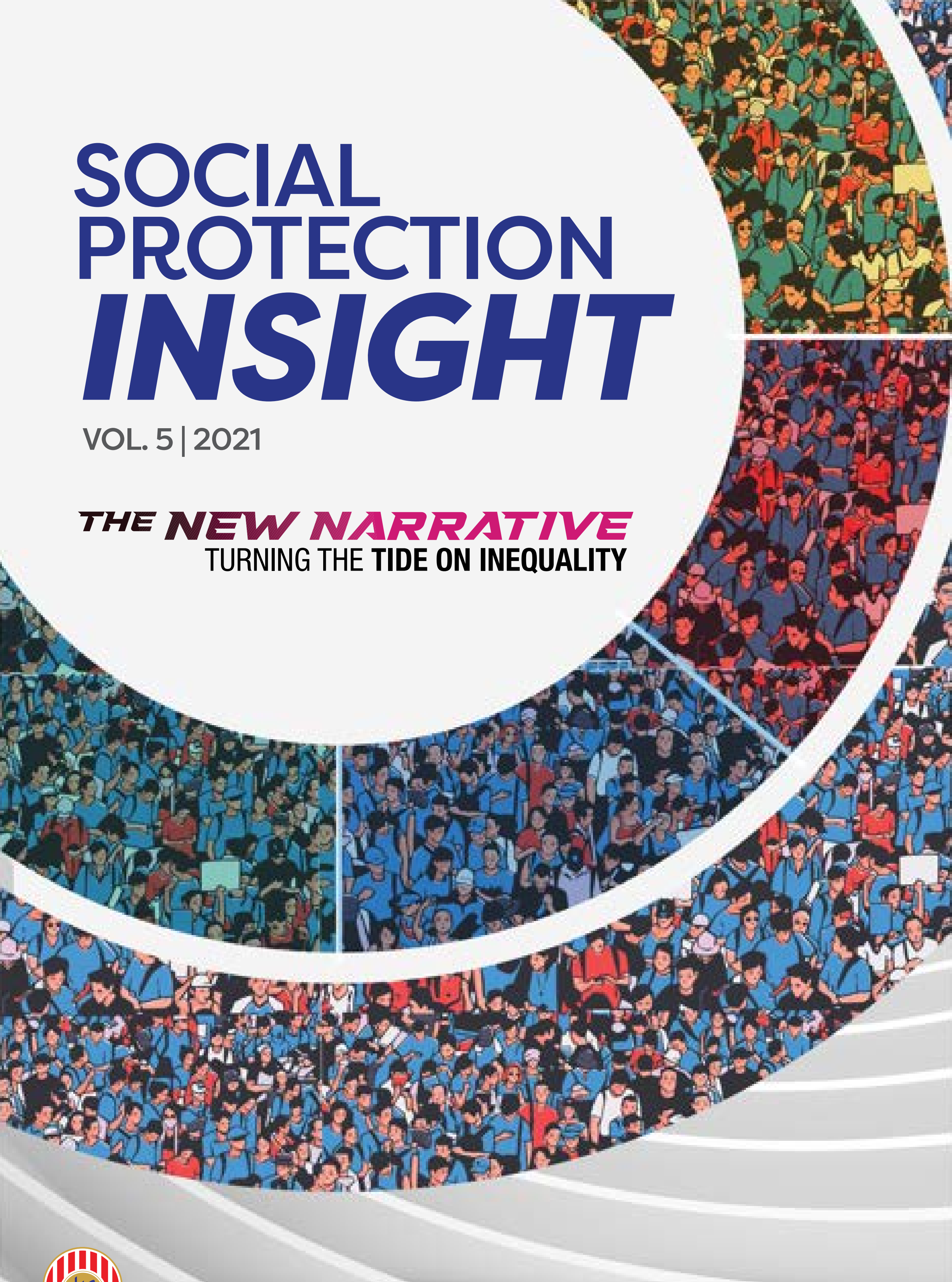
SOCIAL PROTECTION INSIGHT

VOL. 5 | 2021

THE NEW NARRATIVE
TURNING THE **TIDE ON INEQUALITY**



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Editorial Commitee

SOCIAL PROTECTION INSIGHT I VOL 5 2021

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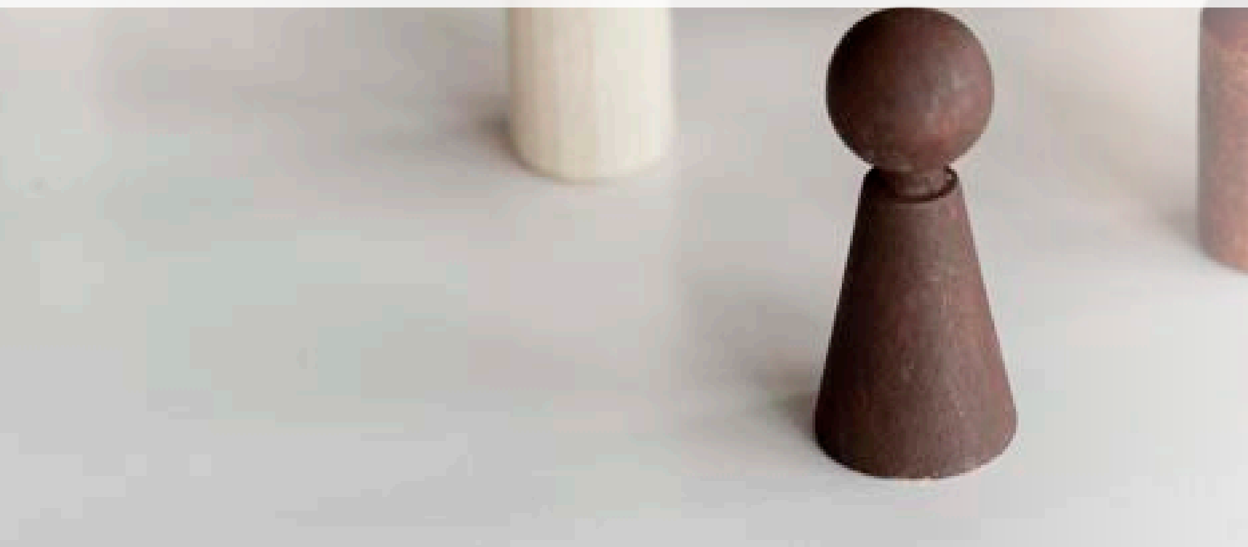
INTRODUCTION

By the Editorial Team

Social Protection Insight (SPI) is a yearly publication by the Employees Provident Fund. It has been published since 2016 in conjunction with the annual International Social Wellbeing Conference (ISWC).

The SPI presents a concise summary of mainly social protection issues in the country, policy options to deal with them, and some recommendations on the best options. The SPI also provides data and statistics related to selected social protection issues relevant for public policy purposes.

The SPI is aimed at government policymakers and others who are interested in formulating or influencing public policy. The publication serves as a vehicle for providing evidence-based policy advice to help readers make informed decisions. The publication also seeks to be a reference point for policymakers and the public on data and statistics related to social protection.



Although the publication is mainly focused on social protection issues, it also offers a wide range of topics including the following:

- Non-contributory social protection: Social assistance (Social transfer, public work programme, & subsidies); Social care (e.g. Family support services, home-based care, community-based care, long-term care); Social safety nets.
- Contributory social protection: Social insurance (e.g. health benefits, unemployment benefits, retirement benefits, disability benefits, maternity benefits, sickness benefits, survivor benefits, employment injury benefits, medical benefits); Provident fund (e.g. retirement adequacy, sustainability of pension fund and retirement savings, etc.)
- Labour market policies and interventions: Active labour market policies (Work sharing, training, job search services, etc.); Passive labour market policies (e.g. labour related legislations, pay flexibility, retirement age, minimum wage, etc.).
- Demographic changes and ageing population related policies;
The extension of social protection coverage.
- The SHINE-M framework: Shelter; Healthcare; Income (e.g. life-long income, poverty, inequality, etc.); Nutrition; Education; Mobility (i.e. social mobility & smart transportation)
- Financial education; Financial literacy.

Contributors to the SPI are scholars and practitioners from diverse fields and backgrounds, enhancing the publication's interdisciplinary scope.

This publication is our contribution to promoting better understanding and awareness to socio-economic development and social protection issues in the country, as well as to public policy development.

FOREWORD

Datuk Seri Amir Hamzah Azizan
Chief Executive Officer, Employees Provident Fund

We, humankind, are currently facing an unprecedented challenge in terms of policy response, with the rapid spread of coronavirus (COVID-19) across countries and in our own community. The impact of the pandemic has been massive and multi-faceted, covering almost all aspects of life including health, education, investments, businesses, employment, income, and social interaction.

The International Monetary Fund (IMF) reported that the severe impact of the COVID-19 pandemic is clearly seen in the numbers: more than 4.5 million deaths and rising, 120 million people pushed into extreme poverty, and a massive global recession. In addition, the United Nations Economic and Social Commission for Asia and Pacific (UNESCAP) estimated that about 89 million people are to slide back into poverty in Asia and the Pacific, dropping below the international poverty line. About 140 million jobs were lost in 2020; many by people already living one pay check away from extreme poverty. On the contrary, despite a short-lived disruption early in the pandemic, billionaires worldwide saw their wealth increase by USD3.8 trillion between March and December 2020. Income inequality tends to increase in the five years following adversary shocks.

Meanwhile, back home, policy relaxation on mandatory retirement savings to weather this crisis in Malaysia saw an acceleration of withdrawals that left 6.3 million contributors or 42 per cent of the total 15 million EPF members with less than RM10,000 in Account 1.

"...despite a short-lived disruption early in the pandemic, billionaires worldwide saw their wealth increase by USD3.8 trillion between March and December 2020. Income inequality tends to increase in the five years following adversary shocks."

In addition, 9.3 million contributors are expected to have less than RM10,000 in Account 2. Many will end up with a small amount when they retire, thus risking their retirement income in the long run.

The COVID-19 pandemic has exacerbated socioeconomic inequalities within and across countries. Mitigating inequality requires a mix of bottom-up and top-down changes that address the underlying social and economic systems. It is against this backdrop that we have chosen "The New Narrative: Turning The Tide On Inequality" as the theme for this year's edition of the International Social Wellbeing Conference.

The Commitment to Reducing Inequality Index, published by the Oxfam and Development Finance International, tells us that countries with strong investments in public services, social protection, and labour market policies have the lowest inequality levels.

In a world in which good jobs are becoming scarce due to long-run trends such as technological change and globalisation – and where shocks such as COVID-19 deepen the cleavages – there is a need to encourage public discussion that will lead to the formulation of impactful policies to address inequalities, maintain a sustainable economy, and look after the general wellbeing of the population.

MALAYSIAN HOUSEHOLD INCOME DISTRIBUTION 2007 – 2014:

POWER-LAW AND INEQUALITY

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Executive Summary

Malaysian Household Income Survey data provided by the Malaysian Department of Statistics is used to provide evidence that the upper tails of the household income distribution follows a distribution known as power-law. Inequality measures are then applied to ascertain the levels of inequality based on this distribution. Through rough comparison with power-law estimation of other countries, we attempt to understand the level of relative inequality throughout the years 2007 – 2014. Furthermore, we illustrate that the level of inequality is different for different types of job-classification.

Introduction

The probability distribution of variable **X** representing household income can be written as

$$P(X \geq x) \; \alpha \; x^{-\alpha} \qquad (1)$$

where $\alpha>0$ is a constant known as the power-law exponent (Clauset, 2009; Newman, 2010). This distribution is also known as the Pareto law (distribution) for top incomes Brezinski, 2014). Pareto's work suggested that the upper tails of income and wealth distributions follows a power-law, and this has been observed in varying degrees for incomes of many different countries (Atkinson et. al., 2011). The rich-gets-richer concept frequently observed in income distributions leads to power-law (Jones, 2015). The relationship between the level of inequality and exponent α is generally taken to be inversely proportional. The Pareto Inequality (Jones, 2015) is $\eta=1/\alpha$ where α is from (1).

The late British economist, Sir Atkinson utilized the inverted Pareto coefficient β (Atkinson et. al., 2011) such that $\beta=\alpha/(\alpha\text{-}1)$. α and β are inversely proportional since $\beta=\alpha/(\alpha\text{-}1)=(1+\alpha\text{-}1)/(\alpha\text{-}1)=1/(\alpha\text{-}1)+1$. β is also used to indicate 'fatness' of the upper tails of Pareto distribution. His Chart Book of Economic Inequality has data ranging from before Malaysian independence (1957) up till 2014 (Atkinson et. al., 2017). They analysed taxation data including the ones kept by the British. Unfortunately, under the 'Wealth Inequality' and 'Dispersions of Earnings' on the page, is it written 'no suitable data were found' (retrieved 31 March 2018).

Research Overview

The 2007 – 2014 Household Income and Basic Amenities Surveys (HIS) was provided by the Department of Statistics Malaysia (DOSM). Table 1 summarizes the basic statistical indicators. The values are all increasing except for the maximum income that drops to about 1.2 million Ringgit in 2009 from the previous 1.3 million in 2007. According to the World Bank, Malaysia's Gross Domestic Product (GDP) from 2007 to 2014 was always on the rise except for 2009 where the GDP dropped due to recession. This indicates that the GDP of the country is highly dependent on the high income earners earning close to the maximum value.

