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THE PERSPECTIVE

The Rise in Old-Age Dependency Burden

Since 2020, the population of Malaysia has been ageing. Approximately seven percent of the population is made up of senior citizens of at least 65 years old. This portrays that our nation is moving up the ageing ladder, following the same path of most other developed countries.

The current cohort of senior citizens consists of those early generations that struggled to embark on the development journey. Most of them have either directly or indirectly experienced a sense of impoverishment. The lucky ones may have escaped the ordeal, whereas many of their close family members may not.

The rise in the proportion of senior citizens in society is often associated with the manifestation of economic development. As the economy developed, people enjoy a better standard of living in line with improvement of income per capita.

Concomitantly, household incomes are steadily increasing over the years as more job opportunities become available. The level of education for Malaysians is also improving, partly due to more public spending on education. People are able to lead healthier lives as they are better educated and possess greater access to a wider range of healthcare services.

The life expectancy at birth for Malaysians have leapt tremendously from 58.6 years in 1960 to 76.2 years in 2020. This demographic transition which is tilting towards senior citizens also witnessed a declining proportion of younger citizens.

The percentage of children below 15 years old is retracting due to a reduction in average fertility rate as a result of better education and career opportunities for women.

The above scenario is favourable in terms of a health check for socioeconomic development. However, it inadvertently brought about a set of new challenges.

"About seven percent of the population are senior citizens of at least 65 years old"

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The declining average fertility and the increase in life expectancy at birth for Malaysians have gradually shifted the pattern of dependency burden. Lately, we are seeing that the proportion of dependent young people is decreasing over time.

Conversely, the share of dependent senior people is on the rise. The dependency burden is the ratio between people outside the labour force to people in the labour force.

There are two groups of people outside the labour force; children below 15 years old and seniors aged 65 years and above.

Figure 1 shows the trend of dependency burden in Malaysia for the period of 1960-2020. The total dependency burden is dropping significantly, resulting from a declining dependency burden coming from children.

On the contrary, the burden from senior citizens is on an upward trend. Although the increase of burden from the seniors is not as dramatic compared

to the decrease in the burden from the young, the implication could be profound.

The dependency burden from children declines considerably from averaging about 90.0 percent in the 1960s to a mere 33.8 percent in 2020. A snapshot of Malaysian families in the 1960s, as portrayed by accumulated data, our ratio is one working adult to nine children.

This paints an almost accurate reflection of poverty in Malaysia some sixty years ago. The economy was heavily dependent on the rural sector back then.

People were trapped in a rather vicious circle of poverty, which in turn, was a breeding ground for high fertility. The average fertility in 1960 stood at 6.5 percent as shown in Figure 2.

