

PROTECT PROMOTE PREVENT

SPEARHEADING SOCIAL PROTECTION INITIATIVES FOR ALL

THE PERSPECTIVE

Income Protection for the Seniors

In Malaysia, income security is a contentious issue for senior people upon retirement. Without a proper retirement plan, individuals are facing the possibility of falling into poverty.

People are expected to live for many years after the mandatory retirement age of 60 years old. The life expectancy at birth for Malaysians in 2020 was 76.2 years.

Before 1960, the life expectancy was below 60 years and the retirement age at that time was at 55 years. This remarkable improvement to a certain extent reflects the achievement of public healthcare in the country.

However, this also means a greater social protection burden for a group of people post retirement. The old-age income protection in principle is an individual responsibility.

Family members may shoulder the burden of taking care of the unprotected senior family members. In the past, these traditional family-based support networks have been very effective as an informal social safety net.

However, the rapidly ageing society alongside the changing nature of work and societal expectations has exerted more pressure on traditional family-based support networks.

Thus, the burden of protection falls back to society at large, directly or indirectly. Eventually, it may lead to an increase in public expenditure.

The COVID-19 pandemic serves as a strong reminder for us to relook at our old-age income protection system. The vulnerability of the apparent narrow-based old-age income protection system that we have is visible.

The family-based support for the seniors is under stress due to a reduction in income of some working family members.

Based on a study on 'The Impact of COVID-19 Pandemic on Cost of Living in the Klang Valley' in 2020, people have reduced their expenses on social participation and discretionary expenses by 37% and 32% respectively, in coping with the pandemic. A reduction in the contribution to parents is among the component of discretionary expenses.

MORE GREAT READS INSIDE

- ⇒ **The Perspective: Income Protection for The Seniors** ⇒ **Are We Ready for An Ageing Society?** ⇒ **The Impact of COVID-19 on Vulnerable Groups in Malaysia**

The circumstance of old-age income protection is influenced by the nature of the job the person was engaged in during his or her working-age period.

Broadly, we can divide the labour force in Malaysia into four categories:

1. Civil servants
2. Private sector employees
3. Voluntary unemployed
4. Other types of employment, including self-employed people, informal workers, gig workers, part-time workers, and so forth.

Currently, only the first two categories are covered by the old-age income protection plan.

The existing plans are the Pension Scheme for Civil Servants and the Employee Provident Fund (EPF) for the private sector employees.

The EPF scheme is a pay-as-you-go defined-contribution system whereby workers will save for their retirement while they are still working.

Whereas, the Pension Scheme for Civil Servants is a defined-benefit non-contributory and the pension payments come from the government's general tax revenue. Therefore, the current taxpayers are indirectly paying for the currently retired people.

People with other types of employment are very diverse. There has been an increase in these unconventional types of employment with the rapid advent of technology and the economy becoming more digitalised.

Housewives (homemakers) can also be included in this category. Although they are normally considered as a non-participative labour force, practically they are working without pay and yet contributing to productive economic activities.

Most people in this category do not belong to any formal retirement schemes. Although they are allowed to participate in the EPF scheme, not many are doing so. Some may have purchased the annuity plan, but the numbers are small. This is as expected for any voluntary-based retirement plan.

The voluntary unemployed people have no means of preparing for their retirement income. They don't even have current incomes.

They are the non-participative labour force who are unable to work due to their natural limitation, such as people with disabilities. Normally these people depend on social assistance.

Social assistance is a typical welfare program based on needs. The welfare payments are sourced from the general government revenue.

Permanently disabled and unable to work former workers are protected by social insurance (PERKESO) through an invalidity pension scheme.

Without an effective social protection reform, the old-age vulnerability is anticipated to rise as Malaysia is approaching an ageing population nation.

The inadequate coverage of the existing protection plans, coupled with the developments in the labour market, worsen the situation.

Table 1 shows higher rates of incidence of poverty among the seniors compared to the general population of Malaysia.

The situation is expected to worsen as Malaysia is projected to be an ageing population nation in 2020 with at least 7% of its population being 65 years or above.

In 2019, DOSM statistics already showed that the 65 years or older population was at 6.7% of the total population, or about 2.2 million people. Malaysia is expected to reach the aged population nation (at least 14% of the population being 65 years or above) in 25 years.