TABLE 1: Basic statistics of the Malaysian HIS (Ringgit Malaysia)

Summary	2007	2009	2012	2014
Minimum	710	1200	1800	2550
Maximum	1308000	1225000	1272000	2243000
Median	26330	30860	38650	51020
Mean	38630	43760	53760	68960
Std. Dev	43282.27	44864.88	58108.13	69791.53

A higher increase is observed from 2012 to 2014 as compared to the increase in previous years. The differences in income distribution is widening as evident from the maximum and minimum income especially from 2012 to 2014. The median income in 2014 is RM51,020 whereas the maximum household income is about RM2.24 milion. The median household income is often used in the Malaysian context (Intan Nadia Jalil et. al., 2016) since the mean does not reflect the income of most households.

For the 4 years within 2007-2014, the Top 10 per cent of the HIS data is plotted in Figure 1 where the estimated exponent α fluctuates between 2.5 and 2.75 (Razak & Shahabudin, 2018). Inequality measures η and β derived from α is displayed in Table 2. Increasing inequalities is observed from 2009 to 2014 using the inequality measures and the average income of the Top 10 per cent, supporting the claims of widening income inequality in Malaysia (Atkinson, 2013; Krongkaew & Ragayah, 2006).

TABLE 2: Exponents values of Top 10% for years 2007-2014

Year	α	η	β	Average income of Top 10% (RM)
2014	2.60	0.3846	1.625	3280802
2012	2.64	0.3788	1.6097	1843139
2009	2.75	0.3636	1.5714	1732689
2007	2.50	0.4	1.6667	1962118

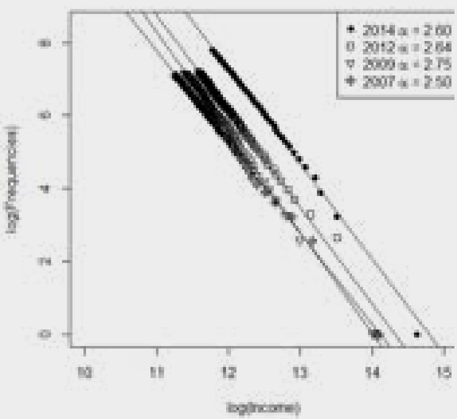


FIGURE 1:
Estimated **α** of the Top 10% Household Income for 2007-2014

To put things in a more international perspective, Pareto Inequality for the United States of America (Jones, 2015) is η=0.6 (thus β=2.5). From Table 2, the 2014 values for Malaysia are η=0.38 and β=1.625. Therefore, one can say that, the level of inequality in the USA is higher than Malaysia. Different values of α have been approximated for many different countries (Atkinson et. al., 2011). Estimated α of the year 2000 for Australia, Italy (Clementi, 2006) and South Korea (Yoon & Kim, 2005) are 2.3, 2.5 and 3 respectively. Taking into account Malaysia's α=2.5 in 2007, one can roughly say that Malaysia's inequality level (of the top earners) in 2007 is rather similar to South Korea's and Italy's in the year 2000, while being more equal than Australia at the time.

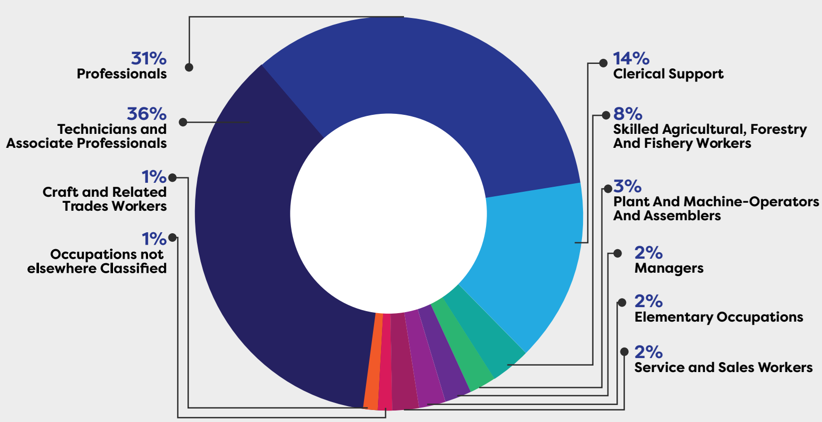
Discussion

The inequality measures for occupation types within the top 10 per cent sorted by most unequal to least unequal is displayed in Table 4. The occupation category follows the MASCO 2008 classification (MASCO2008, 2010). According to Atkinson et. al. (2011), inequality levels have increased substantially in English speaking countries, India and China but not in continental European countries or Japan. This increase is highly suspected to be due to the surge in top wages. From Table 3 and Figure 2, one can see that 'Managers' has the most unequal salary range even though they comprise only 1.5 per cent of the top 10 per cent. Therefore, we hypothesize that general increase in inequality is highly influenced by wage increases in this category. This is true in many other countries (Atkinson et. al. 2011) where top management getting paid exorbitantly high salaries has come under scrutiny.

TABLE 3: α, η and β for Top 10% of Household Income 2014 by Occupation.

Average income of Top 10% (RM)	α	η	β
Managers	2.66	0.38	1.60
Occupations not elsewhere Classified	2.78	0.36	1.56
Professionals	3.11	0.32	1.47
Technicians and Associate Professionals	3.24	0.31	1.45
Service and Sales Workers	3.24	0.31	1.45
Elementary Occupations	3.27	0.31	1.44
Skilled Agricultural, Forestry And Fishery Workers	3.45	0.29	1.41
Clerical Support Workers	3.89	0.26	1.35
Craft and Related Trades Workers	3.92	0.26	1.34
Plant And Machine-Operators And Assemblers	4.74	0.21	1.27

FIGURE 1: Pie chart of job categories for the Top 10% of Household Income 2014



Conclusion

In this preliminary research, we provide evidence that the upper tails of the Malaysian Gross Income Distribution follow a power-law. We then utilized Pareto Inequality and the inverted Pareto coefficient to form inequality indicators from the power-law exponents. The outcome of this simple analysis confirms the general increase in level of inequality. Furthermore, when the same data is divided into different occupation categories, we found that the 'Manager' category representing 1.5 per cent of the top 10 per cent was the most unequal. This highlights the need for more scrutiny in terms of different categories of the society, esptecially the 'Manager' category, to identify the main sources of inequality.

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THE LATEST TRENDS IN GLOBAL PENSION REFORM

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Summary

This article draws four main strategies adopted by countries to address retirement income issues and sustainability of pension systems in the past five years. The four strategies are increasing retirement age, enhancing work incentives, expanding pension scheme coverage, and changing contribution rates. Income support is important among vulnerable groups such as the elderly.

Introduction

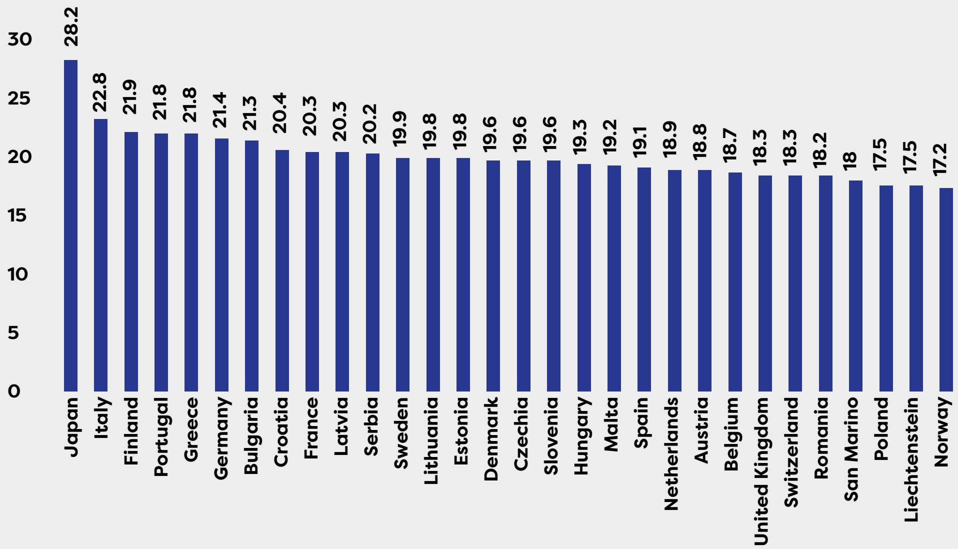
Population ageing is accelerating globally. Over the last 40 years the number of people older than 65 years per 100 people of working age (20-64 years) increased from 20 to 31. By 2060, it will likely have almost doubled to 58. In particular, population ageing is expected to be very fast in Greece, Korea, and Poland, while Japan, Italy and Finland are the three countries with the highest percentage elderly populations. China, India, and United States remain the three countries with the highest number of elderly adults at 166.37 million, 84.9 million, and 52.76 million respectively.

In addition, among OECD countries, the old-age poverty rate - defined as having income below half the national median household income - is lower than four per cent in Denmark, France, Iceland and the Netherlands, while it is larger than 30 per cent in Lithuania (25.1%), Latvia (32.7%), Estonia (35.7%), Republic of Korea (43.8%). The incidence of absolute and relative poverty of the head of household aged 65 and above in Malaysia stand at 5.7 per cent and 41.4 per cent respectively.

Rapid ageing puts continuous pressure on pension systems and several measures have been recently adopted by different countries to address the pressing issue.

"Japan, Italy and Finland are the three countries with the highest percentage elderly populations."

FIGURE 1: Top 30 countries with highest percentage of elderly (65+) population



Source: United Nations Population Division, World Population Prospects 2019

Increasing Retirement Age

Iceland, Italy, Israel, and Norway are currently four countries with the highest statutory retirement age at 67 years. Although most OECD countries have age 65 years as the statutory retirement age, the average is at 64.2 years. Some countries have moved to gradually raise the state pension age (for example, Ireland to 68 years by 2028, and Germany to 67 years by 2031).

Singapore will be raising the minimum Retirement Age (RA) and Re-employment Age (REA) from the current 62 to 65 and 67 to 70 respectively by 2030. The first increases to 63 and 68 respectively will take effect from 1 July 2022. Estonia has raised retirement age, from the current 63 and 4 months to 65 in 2026, and then linking it to life expectancy. Other countries that have linked retirement ages with life expectancy are Denmark, Finland, Italy, the Netherlands and Portugal. Russia will increase by one year every year starting in 2019, from age 60 to 65 for men and from age 55 to 60 for women.

China plans to raise the statutory age for retirement under a long-term economic and development plan (2021-2025) but has received public backlash particularly from younger people. China's retirement age has remained unchanged for more than four decades at 60 for men and 55 for female white-collar workers. In Republic of Korea, men and women work on average more than 12 years longer than the official retirement age of 60, due to poverty.

Enhancing Work Incentives

Some countries boosted incentives to work longer or extended flexible retirement options to address longevity and sustainability of their pension systems. The Senior Worker Early Adopter Grant provides funding support of up to SD125,000 to Singaporean employers who are willing and able to implement higher internal retirement and re-employment ages above the prevailing statutory ages. To qualify, employers also have to adopt the Tripartite Standard on Age-Friendly Workplace Practices. If an employer raises its internal retirement and re-employment ages by three or more years above prevailing statutory ages, the employer receives SD2,500 per eligible senior worker (age 60 and above). The Part-time Re-employment Grant provides up to SD125,000 to employers who commit to a re-employment policy where they would provide part-time re-employment opportunities to eligible senior workers who request for it. If the employer is eligible, the company receives SD2,500 per senior worker (age 60 and above). In both cases, total eligible funding is capped at 50 senior workers per company respectively.

Canada increased the earnings exemption for the income-tested component of their first-tier benefit (Guaranteed Income Supplement or GIS), to allow low-income older adults to work without reducing their entitlement. The GIS is a monthly payment a Canadian can get if he/she is 65 or older, lives in Canada, receives the Old Age Security (OAS) pension, and his/her income is below CD18,744 if he/she is single, widowed, or divorced. Denmark decided to grant a one-off lump sum of DKK30,000 (7% of the average wage) if someone is employed for a minimum of 1,560 hours during 12 months after reaching the retirement age, which is currently 67 years.

"Some countries boosted incentives to work longer or extended flexible retirement options to address longevity and sustainability of their pension systems."