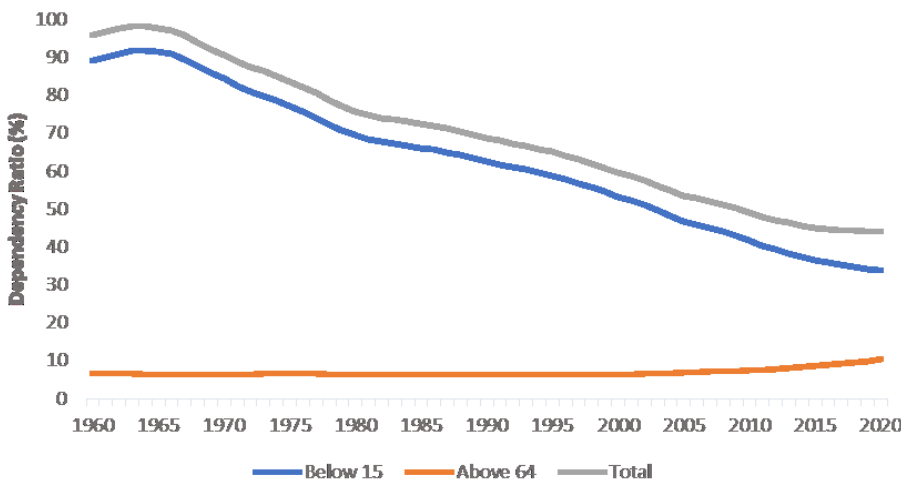


Figure 1: Malaysia, Age Dependency Ratio (1960-2020)
Source: World Bank

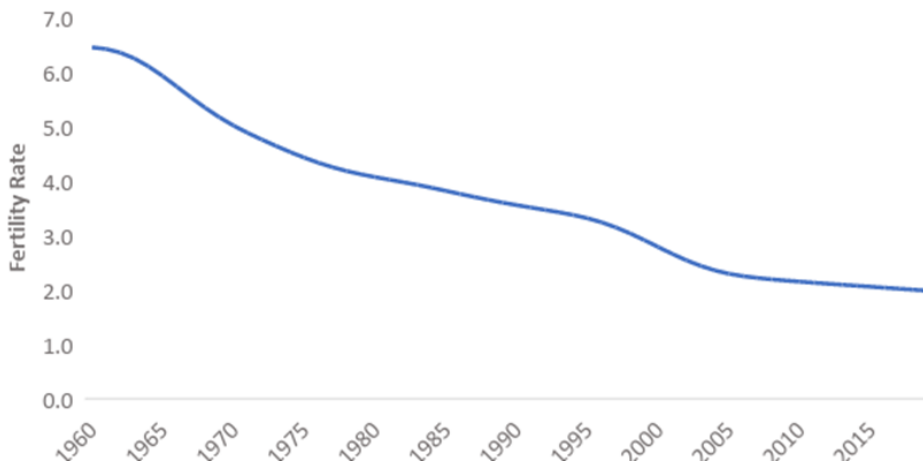


Figure 2: Malaysia, Total Fertility Rate, (1960-2019)
Source: World Bank

Back to Poverty?

Over time, Malaysia has succeeded in transforming the economy with the right policy mix. Some socioeconomic indicators and the income per capita have reached the level for high-middle-income countries.

Average fertility nosedived to 2.0 per woman in 2019, below the proposed replacement fertility rate of 2.1. The female labour force participation rate was 55.6 percent in 2019, a tremendous achievement from 37.2 percent in 1970. Needless to say, there is still room for improvement,

Our nation is presently on the verge of stepping into the territory of high-income countries.

We now face the first trial of one of the issues resulting from economic development, which is high and increasing rate of old-age dependency.

What appears to be trivial in the past is now a real predicament and if not appropriately addressed, could potentially post a serious problem in the near future.

We are facing a multifaceted challenge. The immediate one being the welfare of our current senior citizens. They were the forerunners in the race for development. Most of them had been productive in years gone by, having contributed their fair share of labour which ultimately brought us to where we are now.

Based on the 2019 Household Income Survey by the Department of Statistics of Malaysia (DOSM), about half (49.2 %) of the senior citizens aged 60 years and above do not receive any income from any source (Table 1).

Most likely, they depended on family members or other sources of income supports. Another 50.8 percent of senior citizens got their income from paid employment (24.2%), retirement incomes (14.1%) and other undetermined sources (12.5%).

The statistics highlighted two important and inter-related points: most senior citizens do not have sufficient retirement incomes and that makes them very vulnerable.

Source of Income	%
No Income	49.2
Retirement Income	14.1
Paid Employment	24.2
Other Sources	12.5

Table 1: Distribution of the Source of Income for Senior Citizens (2019)

Source: Calculated from the Household Income Survey 2019, DOSM

Opportunities in Greying Malaysia

The ageing demographic does not necessarily have to mean backward economic growth. Instead, some opportunities come with the rising needs and demands of products and services for the elderly. The creation of businesses and new markets to meet such needs and demands will be the new frontiers for economic growth. Therefore, aging economies should view the aged care sector as an opportunity not only for economic growth and job creation, but also for an overall improvement in quality of life.

The development of the aged care sector also provides hidden opportunities to mitigate unpaid care workers and gender inequality in which they all coexist. Informal and unpaid care work is keeping women out of formal employment. In 2020, 60.5% of women outside the labour force cited housework and family obligations as the reason for not actively looking for employment, a significant difference compared to men at only 13.4%.

From the apparent trend, the care burden will be increasingly driven by the ageing demographic. Formalisation of the care sector is a much-welcomed incentive to encourage female participation in the labour force and thereby reduce working women's double burden.