"Social assistance is a typical welfare program based on needs."

Table 1
Malaysia: Incidence of Poverty (%)

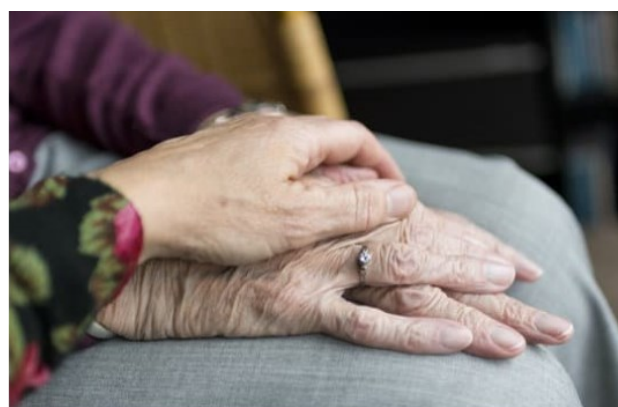
	Total		65 years +	
	2016	2019	2016	2019
Incidence of absolute poverty	7.6	5.6	8.2	5.7
Incidence of relative poverty	15.9	16.9	41.5	41.4

Source: DOSM

Universal Coverage for the Seniors

A comprehensive coverage income protection for the seniors should be based on the following settings:

- Retired members of the civil servants and EPF members should receive a monthly pension of at least equivalent to the going minimum wage. Those with a higher salary will receive more (incentive to work harder).
- Universal cash transfer for the least earning seniors or least financially able (to be determined) of the seniors based on wealth testing.



Institutional Reforms

There is an urgent need for improvement in our social protection system as we are moving towards a developed nation status. The system should be broad and deep enough to maximize societal welfare without sacrificing economic productivity.

Figures 1 and 2 postulated the possible setting of optimal social protection and assistance for the seniors.

The following reforms are crucial for achieving comprehensive and sustainable income protection for the seniors:

- Minimizing public financial burdens
 - Improve on the tax progressiveness.
 - Convert the pension scheme for civil servant into a contributory system.
- Promoting annuity-based pension
 - Establishment of an independent investment vehicle to manage an annuity program for the retired EPF contributors.
 - Compulsory conversion of a predetermined minimum portion of the accumulated EPF savings into annuity plans upon retirement.