Increasing benefits or expanding of coverage of public pensions

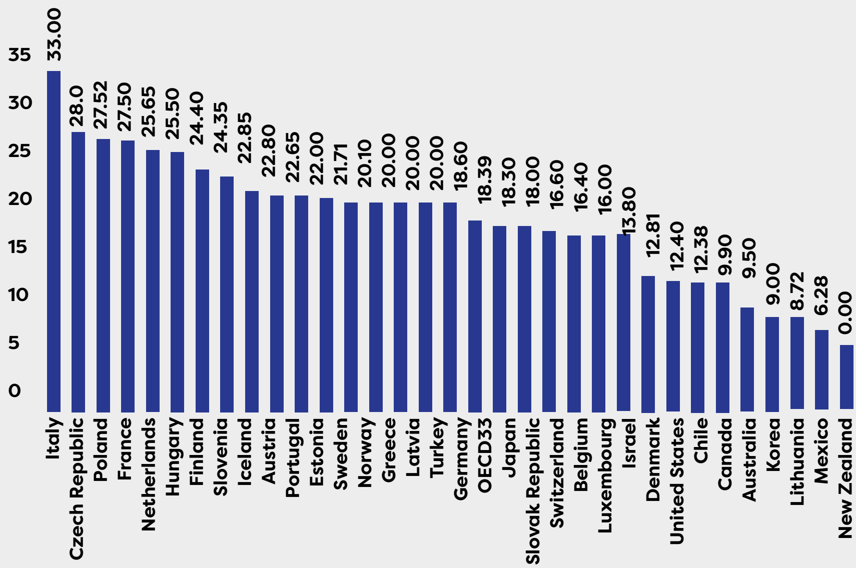
Countries such as Austria, France, Mexico and Slovenia increased the level or expanded the coverage of first pillar pensions. The first pillar pensions are redistributive schemes that can be of four different types including social assistance, separate targeted retirement-income programmes, basic pension schemes and minimum pensions. Austria decided to introduce a top-up for long contribution periods. In France, from April 2018 to January 2020, the old-age safety net (ASPA) will be increasing by about 12.5 per cent in nominal terms. Mexico reformed its old-age safety net by introducing a new universal pension programme for those aged 68 or older. Slovenia introduced a new minimum pension level for workers with a full career (40 years). The benefit was EUR516 per month (31.5% of the average wage) in 2018 compared to EUR216 per month (13.2% of the average wage) for workers with a 15-year history.

Changing The Contribution Rates

EPF's contribution rate is relatively high at 24 per cent (for employees aged lower than age 60 years and wages lower than RM5,000) compared to OECD countries. Eight countries with pension contribution rates higher than Malaysia are Italy (33%), Czech Republic (28%), Poland (27.52%), France (27.5%), Netherlands (25.64%), Hungary (25.50%), Finland (24.4%), and Slovenia (24.35%). The average contribution rate for 33 OECD countries is 18.39 per cent.

Contribution rates have been raised in Iceland from 8 per cent to 11.5 per cent and in Switzerland by 0.3 points. In addition, the Swiss government subsidies to social security financing were increased from 19.6 per cent to 20.2 per cent of total revenue. Hungary gradually reduced the contribution rate paid by employers from 15.75 per cent in January 2018 to 12.29 per cent in July 2019. Lithuania has shifted social security contributions from the employer to the employee. The employer's contribution rate was reduced from 31 per cent of monthly payroll to 1.5 per cent, and the employee contribution rate rose from 9 per cent of monthly earnings to 19.5 per cent. New Zealand expanded the choice of contribution rates for KiwiSaver (a voluntary savings scheme set up by the government to help New Zealanders to save for their retirement) a contribution rate of 6 per cent or 10 per cent, adding to the existing options of 3 per cent, 4 per cent, and 8 per cent.

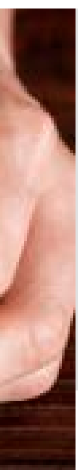
FIGURE 2: Pension contribution rates for OECD countries



Source: OECD (2019)

Policy Recommendations

Income support is important among vulnerable groups such as the elderly. It is imperative for Malaysia, which is fast becoming an aged nation to have a properly policy for dealing with old-age poverty. Among measures that can be considered are increasing retirement age, incentivising senior employment and retirement savings by the self-employed, and social pensions.



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MALAYSIA TOWARDS AN AGEING NATION:
NUTRITIONAL BALANCE AND THE GOLDEN YEARS

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Introduction

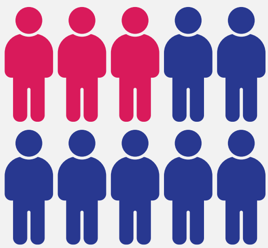
Malaysian is an ageing nation where the number of the elderly keeps on increasing each year, currently at 10.7 per cent, or 3.5 million people, of the total population (DOSM, 2020). Due to many factors, the life expectancy at birth in the year 2020 is now at 75 years old. For men and women aged 60 years old in 2020, they are expected to live for another 18.4 and 21.2 years respectively, which means close to 80 years old (DOSM, 2020). At the present rate, Malaysia will become a 'super-aged' nation by 2056 where 20 per cent of its population are 65 years old and above (Norma Mansor et al., 2021).

While many people are strong and healthy when still young, increasing longevity with an improved healthcare system does not come together with an extended period of good health. In the Malaysia Ageing and Retirement Survey (MARS), Wave 1 – 2018/2019, about 67 per cent adults at the age of 40 to 49 years old rated their health as good, but the percentage of good health self-assessment decreases to 40.9 per cent among the 60-69 years old group (Norma Mansor et al., 2021).

Gradual decline in health is common with ageing. Chronic diseases such as hypertension, and diabetes are among the common diseases found among the adult population in Malaysia and the prevalence is increasing (IPH, 2020). In the National

Health and Morbidity Survey (NHMS) of 2019, although there is a relative plateau in the overall prevalence of adults with hypertension in Malaysia (approximately 20.0%), the pervasiveness of diabetes in the population seemed to have increased from an overall prevalence of 13.4 per cent in 2015 to 18.3 per cent in 2019. Incidence of hypercholesterolemia (elevated amount of cholesterol in blood) are also significant in the population whereby the overall prevalence was maintained between the range of 35 to 47.7 per cent from 2011 to 2019.

Even though Malaysia has made enormous development in many sectors including in the healthcare system, if these worrying trends continue, it will become a significant economic burden to the country. Hence, investment in terms of taking care of our health at an earlier stage is of utmost important for a better retirement.

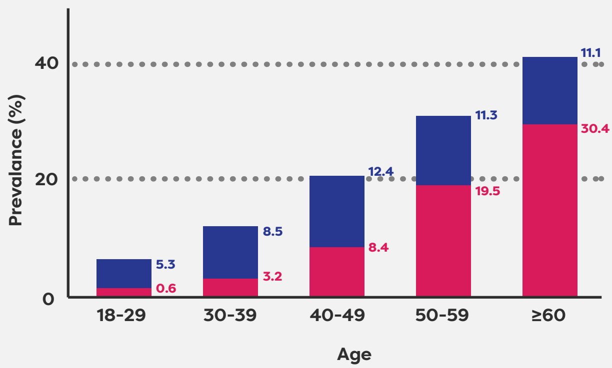


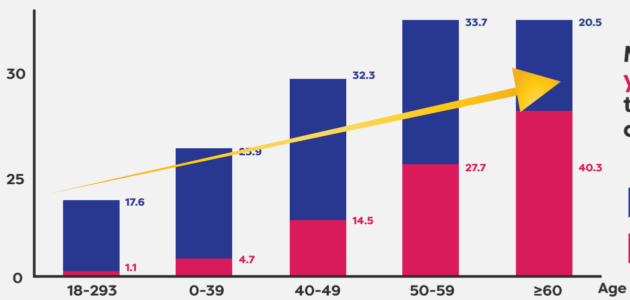
3 in 10

or 6.4 million people in Malaysia have hypertension

Hypertension increases with age

Prevalence of diabetes by age groups





Most people aged 40-59 years did not know that they have raised total cholesterol

- Did not know that they have raised total cholesterol
- Diagnosed hypercholesterolaemia

Source: National Health and Morbidity Survey (NHMS) 2019, National Institute of Health, Ministry of Health Malaysia

Factors Influencing Nutritional Intake

Food insecurity

As a person gets older, the risk and rate of food insecurity escalates. Food insecurity is defined as disruption of food intake or eating habits due to lack of resources. Households of those aged 65 and above, living alone, managing multiple chronic diseases as well as those with limited financial resources are at high risk.

In the United States, 1 in 5 elderly adults experience food insecurity and irregular meals. Poor dietary intake and quality including macronutrient and micronutrient deficiencies have direct impact on health and can exacerbate chronic disease conditions leading to frequent hospitalisations and visits to physicians and emergency rooms. Food insecurity is a common factor for malnutrition that adversely effects bodily form and function (FRAC, 2019).

In Malaysia, the prevalence of malnutrition and those at-risk of malnutrition among the elderly was 7.3 per cent and 23.5 per cent respectively (Mohamad Hasnan Ahmad et al., 2021). Food insecurity remains to be one of the main causes of malnutrition in households across the country and in the elderly, it is linked to unhealthy body status, inadequate dietary intake, or high intake of fat, oil, sugar and salt (Sulaiman et al., 2021).

“Eating is part of a social and cultural experience, hence the disruption of eating behaviours due to the loss of a partner in life may be a contributing factor towards enjoyment of food and its preparation as well as departure from regular meals consequently leading to decreased food intake and poor nutrition.”

Being single

The national survey on the elderly in Malaysia in 2018 categorised never married, separated, divorced or widowed as those whom are single (IPH, 2019). The nutritional status study indicated significant prevalence of malnutrition in the single population of the elderly

(65 years old and above) at the time of the survey. Aspects of being underweight are also a concern. Living on their own has an influence on food acquisition, preparation and eating habits (Whitelock & Ensaff, 2018).

As we age, there is general decrease and loss of hunger and increasingly poor appetite. This may lead to the reduction in weight and the outset of frailty. Eating is part of a social and cultural experience, hence the disruption of eating behaviours due to the loss of a partner in life may be a contributing factor towards enjoyment of food and its preparation as well as departure from regular meals consequently leading to decreased food intake and poor nutrition.

Food choices and dietary habits

Physical and mental changes greatly affect the quality of life of the elderly including the ability in making decisions and food choices (Fatin Izzaty Mohd Shahrin et al., 2019). Factors associated with the type of food that are chosen included health, food access, taste and sensory appeal, convenience and nutritional knowledge. The decline in physical function and the lower appetite in old age, changes in food preferences, food acquisition, autonomy of making food choices including the relationship with food and dieting have an impact on everyday food practices of the older population (Whitelock & Ensaff, 2018).

These dietary behaviours emphasise the importance of nutritional awareness and promotion of better dietary habits for healthy ageing.

In Malaysia, fruit, vegetable and plain water intake were studied in the elderly population and findings indicated the need for appropriate nutrition education programmes to promote healthy diet and improved eating habits (IPH, 2019).

Nutritional frailty

It is projected that the number of those aged 60 years and above will double by the year 2050. This shall have a direct impact on the economy, especially developing countries (Shlisky et al., 2017). Diet and lifestyle modifications thus become more crucial in preventing the burden of unhealthy ageing and the effects of chronic non-communicable and age-related diseases.

Nutritional frailty is defined as a disability at old age due to unintentional loss of body weight, muscle mass and quantity. Specific nutrients are required as we age to enhance our quality of life including improvement in prognosis of chronic diseases (Shlisky et al., 2017). National health programmes to educate the elderly in the effort to reduce nutritional frailty and to promote diet resilience would be of great value.

"Physical and mental changes greatly affect the quality of life of the elderly including the ability in making decisions and food choices"

Healthy eating habits

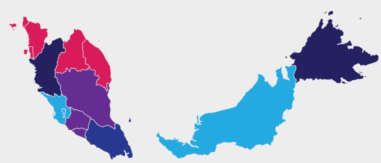
Eating enough fruits and vegetables is very important. Not only will it provide us with essential vitamins and minerals, it is also important in weight management and disease prevention. It is reported that 95 per cent of Malaysian adults do not eat enough fruits and vegetables daily (IPH, 2020).

Nutritional frailty is defined as a disability at old age due to unintentional loss of body weight, muscle mass and quantity. Specific nutrients are required as we age to enhance our quality of life including improvement in prognosis of chronic diseases (Shlisky et al., 2017). National health programmes to educate the elderly in the effort to reduce nutritional frailty and to promote diet resilience would be of great value.

95%

of Malaysian adults do not eat the recommended daily amount of both fruits and vegetables

Percentage of those who were not eating the recommended daily fruits and vegetables varied slightly by state:

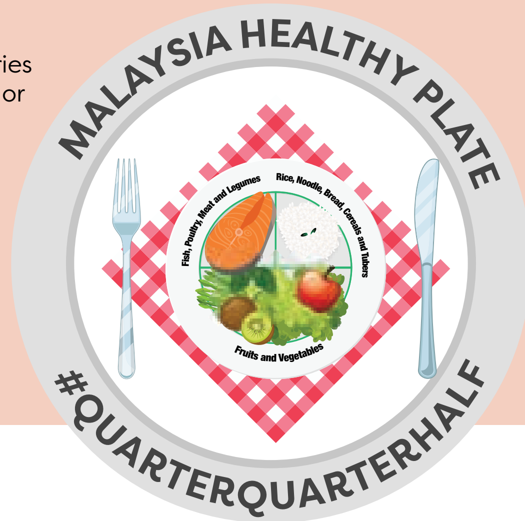


Prevalance (%)

- < 93.56
- 93.56 - 95.02
- 95.02 - 96.5
- 96.5 - 97.76
- > 97.76

Practicing the quarter-quarter-half concept during main meals may help us to achieve the recommended intake of two servings of fruits and three or more servings of vegetables daily. For example, during lunchtime, fill up half of the plate with vegetables and a cut of fruit, and a quarter with a choice of fish or chicken or lean meat, and finish the last quarter with rice. Try to choose dishes that uses less oil, salt, and sugar, and not to forget six to eight glasses of water.