The formation of smaller households means we are threatened with new talent shortages. Harnessing the productive potential of older healthy individuals for longer can help attenuate this problem and provide a platform for productive, inclusive and healthy ageing. Furthermore, with advancement in medical sciences and technology allowing people to live healthier and longer, there should be no reason to leave willing and able older individuals out of the workforce. In doing so, we are losing out on the productive potential of experienced labour.

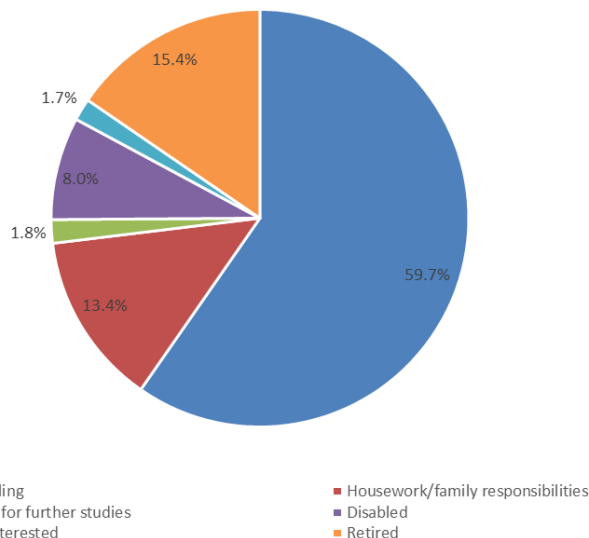


Figure 3: Malaysia, Population (Male) Outside Labour Force by Reasons for Not Seeking Work (2020)
Source: Department of Statistics, Malaysia (DOSM)

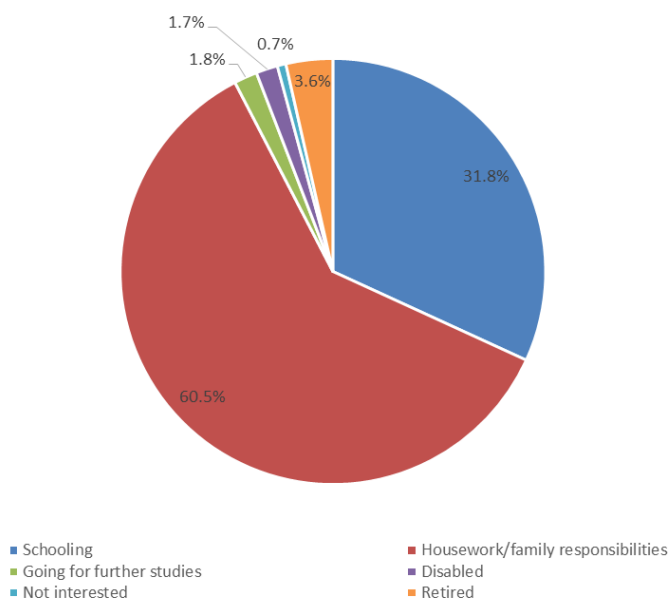


Figure 4: Malaysia, Population (Female) Outside Labour Force by Reasons for Not Seeking Work (2020)
Source: Department of Statistics, Malaysia (DOSM)

Where are we Heading?



Previously, Table 1 focuses only on the dependents. Beyond the other side of the spectrum is the group that they depend on, that is the current active labour force in the economy. From the macro-economic perspective, we are concerned about matters related to productivity. We need sufficient productivity growth from our present labour force to support the dependents.

From the viewpoint of micro-economic perspective, we are anxious about the welfare of the working family members who must shoulder the burden of protecting the seniors.

Of course, productivity growth is also affected by the reduced percentage of those in the working age and contributing to the economy which is the source of growth in wages.

To a certain degree, senior participation in the labour force is also beneficial for productivity growth. In doing so, we should encourage the environment for voluntary employment among seniors, rather than “desperate” employment to avoid impending poverty.

Notwithstanding the longer-term plan, the critical matter is to address the “poverty” issue among senior citizens. Collective experiences from many countries show that direct income transfers are the most effective mean of poverty alleviation. Furthermore, it is also growth-enhancing. For a better outcome, such policy options should include built-in productivity-enhancing mechanisms.