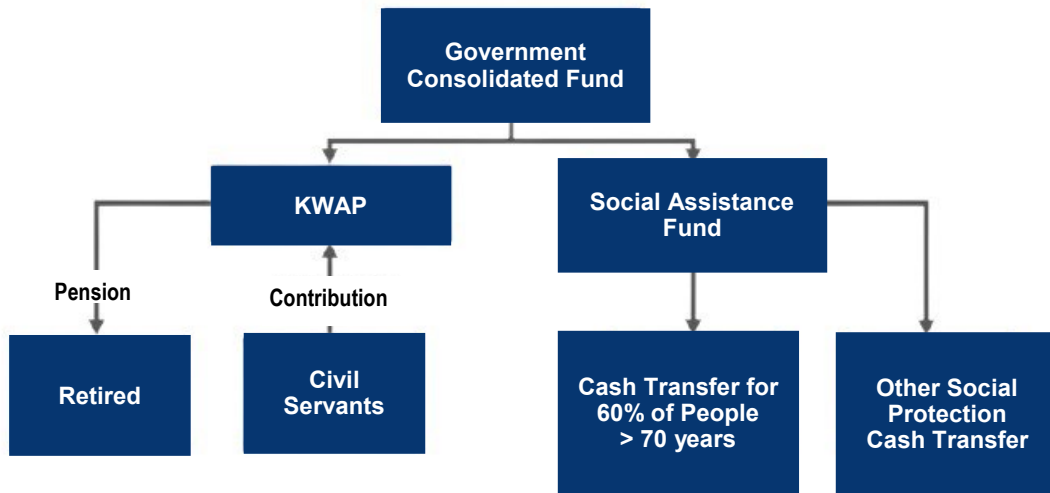


Figure 1

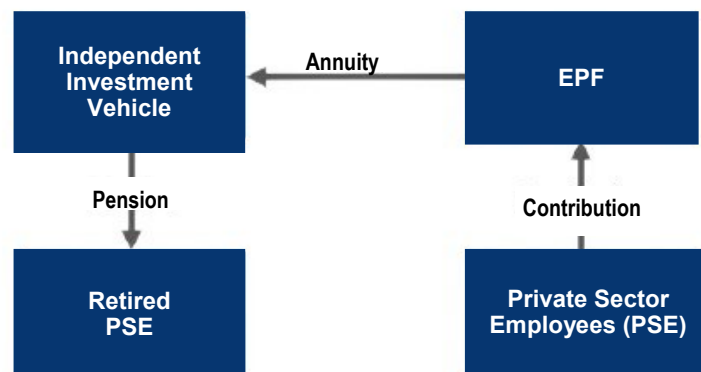


Figure 2

ARE WE READY FOR AN AGEING SOCIETY?

Malaysia is heading towards an ageing society with a steady increase in the number of older population and its proportion to the total population. In 2018, one in 10 persons was age 60 years or older and this ratio will be one in 5 persons by 2040. This is mainly due to the improvement in life expectancy.

According to the Department of Statistics, life expectancy at birth for the total population increased from 74.4 years in 2012 to 75.0 years in 2018. Life expectancy at birth for males increased from 72.2 years in 2012 to 72.7 years in 2018 while for females, the increase was from 76.9 years in 2012 to 77.6 years in 2018.

Improvement in average life expectancy beyond 65 years has also been observed with 15 years for male and 17.2 years for female in 2018. This means that males aged 65 in 2018 are expected to live to 80.0 years, and for females to 82.2 years.

At the individual level, how prepared are we to face the needs and challenges of living longer as a senior?

To answer the question, Social Wellbeing Research Centre (SWRC) conducted a nationwide study, 'Malaysia Ageing and Retirement Survey (MARS) Wave 1' in 2018-2019 among adults age 40 years and older.

The main objective of MARS is to produce comprehensive micro-level data on various aspects of ageing and retirement impacting the lives of middle age and older persons. The components of MARS include:

- Family relationship and support
- Health, healthcare utilization.
- Psychosocial, cognition and physical measurement.
- Work, employment and retirement.
- Income and consumption, housing, savings and asset.

This write-up can be found in Malaysia Ageing and Retirement Survey (MARS) Wave 1–2018/2019 'A Snapshot'. Retrieved from



'Super-aged' Malaysia by 2056: What We Need to Do

Mankind is growing in numbers and ageing. By 2030, there will be eight billion of us, with one billion above age 65.

The enhancements in medicine and technology will continue to hack the code of life so that we are not only living longer, but better.

Malaysia is not exempted from these growing trends. Up to last year, more than seven per cent of Malaysia's population were 65 and above, making the country an 'ageing nation'.

At the current trajectory, those 65 and above are projected to double to 14 per cent by 2044 (aged nation) and to 20 percent by 2056, thus classifying Malaysia as a 'super-aged' nation.

At this rate, Malaysia will transform from an ageing nation to an aged nation in just under 25 years.

The Malaysia Ageing and Retirement Survey (MARS) is an ongoing study conducted by Universiti Malaya's Social Wellbeing Research Centre (SWRC).

Launched in 2018, MARS aims to produce a comprehensive longitudinal study on ageing by collecting various aspects of personal life and experiences of people age 40 years and older.

Key findings include: ACTIVE transfers in both directions: 42 per cent of respondents gave financial support to their children, while 48 per cent of them received financial support from their children. The monthly median amount is RM100 and RM150, respectively.