If eating between main meals, or snacking, choose food low in calories and high in nutrients. Fruits (dried or fresh), nuts or wholemeal biscuits are among the better choices over chips and sweet biscuits. Portion control is important to prevent overeating, hence the need to practice mindful eating habits including physical and mental exercises in the prevention of chronic diseases.



Source: NIH (2019)

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DECENT WORK IN DIGITAL PLATFORM:

SOCIAL PROTECTION TOWARDS DELIVERY SERVICE EMPLOYEES IN MALAYSIA

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Decent work signifies opportunities for everyone to get a job that is productive and provides a fair income, security in the workplace and social protection for oneself and families, personal development and social integration. Remarkably, all women and men are given equal opportunities in the workplace. Sustainable Development Goal number 8 stated that decent work and economic growth will enhance the well-being of the society. The assumption of a continued lack of decent work opportunities, insufficient investments and under consumption lead to an erosion of the basic social contract underlying democratic societies. Society as a whole benefit when more people are being productive and contributing to their country's growth. Productive employment and "decent work" are key elements to achieving fair globalization and poverty reduction. In addition, unemployment can lead to unrest and disrupt peace if it is left unattended.

In a similar vein, digital platform jobs extend opportunities to many workers around the globe. According to an ILO global survey, the prominent reasons that make digital platforms job popular are due to worker's flexible work schedules, freedom to choose tasks and the choice to work anytime anywhere. On the other hand, many workers join platforms to earn additional income or due to employment opportunities deficiency.

In Malaysia, the country has witnessed a spike in digital platform jobs in recent years. The leading digital platform food-based providers such as Grab and Foodpanda have been enjoying a surge in demand, particularly during the Covid-19 pandemic when Malaysia introduced the Movement Control Order (MCO). With the dramatic increase in delivery service, the platform created earning opportunities for those in need with over 10,000 people joining Grab as drivers and delivery-partners. Meanwhile, Foodpanda revealed during the first MCO between March and June 2020, that over 20,000 new riders joined the company which doubled the total numbers compared to previous months.

With the expansion of merchant partners, GrabFood recorded a 25 per cent increase in online revenue, while collaborating with over 8,000 merchants. Meanwhile, Foodpanda has ventured into daily grocery deliveries, called Shops, via over 3,500 vendors nationwide including Tesco, 7-Eleven, FamilyMart, Marks & Spencer, Watsons, Shell Select and Petron.

Notwithstanding that digital platform jobs have been acknowledged in Malaysia, there are several issues that have to be addressed. Among the most urgent matters is to give the appropriate status to workers with respect to the conditions of their service. In the majority of cases, delivery platform workers are considered by the platforms to be self-employed workers or "independent contractors" and not employees. However, in practice there are notable elements of economic and legal dependence that must be considered. Acknowledging that service providers, through delivery platforms, are employees would require them to be given a complete scheme of protection; hence, the enterprises that manage the platforms reject this relationship of dependence. Consequently, the alternative is to require this acknowledgement through the courts. It is therefore necessary to assess the possibility of establishing a scheme of protection that ensures that workers of digital delivery platforms have a labour status and protection according to the characteristics of the activity they perform.

"Sustainable Development Goal number 8 stated that decent work and economic growth will enhance the well-being of the society."

"Though EPF and SOCSO allow voluntary contributions under special schemes, these are just part of the solution towards providing greater overall protection."

In 2020 it was reported that 30 delivery riders died while performing the job, with a further 150 injured between March and June.

The issue of the vulnerable position of digital platform workers is that many are ineligible to receive employee benefits from their companies. With 40 per cent of the Malaysian casual workforce making up about 5.9 million people, a stern step must be taken to ensure they receive adequate worker protection. This sector includes freelancers, digital platform workers, those paid in cash and other similar workers. It must be made compulsory for employers to provide minimum wage, insurance coverage, Employees Provident Fund (EPF) contributions and Social Security Organisation (SOCSO) coverage to such workers. The government also needs to include these informal workers in the national social protection system to ensure they have access to the Employment Insurance Scheme (EIS), accident and health insurance, as well as retirement savings.

Though EPF and SOCSO allow voluntary contributions under special schemes, these are just part of the solution towards providing greater overall protection. Therefore, the government must introduce

new laws or an insurance scheme for independent workers to contribute towards the SOCSO and the EPF. Moreover, companies have to be stricter and only allow those dedicated to contributing to the EPF and SOCSO to join them.

A recent development in Malaysia, in response to Covid-19 situation, Grab introduced its "Partner Protection Fund" and "Partner Relief Fund" to help active partners with their daily household expenses. Presently, Grab offers EPF contributions of 5 per cent on the amount contributed by selected driver-partners, subject to a maximum of RM80 a year. A renowned company known as Gojek in Indonesia, a technology giant similar in function to Grab, has taken a step forward. Gojek has partnered with Gigacover in Singapore to allow their drivers to enjoy earnings protection and cover for medical leave and hospitalisation. This shows that there is an avenue towards the successful implementation of such protection. It is evidence that the Malaysia government and digital platform providers must do more for the workers.

There are several other comprehensive social protection schemes or plans highlighted from the International Labour Organisation (ILO) and other experienced countries related to improvise the service:

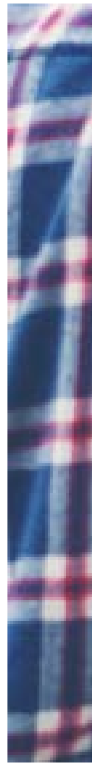
- Adapt the social security mechanisms so that, with respect to any contingencies (including accidents at work), they effectively cover workers in all forms of employment, regardless of the type of contract. Regarding the delivery activity through platforms, which is characterized by fragmentation of the time during which services are provided (connection/disconnection to/from the application), it is inevitable that the wages and the consequent contribution to social security will also be fragmented. This situation makes it necessary to pose alternative instruments regarding social security protection and financing, given that formulas based on contributions could mean low social protection for those who work at jobs that are discontinuous and fragmented over time.

- Provide all workers with adequate protection, in line with international labour standards, and promoting their ratification, implementation and supervision, with particular attention to areas where serious gaps have been revealed by the crisis. This includes respect for fundamental principles of work; an adequate minimum wage, either statutory or negotiated, maximum limits on working time, and safety and health at work with particular attention to the ongoing challenges presented by the COVID-19 pandemic;

- Providing the best opportunity to transition to a decent job calls for investing in education and training of the highest possible quality, providing youth with skills that match labour market demands, giving them access to social protection and basic services regardless of their contract type, as well as levelling the playing field so that all aspiring workers can attain productive employment regardless of their gender, income level or socioeconomic background.

- Governments can work to build dynamic, sustainable, innovative and people-centred economies, promoting youth employment and women's economic empowerment, in particular, and decent work for all.

- Local authorities and communities can renew and plan their cities and human settlements so as to foster community cohesion and personal security and to stimulate innovation and employment.



By 2022, decent work in digital platforms in Malaysia, especially food delivery, will be one of the fastest growing sectors in which the market size is expected to grow to an annual revenue of USD956 million. Therefore, raising society's awareness regarding the situation of digital platform workers was notable in the first mobilizations that took place. Experiences related to the mobilization of delivery platform workers in Spain plays a vital role as an example of an unattended social protection issue. The workers of various delivery enterprises came together on a platform for demands, called Riders x Derechos ("Riders for Rights"), and they gathered in Madrid and Barcelona to protest against the independent condition of the labour relationship.

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WOMEN IN THE LABOUR MARKET IN MALAYSIA

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Introduction

Gender equality in labour force participation (LFP) is associated with higher economic growth and women's improved status in the family and community. However, women's participation in the labour force remains low in developing countries. Globally, the participation rate of women in the labour force was 26.5 per cent lower than that of men (ILO, 2018).

In Malaysia, almost one out of every two women of working age are not in the labour force. Despite sustained economic growth, declining poverty and fertility rates and a high level of female education, women's LFP rate still falls short of the target set by the government (Asadullah, 2020). In the 11th Malaysia Plan, female labour force participation was aimed to reach 59 per cent for the year 2020 (EPU, 2016), yet as of the third quarter of 2020 it was only at 55.3 per cent (DOSM, 2020).

Women's labour market participation is also lower than men. Throughout 1985 to 2018, men's labour force participation rate fluctuated between 85.6 per cent to 80.4 per cent, whereas for women, it ranged between 45.9 per cent to 55.2 per cent (DOSM, 2019). The rate is also considerably lower compared to other ASEAN countries. In 2018, Malaysia was ranked at 84th place in terms of economic participation and opportunity in the global gender gap index with an index score of 0.656 (WEF, 2018).

Apart from the issue of non-participation in the labour market, there is also the problem of women leaving the labour market. In 2018, 68.3 per cent out of a population of 7 million people outside the labour force consisted of women, with 48.4 per cent of them having prior working experience (DOSM, 2019). Two-third of women cited housework, family responsibilities or community commitments as reasons to remain outside the labour force. At the same time, only 3.6 per cent of men reported the same set of constraints (DOSM, 2019).

Given Malaysia's complex social structure, an inquiry into the barriers to female labour market participation needs to consider the role of social factors alongside conventional economic correlation (e.g. childcare provisions) of labour market decisions. This has motivated our analysis. We hypothesize that one's location at birth may capture the long-term influence of customs, gender roles and family values which vary spatially in the country (e.g. Malay heartland states of Kelantan and Terengganu vs rest of Malaysia). In doing so, it can serve as a social determinant of LFP decision. This topic – the effect of one's birthplace on their labour market outcomes – remains debated in academic literature (e.g. Oreopoulos, 2003; Alesina, Giuliano, & Nunn, 2013; Chetty, Hendren, & Katz, 2016) and is also of significant public policy interest. Therefore, we study the determinants of women's labour market entry and exit decisions with a primary focus on the influence of place of birth.

Methodology

The analysis is quantitative in nature and utilized individual level data from the Malaysian Population Family Survey 2014 (MPFS). Women's LFP decisions (relative to men) were estimated using probit regression which accounts for a host of demographic and household characteristics, current location, indirect proxies of care-related factors and place of childhood residence (until the age of 13). Geographic variation in birthplace was modelled as a binary indicator where childhood experience of growing up in Kelantan and Terengganu (compared to other locations in Malaysia) remained the primary focus. Lastly, the Heckman two-step procedure was followed to correct for sample selection bias when examining labour market exit decisions among women. In the exit analysis, the role of birthplace was modelled as one of the specific channels determining the sample selection mechanism. A number of additional sensitivity tests and datasets (e.g. HIS 2014; Census 2010; location-specific childcare provisions) were also considered to check the robustness of the results.

Key Finding

Women are 43.5 per cent less likely to participate in the labour market compared to men possessing similar human capital attributes; those from the rural areas have a lower probability of LFP. Place of childhood residence in Kelantan and Terengganu is a significant driver of nonparticipation decision among women. However, this has no influence on men's labour market decision. Gender earnings gap in the local labour market negatively impacts women's LFP.

The probit estimation on pooled sample showed that being married affects labour market participation among women negatively whereas it positively affects men's participation. Number of children is a significant factor and is negatively related to married women's participation in the labour market – it is not significant for men.

Women are 44 per cent more likely to exit the labour market compared to men possessing similar human capital attributes. Being married currently has the most substantial positive effect on the exit decisions among women (30.2 per cent). The number of children positively affects exit decisions, whereas the presence of parents lowers the probability of exit among women.

"Women are 43.5 per cent less likely to participate in the labour market compared to men possessing similar human capital attributes"

Policy Implicant

Our findings suggest a differential birthplace effect specific to Kelantan and Terengganu. This is suggestive of the persistent influence of location-specific social customs and gender norms governing the lives of females. If true, reform initiatives which can change entrenched social norms towards women would significantly improve women's employment, thereby reducing the gender gap in LFP.

The findings also point out the labour market constraints faced by women in relation to care responsibilities towards children. Therefore, policies that could improve work-life balance as well as create institutional provisions for childcare are likely to encourage women's labour market participation as well as retain them at work.

Recommendations

1. Consider state-specific labour market interventions to assist women who are held behind because of location specific social barriers.

2. Identify policies to incentivize re-entry into work among married women.

3. Gather qualitative evidence unpacking the competing pathways (social customs vs gender norms) that drive geographic variations in labour market outcomes.

4. Make available public data on access to and availability of childcare centres (both private and public) through institutional and user surveys.