Last but not least, the current retirement plans also need revitalising reforms which should rightfully encompass growth and productivity enhancement strategies. Once we find the right balance, a huge burden can be lifted from the shoulders of working adults towards providing sufficient and adequate care for our senior citizens.



SWRC Community Outreach: “Community Well-Being and Health Day” was held in Dewan Serbaguna Blok Cempaka, Klang in 2019.

FROM DEMOGRAPHIC BURDEN TO DEMOGRAPHIC DIVIDEND

Dividend from an Ageing Population

Having fewer children changes the population age structure where the number of young dependents becomes smaller relative to the working-age population, creating a bigger support base. In such a situation, production exceeds consumption, and fewer resources are needed to support the dependents. This frees up resources which could be channeled towards investment and economic development. Smaller number of children in a household generally leads to larger investment per child, more freedom for women to enter the workforce and more household savings for old age.

In terms of government resources, it implies an expanding population of taxpayers relative to the number of dependents eligible for the benefits. In theory, at the micro level, this may improve living standards for families and boost incomes per person. It can also result in significant gains in the economic development of a country at the macro level. This is the first demographic dividend which Malaysia has been enjoying in decades, and is expected to end in 2029 when income growth slows and the ageing of the population begins. Economic growth, resulting from the first demographic dividend, depends on the enhancement of productivity of the working age population.

The productivity of young adults is highly influenced by the quality of education, employment practices, technology, and the timing and level of childbearing.

It is imperative to have policies that make it easier for young parents to work, gender friendly labour policies that encourage higher female workforce participation, and productivity at older ages depends on healthcare support, tax incentives and disincentives and the structure of pension schemes and retirement policies. Since the first demographic dividend is only temporary, countries should take advantage of this golden opportunity by implementing the above economic and social policies before it is too late.

Eventually, a decline in fertility will reduce the growth rate of the working age population, while further improvements in mortality will extend lifespan causing the elderly population to grow faster. Keeping other factors equal, the growth of per capita income slows down, and the first dividend becomes negative. There will be 6.3 million Malaysians aged 65 and older in 2040, and it takes merely 25 years for Malaysia to experience an ageing population where the 65-year old and above constitutes 15 per cent of the population. However, an ageing population opens up another window of opportunity — the second demographic dividend — where lower fertility and increasing life expectancy stimulate the accumulation of assets in all age groups.

With higher income per capita gained from the first demographic dividend and reduced child dependency as a result of fewer children, individuals are more able to prepare for old age consumption through savings and investment. The extent to which the second demographic dividend is realised depends on how well a country provides support for its elderly.

"There will be 6.3 million Malaysians aged 65 and older in 2040."

As the population ages more quickly, the resources needed to support the elderly increases. This may cause severe strains on the public pension system and family resources.

However, if workers can start accumulating assets earlier on, they can achieve more financial independence during retirement and depend less on the government and their families. In doing so, government policies and financial mechanisms relating to property, contributory pensions and personal savings must be put in place at the onset of the population ageing process to help workers accumulate assets. Another aspect of equal importance is financial literacy in order to educate the senior citizens on how to save money and utilise the accumulated wealth effectively.

Unlike the first demographic dividend, the second dividend is not transitory and continues indefinitely, where more wealth may lead to a permanent increase in income per capita. However, the demographic dividend is a potential, not a destiny. To what extent the dividend can be realised is dependent on the right policies and implementation.



Norma, M., (2019) Dividend from an ageing population. *New Straits Times*, 16 April. Retrieved from <https://www.nst.com.my/opinion/columnists/2019/04/479798/dividend-ageing-population>

Care Economy in Focus as Ageing Trend Grows

Handling the challenges of an ageing society will strain the nation's resources as the number of elderly people in the country rises rapidly, population data shows.

Estimations by the United Nations indicate that Malaysia will be an aged nation within a generation, with 17% of the people aged at least 80 by 2045.

In light of this trend, the care economy, which includes care for the elderly, has huge potential, says Social Well-being Research Centre (SWRC) director Professor Emeritus Datuk Norma Mansor.

"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," Norma says.