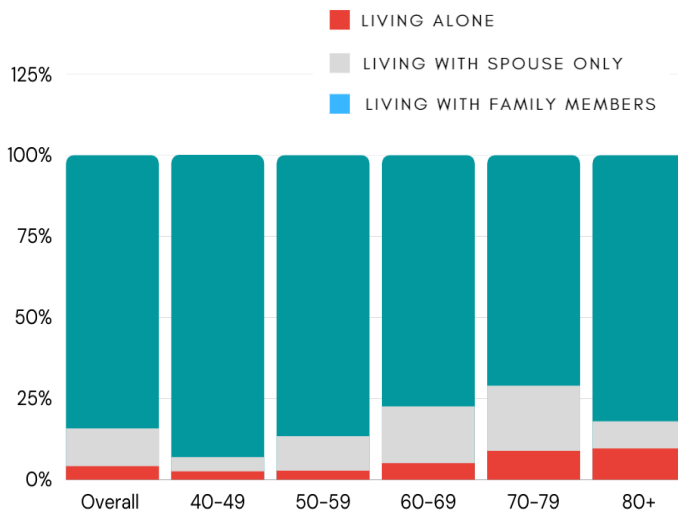
Malaysians are living longer but are they being well protected?

Norma. M. (2021) Super-Aged Malaysia. The New Straits Times, 25 January

MARS: KEY FINDINGS BASED ON 5,613 RESPONDENTS



Respondents' Living Arrangement



Majority of the respondents are living with at least one family member.

Figure 3



Health Condition

Slightly more than 50% of the respondents rated themselves in good health. However, 58% reported having doctor diagnosed disease/illness with hypertension tops the list.

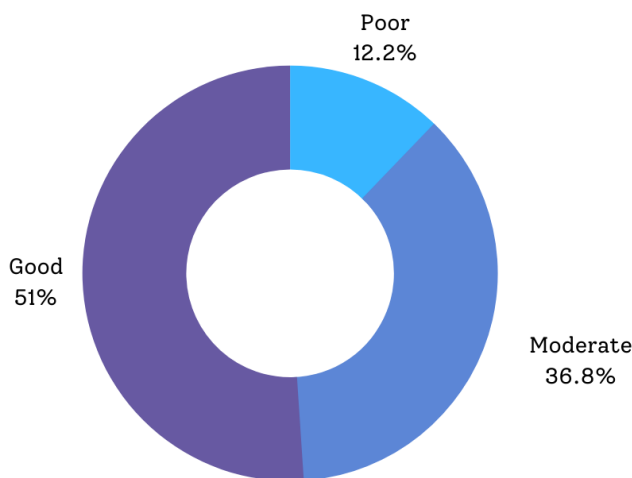


Figure 4

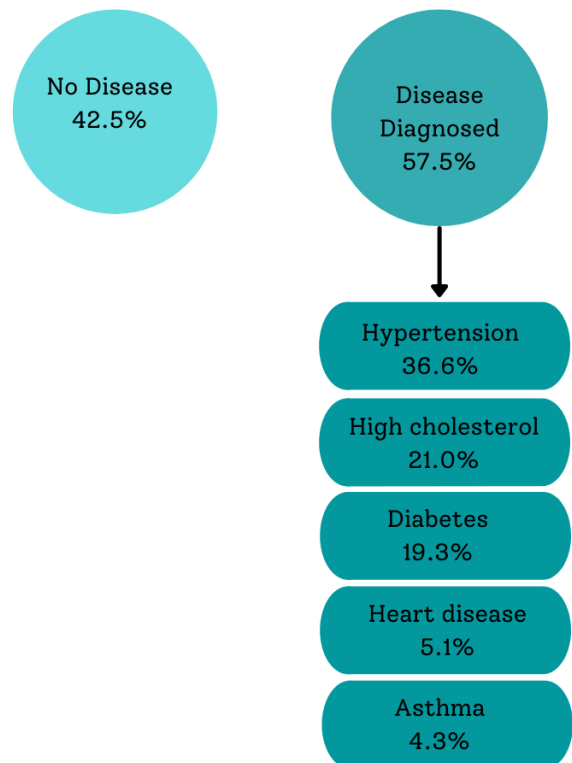


Figure 5



Long-Term Care

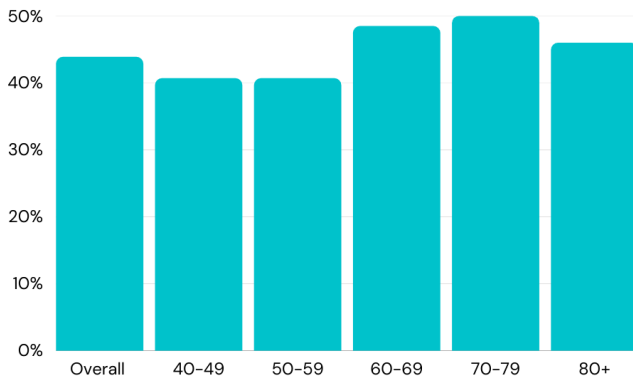


Figure 6

About 44% of the respondents believe they do not need long-term care beyond age 65 with the proportion slightly increase among those age 60 and older.