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RETIREMENT PLANNING BY CIVIL SERVANTS

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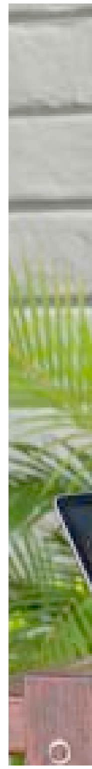
Background

As Malaysia prepares itself to be an ageing society, many of its citizens are entering into life after retirement. Malaysians aged 60 and above comprised only 4.6 per cent in 1957 and after over six decades, this has increased to 10.6 per cent. With increasing life expectancy from 58 years in 1957 to 75 in 2018, the older generation is now living longer. The increase in retirement age, unfortunately, does not commensurate the rise in life expectancy. While life after retirement on average was only about two years in 1957, this gap has increased to 15 years by 2018 given 60 years being the current retirement age. This leaves a long period of time where useful manpower goes untapped nor put to optimal use. In this phase of life, the retirees from both public and private sectors alike risk deterioration of health and their maintenance, which show they require more social supports and adequate healthcare. Dependency ratio keeps rising, partly due to the increase in the proportion of those who are over 60 years in age.



Those aged 65 years and above was 2.23 million in 2018. As people reach the age of 60, the demand to re-employ them is reasonably very low. They will also be incompetent to meet the demands of IR 4.0. Furthermore, the Employee Provident Fund (EPF) stated that most retirees usually run out of life long savings in EPF within five years after their retirement. In addition, many low income retirees are said to have less than RM50,000 when they retire. Many studies abroad have shown that lower income employees are often financially affected after their retirement. As a result, many retirees continue to search for opportunities to earn more income to sustain themselves and their families, despite receiving monthly pension payments.

Civil servants are able to earn a monthly pension and they are paid gratuity in 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 are employed with the government. It thus becomes a time after retirement when civil servants share their life long lump sum savings with their children and spouse, while others also spend on purchasing properties, mortgage settlements, or on their children's weddings. As a result, many civil servants eventually run out of funds and depend on their monthly pension for a living.

A majority of the civil servants are support staff who earn a low income, though they tend to believe that their monthly pension income will be high enough to sustain them. Generally, the support staff have low levels of financial literacy, leading them to poor savings, instable mortgage payments, poor retirement planning, and other decisions. Bank Negara Malaysia uncovered that about half of lower income civil servants' salaries are spent on financing debts, leaving them with little to weather unexpected situations. They spend 47 per cent on personal financing, motor vehicles, credit cards and others – much higher than the national average of 35 per cent. According to the same source, major debts for civil servants are on personal financing (34%) and housing commitments (49%). Thus, poor retirement planning will cause adverse effects on their well-being after their retirement.

"Bank Negara Malaysia uncovered that about half of lower income civil servants' salaries are spent on financing debts, leaving them with little to weather unexpected situations. They spend 47 per cent on personal financing, motor vehicles, credit cards and others."

The study was undertaken to identify the extent of retirement plans by lower income civil servants in preparing them for life after retirement, determine the proportion of civil servants who have plans to continue working after retirement, analyse their expected level of financial stability in their post-retirement period; and determine their extent of preparedness to cope with post-retirement life.

Methodology

The study undertook a quantitative approach using a questionnaire designed to capture the information needed from the respondents who are support staff of the civil service aged 45 years and above. Although initially planned to cover only a small sample of 505 respondents, this increased to 1598 valid responses with the cooperation of CUEPACS Malaysia and the assistance of the State Government of Selangor. The study was extended to cover four categories of civil servants, i.e. those serving at the Federal Ministries at Putrajaya, State Government and agencies in Selangor, local authorities in Selangor, and also Federal Statutory Bodies with the latter mainly representing public universities. Sampling employed a stratified random method based on the four types of target organisations, size and urban-rural representations. Respondents from the ministries were met after obtaining permission from their respective superiors. Respondents were briefed in groups about the study by way of seminars held in halls or at meeting rooms. All respondents were verbally informed to participate voluntarily in the study. The survey was conducted between August 2018 and January 2019.

Background of Respondents

1. Scheme of Service: 97.9% are pensionable, and the remaining 2.1% are those under EPF.

2. Current retirement age chosen: 60 years (64%), 58 years (18%), 56 years (13%), and the rest remained at 55 years.

3. Source of data: federal ministries (39%), state government and agencies (20%), local authorities (19%), and federal statutory bodies (22%).

4. Grade of employment: 19 and below (34%); 20 to 29 (42%), and 30 to 40 (24%).

5. Current average household income: RM5,698 per month.

Key Findings

Given a choice, pension scheme was chosen to secure stable monthly income, job security and to enjoy benefits after retirement. Those under EPF scheme – no other options were given, and is better for investment. Almost half (46%) at least have the intention to continue working after retirement. About six in 10 planned to work up to 5 years after official retirement. They cite inadequacy of savings, the need to support children's education, possess good health, and still keen to work as the key reasons.

Expected income after retirement is found to be insufficient to cover their perceived expenditure (mostly spent on food and loan repayments). They however believe their pension would suffice to cover their expenses. Worse, they are unsure of the amount of pension they would be receiving monthly, and have no knowledge about estimating its amount. 21 per cent feel their savings would only last a year. 63 per cent claim they would have enough savings for 5 years.

Majority of the respondents were unaware of the idea of Private Retirement Schemes, and they would like to contribute in it given a chance. Most respondents queried as to why they are not allowed to continue contributing into EPF or KWAP after being moved into the pension scheme. 60 per cent currently have one to three types of health problems. This is likely to worsen after they retire. Most vulnerable group among the four categories of respondents is employees of local authorities. In sum, only 8 per cent had good retirement planning and our assessment showed less than 1 per cent are well prepared for life after retirement. These rates are worrisome. Lack of support for them would move them into poverty or difficult life after their retirement.

Recommendations

There is a need to strengthen the social protection and well-being of the civil servants. These can be done through the following mechanisms:

1. Encourage and raise awareness for employees to continue contributing into EPF or KWAP even when they are moved into the pension scheme. This is to be implemented immediately to existing civil servants.

2. Need to raise financial literacy and awareness:

   - Promote staggered withdrawal of savings in EPF after retirement;
   - Encourage participation of civil servants in annuity scheme;
   - Emphasize that their EPF savings is meant only to sustain the retiree's life after retirement, not for other purposes;
   - Guide employees on computing expected pension;
   - Plan well for better health and medical protection.

3. May recommend raising retirement age to 62 and as usual employees should be given opportunity to opt-in or decline it. An extension of the retirement age would assist them with added financial support in life after their retirement.

Policy Directions

1. The Public Service Department (JPA) to provide a 'Guidebook to Prepare for Effective Retirement' on financial planning from the beginning of service and have refresher courses every 10 years.

2. Human resource departments in respective organisations can conduct integrated training programmes to educate on financial literacy and planning.

3. Conduct a detailed study on retirement planning and preparedness to retire especially for state and local authority employees across the country.

MALAYSIAN INFORMAL SECTOR:
HOW ARE THEY COVERED AGAINST MAIN CONTINGENCIES?

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Background

The informal sector assumes an important influence in the Malaysian economy contributing 30.7 per cent of the GDP in 2014. The work of Schneider and Buehn (2018) suggests that from 1996 to 2014, the size of the Malaysian informal economy averaged to 31.1 per cent of GDP. Rapid urbanisation has led to massive migration to the urban areas causing increased employment in the informal sector. Most of these migrants neither have the skills nor the qualifications required by the urban economic sector. Thus, these migrants choose to be engaged in the informal sector causing the size of the urban informal sector to increase from 62.9 per cent in 2012 to 82.1 per cent in 2017, implying large concentration of informal sector activities in urban rather than rural areas (DOSM, 2017).

Most of those in the informal sector consist of petty traders, street hawkers, shoeshine boys, garbage pickers, garment makers and as 'underemployed' on the streets of the big towns. Given this scenario, it is often conjectured that they earn low incomes, hence have relatively poor living standards.

The volatile economic environment has led to the dependence on the informal sector as a buffer for income generation. The development of the informal sector can also be attributed to preference especially among the younger generations to be self-employed and to earn incomes in an unrestricted environment.

This study is thus generally concerned with the wellbeing of those engaged in the informal sector. The purpose of this study is hence to mainly assess the well-being of those in the informal sector with the aim of assessing the extent to which their welfare is protected against any economic calamity and to draw national policy directions for social protection coverage for the informal sector. This research involved participants such as hawkers, stall operators including those in wet markets, those selling roadside tea, nasi lemak, banana fritters, as well as pasar malam operators and the like, with a total of 1219 respondents – 610 in Kuala Lumpur and 609 in Pulau Pinang (the island and Province Wellesley), where two-thirds (68.2%) are at the prime age of 20 to 49 years and 9/10 are ethnic Malays.

Global Development Research Center (2016) defined the urban informal sector to comprise any economic enterprise which employs less than a fixed number of persons, and satisfies at least one of the following conditions: (i) it operates in an open space; (ii) it is housed in a temporary or semi-permanent structure; (iii) it does not operate from spaces assigned by the government, municipality or private organizers of officially recognised market-places; (iv) it operates from residences or backyards; and (v) it is not registered.

Key Finding

Income

1. 19 per cent of the contributors earn a monthly wage or salary of less than RM1,200. The average wage or salary of all the contributors is RM2,120.

2. The mean income of the head of a household is RM3,354 with the mode being RM2,000. These figures are indecent unless the household has more than one contributor to the household income.

Business Activity

1. Own account workers account for 60 per cent of total employment in the informal sector studied whilst wage earners comprised 22 per cent.

2. Drivers to the informal sector: 71% - interest, 66% - relative ease of doing business; 35% - less operational problems; 26% - preference for self-employment, 24% - low educational attainment, 21% - need for supplementary income, and 15% - inheritance of family business.

3. 77 per cent began their business on their own initiatives. Other contributing factors are family business inheritance (17%), in partnerships (4%), and business takeovers (2%).

4. Generally, capital is needed to start a business. 96 per cent of the respondents needed some form of capital. 83 per cent of them used their personal savings, and 12 per cent obtained personal loans from agencies such as Tekun, Amanah Ikhtiar Malaysia (AIM) and Majlis Amanah Rakyat (MARA) and the rest from family members.

5. 72 per cent operate with a business license from the local authority and the rest are without such license.

6. 95 per cent operate only at one business outlet.

7. 18 per cent have encountered problems operating their business at the current site. Among the major problems include (i) stiff business competition; (ii) high operating costs; (iii) harassment by enforcement officers; (iv) lack of business growth; (v) excessive controls by the authorities; and (vi) an unfriendly community.
8. 2/3 have operated their business for over 5 years.
9. 38 per cent of the businesses are operated daily, 41 per cent on 6 days, and 12 per cent on 5 days a week.
10. With regard to business hours, 56 per cent operate their business for more than 6 hours each day; while 7 per cent extend beyond 10 hours. In general, 83 per cent conduct business 8 hours or below in a day. Thus, many do not have to toil for long hours to earn a living.
11. 74 per cent of the respondents have experienced decline in sales due to economic reasons.
12. Some register with ROC to obtain financial support from government programmes. Reasons for not registering business with ROC – tedious procedures, high registration fees, and no compulsion to register.
13. 90 per cent are not members of any business association. Among those who are, they are either members of the Malay Small Business Associations or the Night Market Operators Associations. Thus, majority would not be able to act collectively to safeguard their interests should they encounter problems.

Social Security

1. Only 2.3 per cent of the respondents are subscribing to the Employees Provident Fund (EPF), 2.1 per cent to SOCSO, 13.8 per cent has life insurance, 14.6 per cent has health insurance, 18.4 per cent has accident insurance, 23.9 per cent has endowment insurance, and 25.3 per cent has unit trusts.

2. Only 12.3 per cent of the respondents have funds that would last 6 months given disruption in business.

3. 32.5 per cent of the respondents have no monthly savings.

4. Only 23.1 per cent have households that have experienced difficulties in making ends meet.

5. 11.3 per cent of the respondent's household has faced shortage of money to purchase food.

6. In general, they could survive on a day-to-day basis but do not have adequate financial protection against any unexpected event.

Expectations

1. Hopes the government would:

    - provide financial aid for children's education, single mothers, orphans, the physically challenged, and senior citizens;
    - provide support for vocational training and for housing and living expenses;
    - reduce indirect taxes on essential goods and services and their prices and toll charges, and
    - provide health insurance.

2. To facilitate their business ventures, the respondents wish for a financial aid in the form of loans or grants for business establishments and for the provision of suitable business sites and premises. There are also calls for a waiver of license fees.

Policy Directions

Informal sector businesses contribute heavily to GDP as well as job creations despite the fact that many operate under unregulated conditions. In Malaysia, a large proportion of the operations are regulated through licensing of the activity to comply with local government bylaws and to avoid harassment by enforcement agencies. Thus, these activities may be promoted for their better wellbeing. Related policy directions are:

1. Establish Business Support Services

- Set up business advisory units to offer advice on the type of business they could undertake to avoid excessive competition, and on mechanisms to reduce the operating cost of a business. Local authorities should set up new petty business centres in consultation with the participants to minimise frictions between the authorities and the participants. This initiative could boost the income levels of participants and their savings.

- In addition, business licensing procedures should be simplified to boost compliance amongst participants. This would raise hygiene aspects to benefit consumers.

2. Provision of Financial Aids

1. Consider provision of loans or grants to participants in the informal sector via Tekun, Amanah Ikhtiar Malaysia (AIM) and Majlis Amanah Rakyat (MARA) so that their businesses could thrive better with more working capital.

