. It is also trying to institute a cultural shift so that certain segments of society no longer look down upon these (technical) jobs, and for these jobs to be seen as requiring highly-skilled labour," he said, adding that this should have been done long ago.

The problem is that Malaysia has a high dependency on foreign labour to fill these positions — with two million documented and up to two million undocumented foreign workers.

The manufacturing, construction, plantations and furniture sectors as well as the services industry are particularly reliant on foreign labour due to the low wages that are being paid.

Currently, only about 30% of the workforce are considered "skilled" and this needs to be increased to realise the goal of reaching high-income nation status by 2020, Heng-Contaxis said.

Sunway University Business School economics professor Yeah Kim Leng said the government can address these challenges by increasing partnerships between the public and private sectors.

"Measures should be in place to close the gap between supply and demand,



which will include the increase in public and private sector partnerships. So Budget 2017 will need to address both sides of the supply and demand dynamics," he said.

On the middle-income and lower-income groups, Yeah said: "The government may look at measures to provide more relief to those outside the M40 and B40 segment especially in the form of health care, parental support and further education. It can also look at ways to trim taxes in form of income tax and pension savings which will give those below the M40 and B40 segment more disposable income."