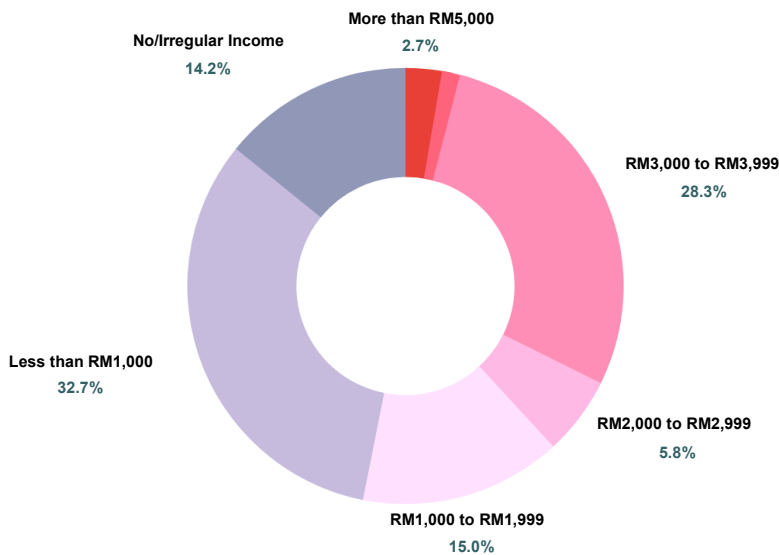


Figure 7

Respondents who believe they do not need long-term care beyond age 65, more than 60% of the respondents have monthly income of less than RM1,000 or no regular income or no income at all.



Total Savings

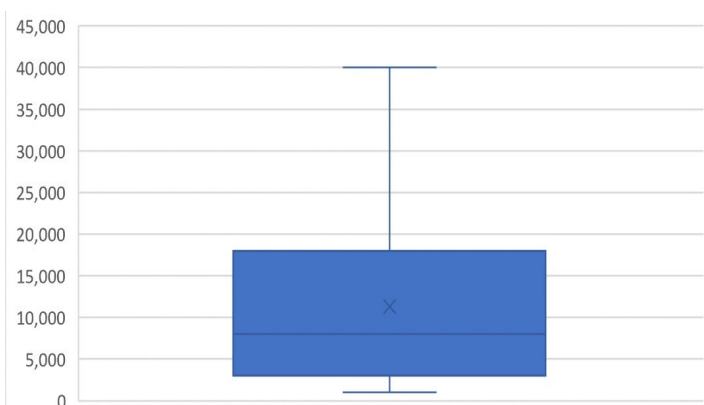


Figure 8

Respondents' total savings from various sources indicate that 50% of them have less than RM10,000.

 **Total Assets**

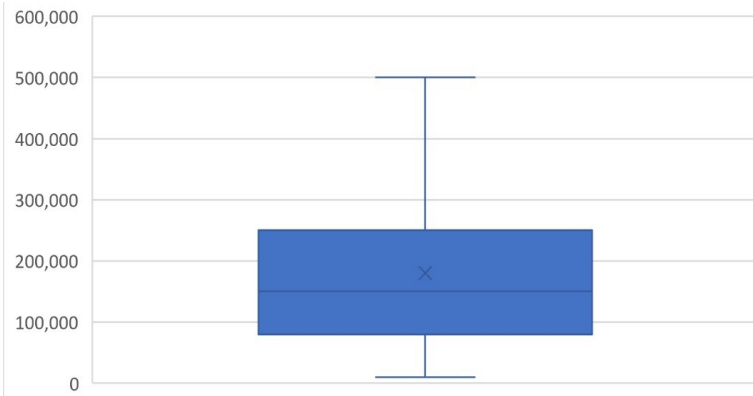


Figure 9

Data indicates that majority of the respondents do own at least one house. However, the median value of their assets is RM165,000 which means that 50% of the respondents own assets value of less than RM165,000.