2. Support upward social mobility of participants' households, by providing more education aid to their children to uplift chances of their educational attainment to tertiary levels.

3. Channel more aid for the needy in the informal sector communities such as for single mothers, orphans, the physically challenged and senior citizens in the form of vocational training, health insurance, housing and food. Besides, indirect taxes on essential goods and services should be reduced.

3. Social Safety Net

In terms of their wellbeing, they are vulnerable to all shocks given that many of them do not have savings and health insurance. Majority of them acknowledged that they were adversely affected by economic crisis. Given these circumstances, it is timely for policy makers to design a protection scheme tailor-made to their needs - a savings that offer health insurance (as the case of SOCSO); yet more flexible than the existing EPF scheme, where they can withdraw a certain amount should they face difficulties during economic downturn. In addition, traders in the informal sector should be encouraged to establish traders' associations or cooperatives that provide mutual help amongst members.

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SUGGESTING MEASURES TO REAP MALAYSIA'S SILVER DEMOGRAPHIC DIVIDEND

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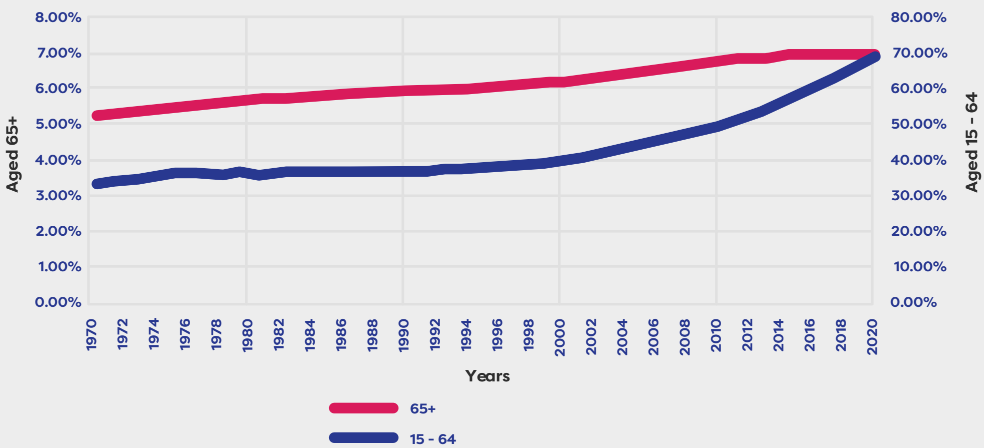
Malaysia is still considered a relatively young country as compared to its neighbours Singapore and Thailand whose ageing population was recorded to be more than 12 per cent in 2019. However, Malaysia's current old age population ratio is exponentially growing as compared to the working age population of the country which is stagnant at 69 per cent for the past couple of years (Figure 1).

FIGURE 1 : Percentage share of population



Such trends have gained particular importance during this current pandemic since the negative economic shock caused by COVID-19 has resulted in difficulty for families with reduced income and job loses to sustain themselves financially. The Khazanah Research Institute reported that the average income falls as a person retires and the pressure lies on the "sandwich generation" (working age population) who have to financially provide both for their parents and their children. The dependency on children's support is no longer as strong as it was due to increased living costs and especially because of the pandemic. The increased monetary pressure has led to higher cases of senior citizen-based violence and other incidents which strip off the dignity and independence which they enjoyed all their lives. In a traditional set-up i.e. post-retirement, senior citizens rely solely on the EPF savings and low-interest yielding fixed deposits. Once the retirement money pool is exhausted, they become dependent on the working members of the family.

According to the Malaysia Ageing and Retirement Survey (MARS) 2018 conducted by Universiti Malaya, a significant 81 percent of sample aged 60-69 (equivalent to 1.59 million individuals) reported that they would prefer to continue working even after retirement. Existing research on the contribution of working senior citizens to economy's GDP does not have much evidence However, Ogawa et al. (2021) simulated Malaysian microdata and conclude that the untapped silver wave is a significant opportunity cost to the country. More specifically, if the economy had 2.14 times more working senior citizens than what it has now, then GDP growth would have been much higher than the observed figures. Therefore, the discussion about re-employing the willing-to-work senior citizens is gaining momentum and Malaysia can implement policy actions based on experiences from existing strategies adopted by already aged or fast ageing economies. Malaysia can also augment the existing policies targeted for senior citizens to include re-employment plans as one of their outcome goals. Following are some policy recommendations which could make the support to the elderly programmes in Malaysia more economically sustainable.

1. Increasing the retirement age:

An obvious and strongly debated step would be to increase the retirement age in Malaysia or consider a gradual retirement scheme where older individuals may choose to lower their working hours yet still remain in the workforce until much later. Currently the retirement age is 60 years since 2013 which is still lower than international average. Singapore has committed to increase the retirement age to 65 by 2030. With the large share of age 65+ population in Malaysia willing and able to work, this retirement age must increase to allow self-sufficiency. As an immediate effect, civil servants who are about to retire would have 5-6 additional years to readjust their income position and increase their EPF savings, which would then help the government to also have higher saving pool to recover from the increased expenditure caused by the pandemic (The Star, 2021).

2. Industry incentives:

As per the Budget 2021, currently the Malaysian government provides tax incentives to employers for employing senior citizens, ex-convicts, parolees, supervised persons and ex-drug dependents. The tax incentive system only works when the companies are making profits. The hard-hit companies due to COVID-19 should be given an option of wage subsidies and wage grants to lower their variable cost and therefore increase their chances of making a profit. The Malaysian wage-based incentive currently only covers up to 60 years old in Malaysia, completely leaving out the after-retirement age group. Countries such Singapore has a re-employment of seniors grant and the country also provides a 50 percent wage subsidy for employing mature workers.

3. Establishment of retired employees job seekers database:

A major gap in the efforts to re-employ the senior citizens is a comprehensive database of such willing-to-be employed individuals. Such a system can be easily adopted in Malaysia with almost no extra cost to the government. The Budget 2021 announced increased allocation to the Senior Citizen Activity Centres (PAWE) which work with the grassroots level agents such as local NGOs to conduct programmes for the welfare of elderly. These already established centres can also extend their services and act like elderly job seeker centres. Such centres can then link employers looking for elderly workers to the willing-to-work seniors in the locality. Currently, like Singapore's 'silver spring' digital initiative, Malaysia has hireseniors.my which operates in very selected urban areas. Without grassroots level intervention, the success of initiatives is an issue since the senior citizens willing to be re-employed might not be digitally savvy and would need hand-holding at the community level from government representatives located at PAWE.

4. Introduction of reskilling and training for the retired individuals:

Currently the PAWE centres are responsible for training, but these need to be standardised to increase the employability of the retired individuals. Nationally recognised micro credential courses such as essential technology training or part time job skills should be introduced by the government for soon to be retiring and retired individuals therefore strengthening their bargaining power when they re-enter the labour market. Such nationally recognised micro-credential course certifications would also decrease the re-hiring search cost for the employers. Such upskilling courses would also encourage across sector recruitment and therefore ensure an even distribution of the retired work pool.

5. Corporate cross training programmes:

The senior citizen labour supply and the young graduates entering the labour market should not be seen as competitors since the skill sets offered by both can be employed in a complimentary manner via the concept of corporate cross training initiatives. Loss of an employee is costly for an organisation. With a retiring individual, the company also loses institutional history, job specific skills and a loyal worker. Depending on the level of job of the individual, custom cross training programmes can be introduced to train the incoming new hires who do not know the tricks of the trade. Workers moving from junior to senior roles can also be trained in a mentorship programmes by the retired senior management worker so that the transition and risk of making mistakes at senior roles is lowered.

6. Supporting self-employment ventures:

The upcoming trend of senior entrepreneurship in the newly ageing societies has encouraged support to this category for example in the European countries like Poland who offers training options to open a business. Currently the retired professionals invest in businesses using their already insufficient lifetime savings with the hope to revive their economic activity. The government should step in by creating institutions where the elderly is helped financially through concessional loans and also business advice for exploring possibilities of income generation. Another successful model of such an initiative is the Prince's Initiative for Mature Enterprise in the United Kingdom.

In such a situation, the senior citizens of the country find themselves more hapless than before and therefore, urgent practical and action-based policy interventions are required to make them economically self-sufficient. Since the ageing trend of Malaysia has long been recognised, the government has implemented several programmes such as cash transfers to senior citizens, however such initiatives only increase the onus on government funding. Other alternative ways of effectively engaging the upcoming silver wave should be explored.

The last Malaysia policy on elderly care (the National Policy for Older Persons) was formulated ten years ago in 2011 and it is time to revamp it to include productive ageing by the possibility of reemployment of the retirees in order to ensure a more sustainable model for growth. Post-retirement employment is a pivotal part of the solution for the ageing society. Re-introducing the retirees with paid work does not only improve their material well-being but also psychological well-being. Strong linkages between government departments and smooth functioning government-industry connections are required for any of the above recommendations to function effortlessly. A more secure system of employment and specific clauses need to be included in the current employment act to specifically safeguard the interest of the already vulnerable senior citizens who are still willing-to-work. Although some of the above recommendations are based on international experiences and probable adjustments in the existing policies and set up, their adaptability in the Malaysian context requires much deeper research on this issue.

USE OF WITHDRAWALS FROM i-LESTARI AND i-SINAR DURING COVID-19 PANDEMIC

Social Wellbeing Research Centre, University of Malaya

The Covid-19 pandemic has caused an unprecedented disruption to the Malaysian economy. The Government of Malaysia has implemented a series of Movement Control Order (MCO) since March 2020, to prevent the spread of the virus which effectively shut down various sectors in the economy. This has caused widespread unemployment, where the employment rate reported in May 2020 was the highest since the 1997-98 Asian financial crisis, and the rate of economic contraction in 2020: Q2 of 17 per cent was amongst the worst in the world.

In its effort to alleviate the impact of this pandemic, the Government has introduced several economic stimulus measures such as Prihatin Rakyat package, the Short-Term Economic Recovery Plan (PENJANA), PRIHATIN Supplementary Initiative Package (KITA PRIHATIN), PEMERKASA dan PEMULIH in the form of cash assistance, microcredit, business loans, loan restructuring, rental deferment, discounts on electricity tariff and many more to help the Rakyat through this difficult time and simultaneously stimulate domestic consumption and protect the economy.

The Employees Provident Fund (EPF) has also introduced a few initiatives that allowed EPF members to make special withdrawals, namely i-Sinar and i-Lestari, from their savings account and to reduce their EPF's contribution at a rate of 7 per cent for the period between April 1 to December 31, 2020. In addition, EPF gave more time for employers to remit their monthly contribution from March 2020 to December 2020.

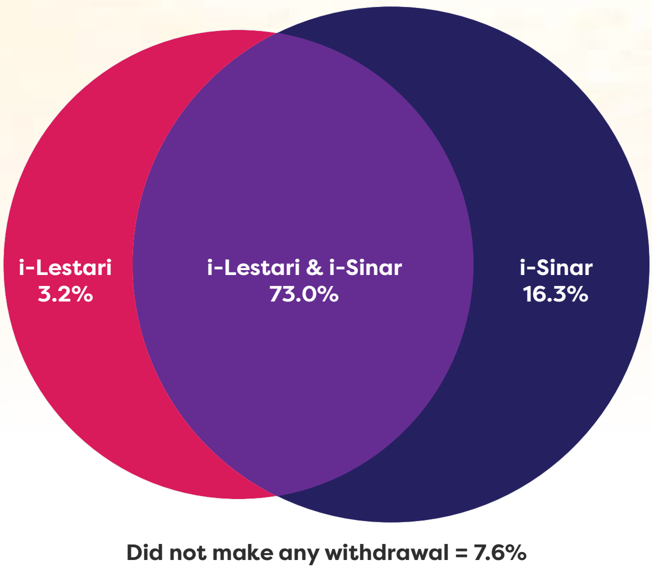
i-Lestari is an initiative to enable members to withdraw from their savings in EPF Account 2 effective from 1 April 2020 to 31 March 2021, to allow members to withdraw from a minimum of RM50 to a maximum of RM500 per month based on the availability of Account 2 balance within a year with the maximum amount capped at RM6,000.

i-Sinar is an initiative to enable members to withdraw from their savings in EPF Account 1 for those under the age of 55 subject to their existing balance. The details of the withdrawal scheme for i-Sinar are as follows: For members with savings of RM100,000 and below in Account 1, they have access to any withdrawal amount of up to RM10,000. For those who have savings above RM100,000 in Account 1, they have access to up to 10 per cent of their savings with a maximum withdrawal of RM60,000. The payments will be staggered over a period of six months with the first payment of up to RM10,000.

According to the EPF, more than six million of EPF members have applied and received payments from their i-Sinar and i-Lestari withdrawals. However, little is known about how these withdrawals have been utilised and how have members been impacted by the Covid-19 pandemic. Hence a survey on the withdrawal of i-Lestari and i-Sinar among EPF members was conducted by the Social Wellbeing Research Centre (SWRC), Universiti Malaya between June to July 2021 to seek information on the impact of Covid-19 on members' lives and the usage of their i-Sinar and i-Lestari withdrawals.