The need to prioritise investment in the care economy was highlighted in the 2018 International Labour Organization report, which said current deficits in care work and its quality will create a severe and unsustainable global care crisis.

The much-needed solutions to improve the care economy for the elderly cover a range of sectors, from services to employment policy, to financial protection and the application of technology, says Norma in an interview to explain the implications of the Malaysia Ageing and Retirement Survey (MARS) Wave 1 report, which was launched last month.

This will require attention to areas such as measures 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. In addition, in this age of technological solutions, digitalisation of processes to manage adult dependency will need to be adopted.

Rash, B.B., (2021) Feature: Care economy in focus as ageing trend grows. *The Edge Markets*, 17 February. Retrieved from <https://www.theedgemarkets.com/article/feature-care-economy-focus-ageing-trend-grows>

Ageing Nation Spells Positive Outlook for Senior Citizens

With the increasing life expectancy due to better healthcare facilities and advancements in medical technology, Malaysians cannot run away from making the necessary preparations for their financial needs during their sunset years.



The excerpts are taken from Professor Norma's interview with "The Edge Markets"

SWRC studies have indicated that the life expectancy now for Malaysians aged 65 is about 80, which meant that they would have about 20 years to live after retirement.

"SWRC survey in 2016 (on 'Savings Adequacy Assessment: The Case of Malaysian Employees Provident Members' covering 2,635 respondents) revealed that only half of them (respondents) were confident that they had enough savings to lead a comfortable life after retirement".

Based on today's economic situation and the rising cost of living and healthcare, retirees were most likely to exhaust their savings within a short period of time.

Encourage senior citizens who are still healthy and active to continue working, adding that Malaysians should also start saving early and have their own health protection instrument.

Bernama, (2018) Ageing Nation Spells Positive Outlook for Senior Citizens. Bernama, 18 October. Retrieved from <http://swrc.um.edu.my/the-edge-bernama-ageing-nation-spells-positive-outlook-for-senior-citizens/>



Malaysia Ageing and Retirement Survey (MARS) Wave 1-2018/2019 'A Snapshot'

The current and expected future demographic realities warrant the country to address the short- and long-term considerations in facing major challenges to ensure sound and sustainable socioeconomic, health and social care systems are ready for this demographic shift.

While ageing is associated with biological changes and other life transitions such as a gradual decline in physical and mental capacity, susceptibility to diseases and ultimately death; a longer life brings with it opportunities for older people to continue to be active and contribute to their families and communities.

Currently there are three policies related to the wellbeing of older persons in Malaysia namely:

- National Health Policy for Older Persons 2008
- National Policy for Older Persons and Plan of Action for Older Persons 2011
- Physical Planning Guidelines for the Elderly 2013

While these policies provide the foundation for the welfare of senior citizens, not much attention is given to the promotion of active ageing.

To date, Malaysia has yet to come out with its Active Ageing Index (AAI) which has been adopted and used by European countries as well as a few Asian countries including Japan, Korea and China, to measure the untapped potential of senior citizens for active ageing.

“

MARS is Malaysia's first ever globally comparable panel survey data of middle aged and older persons which will become a pivotal source for policy making on active and healthy ageing.

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Malaysia Ageing and Retirement Survey (MARS) Wave 1 - 2018/2019 'A Snapshot'

The article is extracted from *Malaysia Ageing and Retirement Survey (MARS) Wave 1–2018/2019 'A Snapshot'*. Retrieved from <https://swrc.um.edu.my/wp-content/uploads/2021/01/MARS-Wave-1-2018-2019-A-Snapshot.pdf>

CONSIDER TAKING ON JOBS IN YOUR OLD AGE, URGES DON



Senior citizens or retirees should look for jobs to help sustain their living expenses amid improving life expectancy. Alternatively, the government should consider a universal pension for the poor.

These are the recommendations by Universiti Malaya Economics and Administration, Professor Datuk Norma Mansor, who said basic healthcare provided by the government is no longer sufficient for the elderly, who are now living longer. Malaysia has to prepare for more citizens becoming elderly, defined as 65 and above.