Overall, 8 in 10 respondents admitted that they would like to continue working as long as their health permits. The ratio declines with age, up to age 69 and only reduces to 50% for those aged 80 and older (Refer Figure 10).

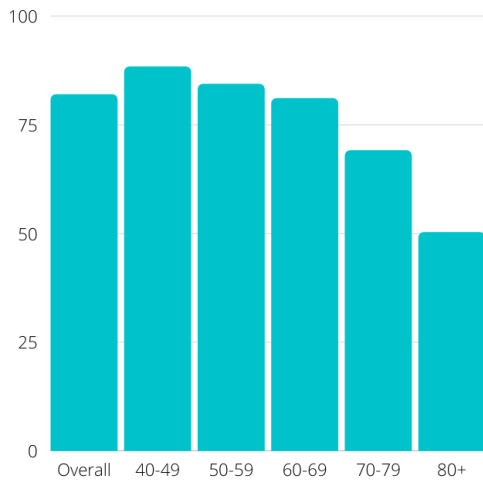


Figure 10: Respondents who will continue to work as long as their mental and physical capability permit.

The findings are extracted from Malaysia Ageing and Retirement Survey (MARS) Wave 1–2018/2019 ‘Key Findings’. Retrieved from <https://swrc.um.edu.my/wp-content/uploads/2021/01/MARS-Wave-1-2018-2019-Key-Findings.pdf>

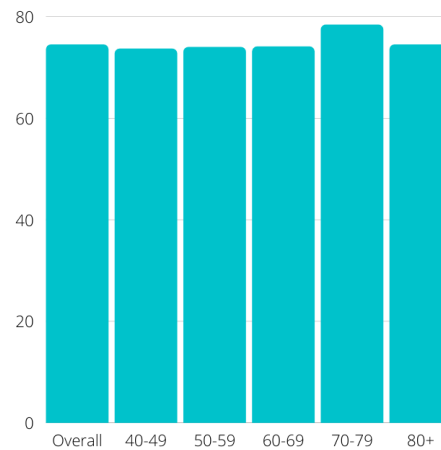


Figure 11: Respondents who are not prepared to live in assisted living facilities.

Three quarters of the respondents are not prepared to live in assisted living facilities such as retirement village or old folks/nursing homes suggesting that they would like to spend the remaining years of their life in their own place or with family members (Refer Figure 11).

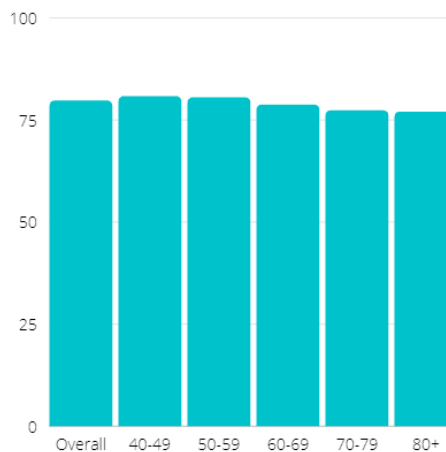


Figure 12

The data in Figure 12 shows that 8 in 10 respondents agree that the government should make it mandatory for children to look after their parents.

Strategic Partnership with SOCSO

“I am really pleased to know that this strategic partnership is not something new, rather it is an extension of the existing work to further strengthen the collaboration between the two parties.

I was made to understand that through an MoU between UM and SOCSO signed in 2015, SWRC has been working closely with the Return-to-Work (RTW) Department which is responsible for managing the intervention and rehabilitation of injured workers who are registered with SOCSO under the disability management program known as the Return-to-Work (RTW) Program.

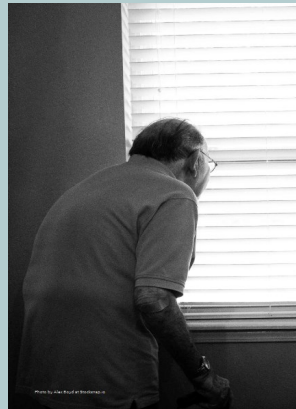
The collaboration, initially started with a study on the impact of RTW program on the workers and SOCSO since its implementation in 2007, had led to the appointment of SWRC as a Test Agency in December 2016 to manage the professional designations in disability management, namely Certified Disability Management Professional (CDMP) and Certified Return-to-Work Coordinator (CRTWC).