The survey received responses from more than 2,000 EPF members. Among the respondents, 73 per cent had withdrawn through both i-Lestari and i-Sinar, 16 per cent and 3 per cent had withdrawn through i-Sinar and i-Lestari only, respectively and 7.6 per cent did not make any withdrawal from their EPF savings for the past 12 months (Figure 1).

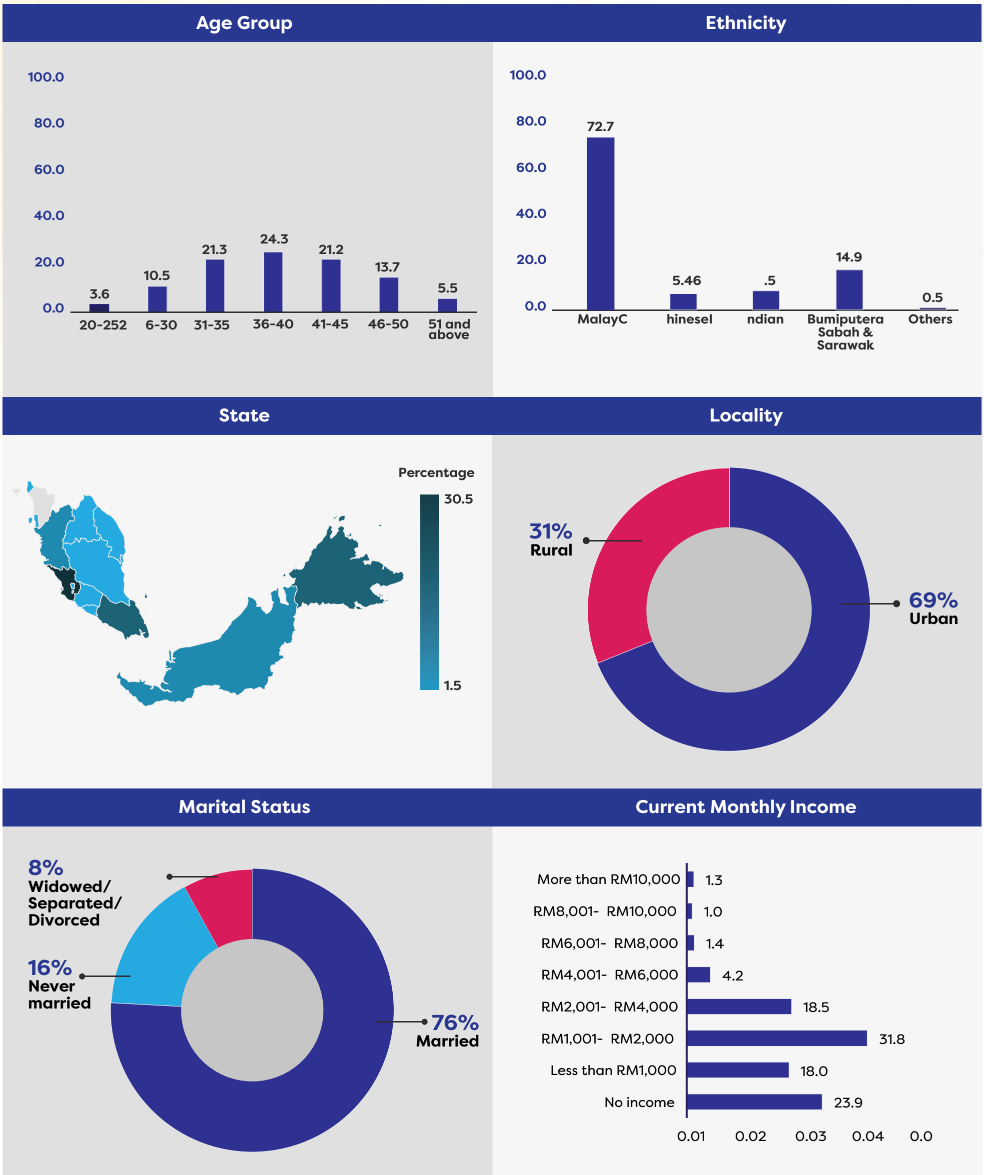
FIGURE 1: Percentage of i-Lestari and i-Sinar withdrawal among EPF members in the past 12 months



Majority of the respondents who had made i-Lestari and i-Sinar withdrawals are aged between 31-45 years (66.8%). The highest proportion of withdrawal were made by Malays (73%), Bumiputera Sabah & Sarawak (14%), Indians (6.5%), Chinese (5.4%) and others (0.5%) (Figure 2). About 30% of the respondents who had withdrawn their savings are from Selangor, followed by Sabah (11.1%) and Johor (10.0%) and is noted that more urban dwellers have made the withdrawals compared to their rural counterparts.

Over 70 per cent of the respondents who made the withdrawals are married and currently earning less than RM2,000 per month and about 24 per cent of them reported having no income at all.

FIGURE 2: Demographic Background



Half of the respondents who have made the withdrawal indicated no change in their employment during the MCO, 16 per cent had been terminated/retrenched, 20 per cent are no longer working or are housewife/ househusband while 9 per cent are temporarily laid off and 5 per cent had changed their jobs (Figure 3).

Among the respondents who were unemployed (temporarily laid off, housewife/househusband/ no longer working and retrenched/terminated/ termination) during the MCO, only 37 per cent of them have secured a new job (Figure 4).

For respondents who are working in their existing jobs, 64 per cent experienced some amount of salary reduction with 36 per cent of them having had more than a quarter of their salary reduced (Figure 5).

Figure 3: Employment status during the MCO in the last 12 months

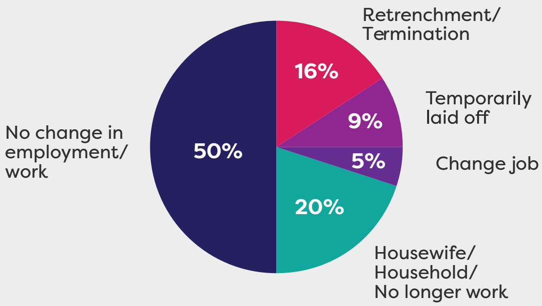


Figure 4: Current Job status who are not working now

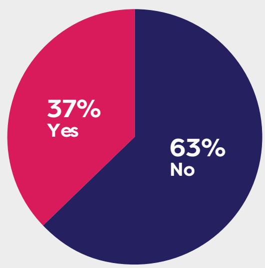
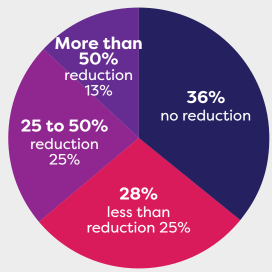


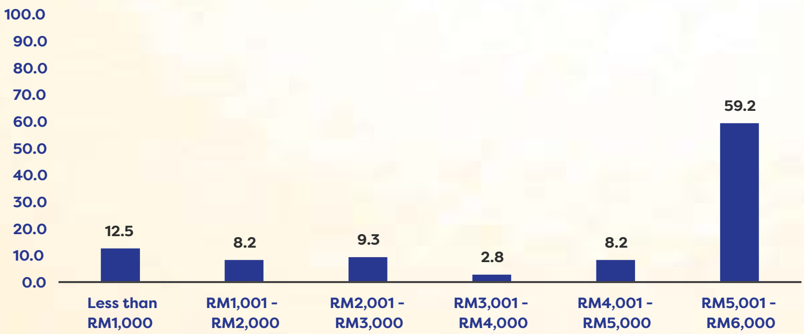
Figure 5: Employment status during the MCO in the last 12 months



i-Lestari and i-Sinar Withdrawal

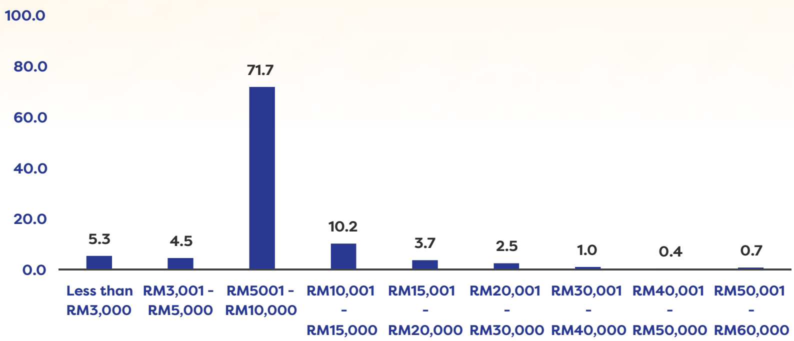
More than half of the respondents had withdrawn between RM5,001-RM6,000 from their Account 2 balance, which is the maximum limit allowed for i-Lestari (Figure 6).

Figure 6: i-Lestari withdrawal amount among the survey respondents



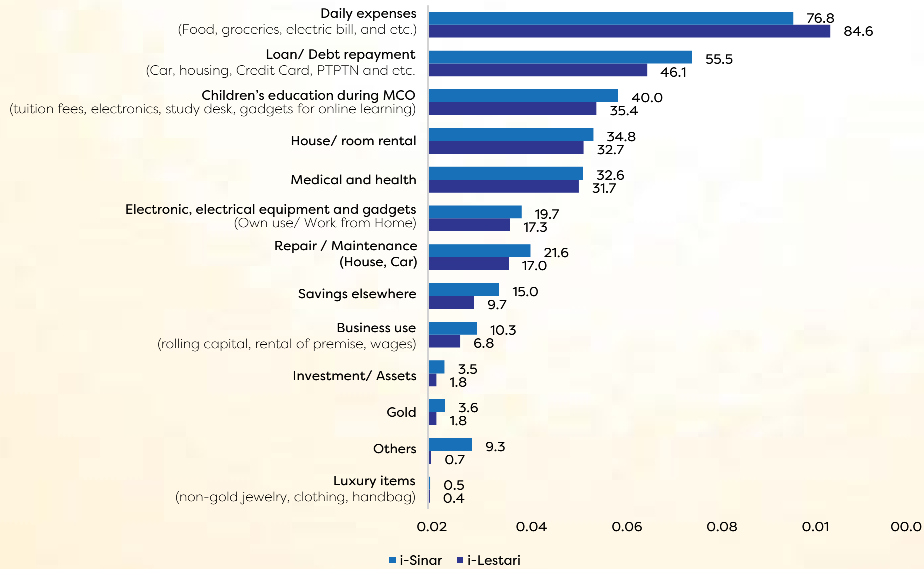
On the other hand, for i-Sinar withdrawal, Figure 7 shows that about 72 per cent had made withdrawal of RM 5,001-10,000, followed by 10.2 per cent who had made withdrawal of RM10,001- RM15,000 while less than 1 per cent of had made withdrawal of more than RM50,000 from their Account 1. The i-Sinar withdrawal amount was capped at RM60,000.

Figure 7: i-Sinar withdrawal amount



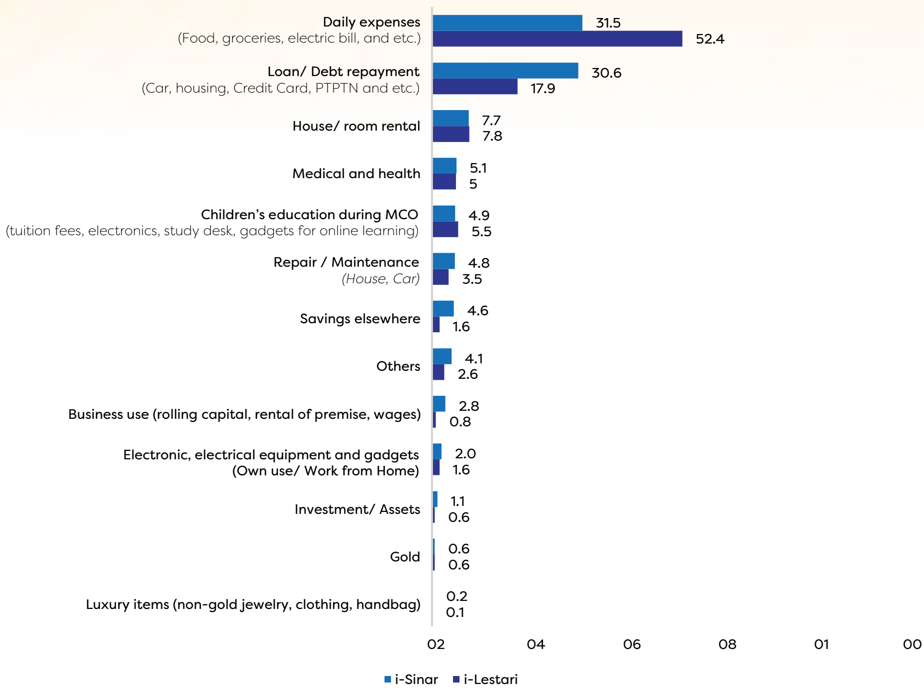
As can be observed from Figure 8, a high proportion of the respondents reported that their i-Lestari and i-Sinar withdrawals were used to pay for daily expenses which include food, groceries, and utilities (85% and 77%, respectively). Higher proportion of i-Sinar withdrawals were used for payment of Loan/ Debt (Car, housing, Credit Card, PTPTN), children's education during MCO (tuition fees, electronics, study desk, gadgets for online learning), house/room rental and medical expenses. A very small proportion of them had used these withdrawals for investment, purchase of gold and other luxury items.