“Basic healthcare is not sufficient anymore as they need other kinds of care. Now, in postmodern society, due to the increasing demands of modern work, families may not necessarily be able to care for them” she told reporters on the sidelines of the third International Conference on Social Protection, organised by Social Wellbeing Research Centre (SWRC).

The conference was themed “Migration, Development and Social Welfare: Implications and New Insights”.

Norma said studies have shown that people’s savings get depleted with the purchase of houses and healthcare.

“So, we are talking about an economy where individuals have to look at other options. One option is to go back to work after retirement.”

The government can consider providing incentives to employers to rehire retirees, which is being done in Singapore.

“Alternatively, the government could provide basic universal pensions for the poor. There is a RM300 monthly ‘Bantuan Orang Tua’ senior citizen financial assistance offered by the Women, Family and Community Development Ministry, but you have to prove that you are really eligible for that.

“There can be reforms within the public sector’s context where senior citizens get a universal pension monthly to support them in their old age like in Thailand, where 500 baht (RM63.47) is allocated to the elderly every month,” says Norma.

She added that the SWRC is now studying what the government can do, within the fiscal space permitted, to prepare for an ageing nation.

Sangeetha, A., (2017) Consider taking on jobs in your old age, urges don. The Edge Markets, 11 October. Retrieved from <https://www.theedgemarkets.com/article/consider-taking-jobs-your-old-age-urges-don>

GALLERY



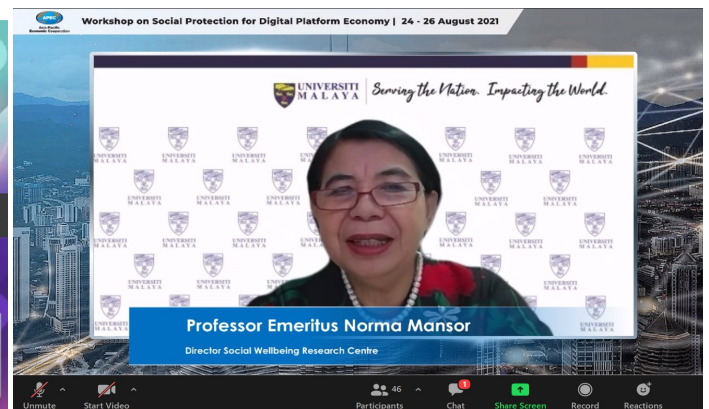
Professor Norma Mansor in “Sesi Wacana Wanita: Mendepani Cabaran, Menuju Kesejahteraan” dalam Simposium Wanita Negara 2021 – Merealisasikan Pemerkasaan Wanita”.



Dr. Halimah Awang in “Workshop on Impact on Return to Work Injured Workers”.



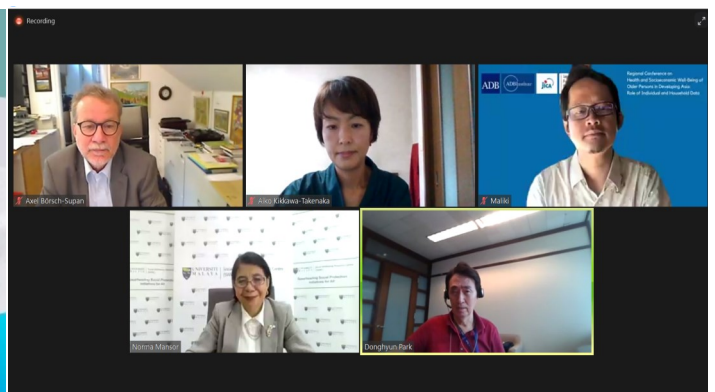
Professor Norma Mansor as the moderator in “Forum on Working for the Disabled Population”.



Professor Norma Mansor as the moderator in “APEC Workshop on Social Protection for Digital Platform Economy”.



Professor Norma Mansor as the moderator in “Talentcorp: Hiring Seniors Workshop”



Professor Norma Mansor in “ADB: Regional Conference on the Health and Socioeconomic Well-Being of Older Persons in Developing Asia”.

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 (SOCSO)
- University of Michigan
- Asian Development Bank (ADB)
- World Health Organization (WHO)



ASIAN DEVELOPMENT BANK

FLAGSHIP PROJECTS

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



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