Both CDMP and CRTWC are professional certification of the International Disability Management Standards Council (IDMSC), consisting of member organizations from more than 15 countries including Australia, Belgium, Canada, Germany, and Malaysia, represented by SOCSO.

Its secretariat is at the National Institute for Disability Management and Research (NIDMAR), located in Vancouver, Canada, serving as the Central Test Agency responsible for administering the examinations and providing the license to selected member countries which include SOCSO, the only test agency in Southeast Asia.”

This article is extracted from the speech of the Vice-Chancellor of Universiti Malaya, Professor Dato' Ir. Dr. Mohd. Hamdi Abd. Shukur during the Signing Ceremony of Strategic Partnership Agreement between Universiti Malaya and Social Security Organisation (SOCSO) on 11th March 2021.

Retirement Planning by Civil Servants



As Malaysia prepares itself to be an ageing nation, many of its citizens are entering into life after retirement. Malaysians aged 60 and above comprised only 4.6% in 1957 and after over six decades, this has increased to 10.6%.

With increasing life expectancy from 58 years in 1957 to 75 years in 2018, the older generation is now living longer. The increase in retirement age, unfortunately, does not commensurate with the rise in life expectancy.

Civil servants are able to earn monthly pension and they are paid gratuity in a lump sum upon their retirement. As such, being able to earn a pension at the end of their service often becomes the main reason why they want to join government service.

A majority of the civil servants occupy lower position in the public sector and earn low income, tends to believe that their monthly pension income will be high enough to sustain them.

There is a need to strengthen the social protection and well-being of the civil servants. This can be done by allowing employees to continue contributing into KWAP or EPF when they are moved into the pension scheme.

Optional retirement extension is a recommended option as well. An extension of the retirement age would assist them with an increase in savings.

Kuppusamy. S., Muzalwana A.T., Nurul Liyana M.K., Yong S.L, Nurhidayah A., Norma. M, Rashid A. (2020) Retirement Planning by Civil Servants. Policy Brief Series 2020-1, February. Retrieved from http://swrc.um.edu.my/wp-content/uploads/2020/12/Policy-brief-2020-1_Retirement-Planning-by-Civil-Servants.pdf

The Rise of Care Economy

United Nations estimated that Malaysia will become an aged nation within a generation, with 17% of the population aged at least 80 by 2045.

Due to this trend, the care economy which includes the care for the seniors could bring about huge potential.

Demand for care is only likely to increase as the population grows older, making the need for public investment in quality care jobs and services, combined with inclusive social protection systems, ever more urgent to meet future demands.

The much-needed solutions to improve the care economy for the seniors cover a range of sectors, from services to employment policy to financial protection and the application of technology.

This will require attention to various measures as such efforts to professionalise social care, prolong working life and facilitate community living and the participation of older adults in society.

Alongside these adjustments, steps must be taken to develop meaningful social insurance for old age and retirement to manage adult dependency will need to be adopted.

"What we need most is the commitment and consistency of a unified Malaysia to advocate for social protection.

For without commitment, we will never start and without consistency we will never finish."
- Professor Norma Mansor

Rash. B. B. (2021) Care Economy in Focus as Ageing Trend Grows. *The Edge Malaysia*, 8 February

THE IMPACT OF COVID-19 ON VULNERABLE GROUPS IN MALAYSIA

The Compelling Case for Social Protection

The COVID-19 pandemic has created multiple crises — a morbidity and mortality crisis due to exposure to the virus; an economic crisis stemming from forced global lockdowns; and a crisis that has revealed the very cracks of society to us, particularly when it comes to social protection.

Social protection covers a number of initiatives that affect different segments.

Think cash transfers for the low income, pension for the seniors or specific skills training for the youth. It covers social assistance, social insurance and labour market policies.

Social assistance is designed to transfer resources to right segments through tax-financed benefits (cash or in kind), which can be universal, categorical or means tested, including Bantuan Prihatin Nasional, Bantuan Orang Tua and Bantuan Awal Persekolahan, to name a few.

Rapid Household Income Survey (RaHIS) by UNDP Malaysia, conducted during the first Movement Control Order (MCO) period shows that:

- 40% of the respondents reported income reduction more than half during the MCO compared to 7% before MCO.
- 23% had their income reduced between 21%-50% and another 14% had to accept income reduction of 20%.
- Only 23% reported no impact on income during the MCO.

Findings show the severity effect of the MCO on income in particular to the households in the B40 category.

Majority of Malaysians are financially fragile having very little surplus set aside for emergencies or basic expenditures, should they lose their source of income.

Households headed by women, seniors or single mothers are especially prone to fall into poverty.

Norma. M. (2020) *The Compelling Case for Social Protection*. *The New Straits Times*, 21 September

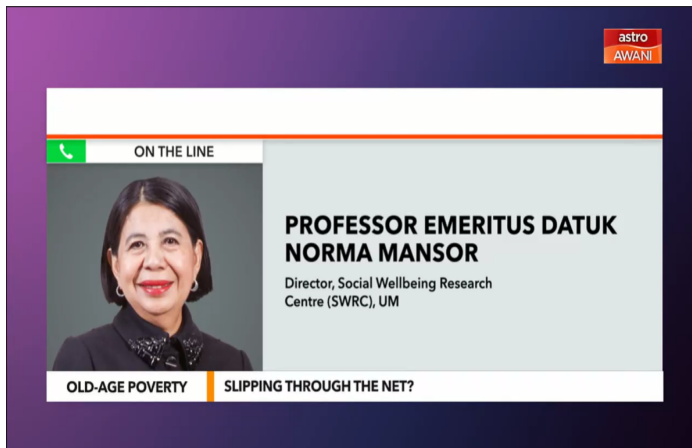
GALLERY



Signing ceremony of Strategic Partnership Agreement between UM and SOCSO



Launching ceremony of Belanjawanku



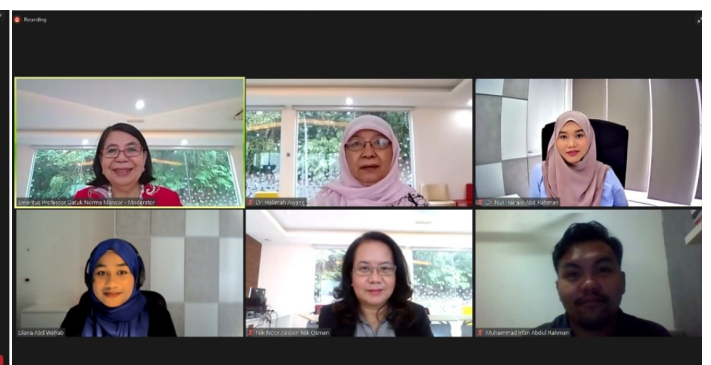
Professor Norma Mansor on Astro Awani – Consider This: Old-Age Poverty (Part 2) Slipping Through The Net?



Launching ceremony of the National Strategy for Financial Literacy 2019-2023



Zoom Virtual Meeting between SWRC/MARS Team, UM and SRC Technical Team, Umich, US



SWRC Research Seminar, December 2020

ABOUT SOCIAL WELLBEING RESEARCH CENTRE (SWRC)

The Social Wellbeing Research Centre (SWRC) is an academic multi-disciplinary research entity, focusing on conceiving and implementing research in social security and old age financial protection.

SWRC has been providing evidence-based expertise and consulting in the aforesaid domains to elevate economic development on social cohesion in Malaysia.

The Centre supports research in social protection in general and old-age financial protection, in particular. The Employees Provident Fund (EPF) of Malaysia has graciously provided an endowment fund to create the nation’s first endowed Chair in Old Age Financial Protection (OAFPC), now known as Social Wellbeing Chair (SWC) at Universiti Malaya.

STRATEGIC PARTNERS

- Employees Provident Fund (EPF)
- Social Security Organisation (SOCSSO)
- University of Michigan
- Asian Development Bank (ADB)
- World Health Organization (WHO)



FLAGSHIP PROJECTS

- Malaysia Ageing and Retirement Survey (MARS)
- Reference Budget for Malaysian (Belanjawanku)



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