Figure 8: Use of i-Lestari and i-Sinar withdrawals



When asked about the item they had spent most on, more than 50 per cent of i-Lestari and more than 30 per cent of i-Sinar withdrawals had been used to support their daily living expenses (Figure 9). A slightly lower proportion of the respondents reported they spent most of their withdrawals on repayment of loans and debts (31% i-Sinar and 18% i-Lestari).

Figure 9: Item most spent from i-Lestari and i-Sinar Withdrawal



In general, the survey findings show that the withdrawals were mainly used to sustain their livelihood. i-Lestari withdrawals in particular were made to sustain their daily needs while i-Sinar served as an extension from the i-Lestari withdrawals to supplement their earnings. The findings indeed suggest that most respondents that have made EPF special withdrawals used the money as an emergency fund to address their basic and immediate needs in this unprecedented and desperate time. Many have used this opportunity to pay their debt commitment, which may have accrued after the expiry of the moratorium terms for loans. Malaysian households are also forced to adapt to this new norm of working or/& learning from home, which is evidenced by the number of respondents who have spent their EPF withdrawals to buy gadgets or electronic equipment to continue working/learning from home.

It is however concerning that while almost half of the respondents that have made the withdrawals are still working in the same employment, 64 per cent of them stated that they have experienced a reduction in income of at least 25 per cent, suggesting that many people used the EPF withdrawals to supplement their income, as their current income is insufficient to sustain their living. Should the reduction of income continue for a longer duration, it will have a serious impact on people's lives as they do not have much left in their EPF or other savings to act as a buffer to support their future living. While there are members who used their EPF withdrawals for other investment and some took advantage of the loose withdrawal conditions to buy luxury goods or gold, the number is negligible.

One issue of concern is retirement savings adequacy since these withdrawal schemes essentially have depleted the EPF members' savings for retirement. A separate analysis was performed on 70,000 approved i-Sinar withdrawals and 57,000 i-Lestari withdrawals. The data shows that 26 per cent of the members had made withdrawals that exceeded 50 per cent of their Account 1 Balance while 45 per cent did so on their Account 2 balance. Majority of the members (61.3%) whose withdrawals exceeded 50 per cent of their initial Account 1 balance are 25 years and younger and that this proportion decreases with age. A similar trend was observed for the Account 2 balance which indicates that both withdrawals were made mostly by younger members.

There is also a concern for members aged 51 and older where almost 16 per cent had withdrawn more than 50 per cent of their Account 1 balance. This begs the question of whether they will have sufficient savings for their retirement as they would have less than 10 years of employment when they retire at 60 years old as the current retirement age is 60 years old.

Generally, i-Lestari and i-Sinar withdrawals can be seen as a positive initiative by the EPF in providing financial assistance especially to those who have been affected by the prolonged movement control order. In the long run, however, this special provision of non-refundable withdrawal raises the issue of adequacy of retirement savings among its members.

THE CASE FOR PARENTAL ACT IN MALAYSIA

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Elder abuse and neglect are significant public health and social issues that impact the morbidity and mortality of older people. Across the globe, rapidly increasing life span has resulted in many adults having to face challenging time to look after their parents, their children and themselves. Moreover, social and economic advancements have changed traditional family values. Choosing to neglect their filial responsibility due to various reasons leads to emotional and generational conflict. Department of Statistics Malaysia has projected that about 5 per cent of Malaysia's entire population will be 60years and older by year 2030. Malaysia, however, do not have specific laws that govern the rights of older persons to prevent abuse and neglect.

Various Acts that have been enacted in Malaysia came close while not actually governing the rights older persons. The National Policy for Older Persons formulated in 2011 aims to empower individuals, families, and communities to provide friendly services for older persons, and to ensure an enabling and supportive environment for the well-being of older persons. The Domestic Violence Act and Penal Code lack empowerment of older persons, protecting their rights and caregiver support. The Care Centres Act and the Private Aged Healthcare Facilities & Services Act have been implemented in Malaysia with the former focusing on care centres including childcare, rehabilitative care, and homes for the aged while the latter focuses on regulating standards of healthcare services that are administered by professionals in private institutions involving the elderly.

"Across the globe, rapidly increasing life span has resulted in many adults having to face challenging time to look after their parents, their children and themselves."

Filial responsibility is not just culturally expected, it is often legally mandated in many developing and developed countries. While filial piety is a term commonly used in non-Western societies to describe family responsibilities toward older relatives, there are many Western countries including the US, Germany, and France that have provisions that require direct family members to be responsible in supporting their impoverished parents or other relatives, regardless of their age. Filial piety law is a law that enforces obligation of a person, often the adult children to care for their parents. The support can be in the form of emotional or financial support, and including food, clothing, shelter, and medical needs. Several Asian countries such as Singapore, Taiwan, India, and China criminalize refusal of financial or emotional support for one's old parents.

“Several Asian countries such as Singapore, Taiwan, India, and China criminalize refusal of financial or emotional support for one’s old parents.”

Such laws may be enforced by governmental or private entities and may include criminal penalties for adult children or close relatives who fail to provide for family members when challenged to do so. In some states in the US for example, nursing homes and other long-term care facilities use filial responsibility laws to seek reimbursement from adult children for unpaid bills if the children are proven to have the ability to pay. In Singapore, the Maintenance of Parents Act 1995 allows older people aged 60 or more who are incapable to subsist on their own have the right to claim maintenance from their children capable of supporting them but are not doing so.

Currently there is no filial piety law in Malaysia. In view of the multiple factors affecting the lives of older adults, such as the ever-increasing consumption costs, older people's susceptibility to diseases, rising medical and healthcare costs, erosion of the extended family systems and the debilitating impact of COVID-19 pandemic on older persons; shouldn't there be a framework for filial piety law implementation in Malaysia? Notably, the extended period of Covid-19 Movement Control Order (MCO) has given us time to reflect on responsibilities within family members and loved ones. The World Health Organization (WHO) revealed that the rates of elder abuse have indeed increased during the COVID-19 pandemic. (WHO, June 15, 2021)

Based on a nationwide survey involving 5613 adults aged 40 and older conducted by Social Wellbeing Research Centre in 2018 to 2019, namely Malaysia Ageing Retirement Survey (MARS) Wave-1, 8 out of 10 respondents agree that the government should make it mandatory for children to support their parents (Figure 1). Similar trends are observed across all age groups (Figure 2) suggesting that the majority of older adults feel that children are responsible for supporting parents in their old age.

A huge number young population who are busy, coping with their work burden, educational needs and having their own children may neglect their parents' welfare and needs. As such, promotion of ageing in place and intergenerational family unit can be seen as a way of safeguarding the interest of older persons, without having to enforce legal action, as it channelled the duty of eldercare to the immediate next of kin. However, this will also raise the issue of 'sandwich generation', where adult children of the elderly are "sandwiched" between caring for their own children and their ageing parents.

Figure 1: Respondents who agree that government should make it mandatory for children to support their parents.

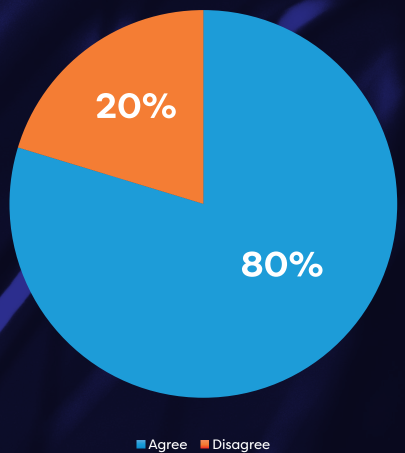
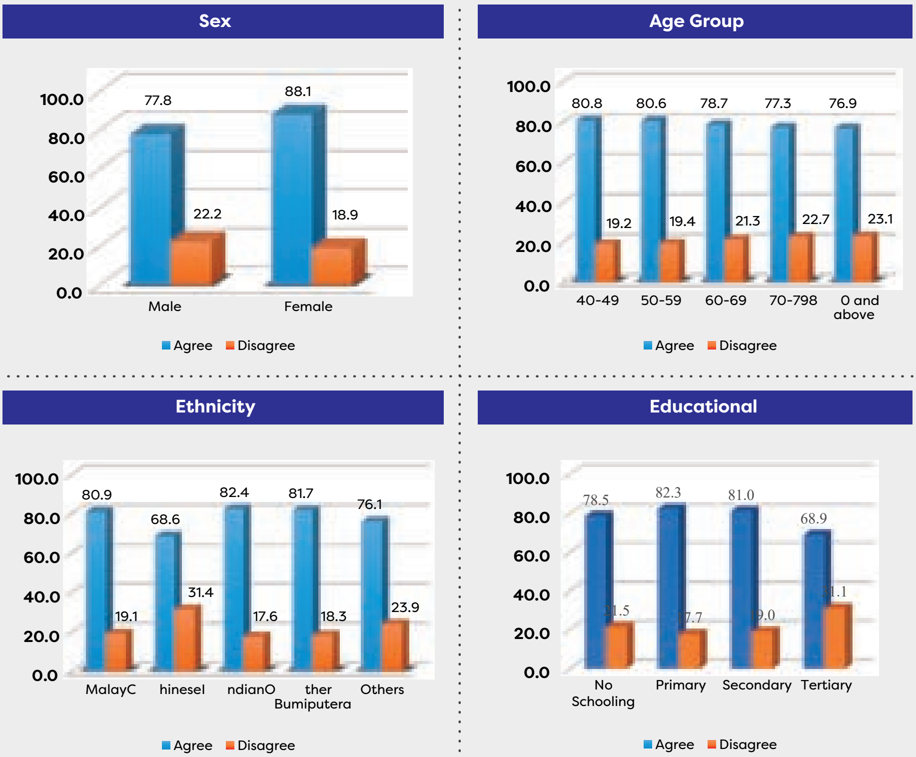


Figure 2: Respondents who agree that government should make it mandatory for children to support their parents by demographic background.

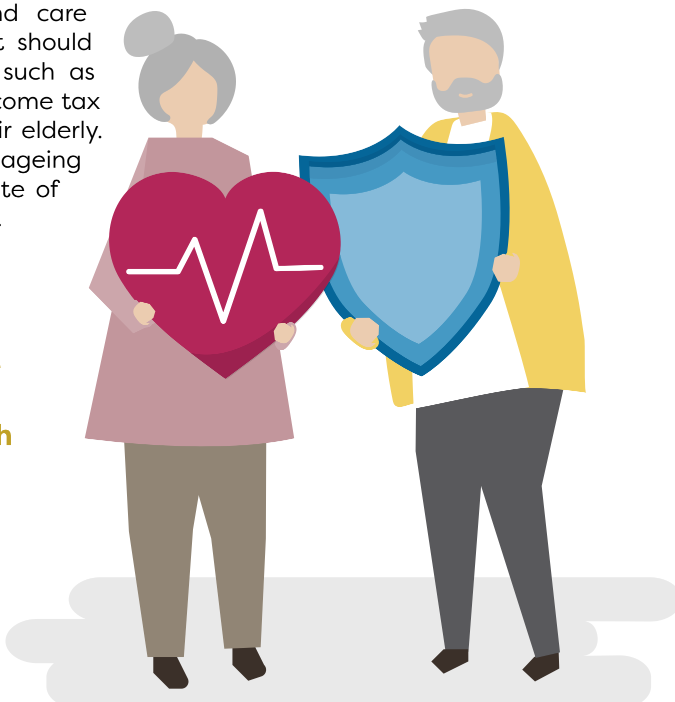


Traditionally, long-term care of older persons becomes the responsibility of family members though it is in the form of informal care. However, in recent years there has been an increasing demand for institutionalized care for the elderly. The elderly care centres in Malaysia are categorised as public, private, and charity based that comes under religious centres and NGOs. Currently, there are about 384 registered public elderly care centres nationwide. The support and cooperation from children to care for their elders residing in these care centres should be legalized as many of the centres indicated delay in fee submission and non-cooperative behaviour such as lack of emotional support and adherence to regular visits.

According to the Center for Disease Control and Prevention in 2020, the disease disproportionately affects the older persons, where people between ages 65 and 74 are five times more likely to be hospitalized than those between 18 and 29. Given that filial responsibility laws require adult children to be responsible for their parents' health and wellbeing, the COVID-19 pandemic could hasten the discussion on enactment of a similar law in Malaysia. Moreover, numerous studies have found that the pandemic had an enormous impact on the mental health and cognitive function among older people due to the risk of social isolation and loneliness.

While having a filial piety law to protect the wellbeing of older people can generally be seen as a good thing, many among younger Malaysians are against the implementation of a law to enforce filial piety. Experts argue that it is not the right way forward for Malaysia. The president of National Council of Senior Citizens Organisations, Malaysia (NASCOM) opined that whilst, Malaysia has not reached a stage where filial piety law is needed but stressed on the need to promote such responsibilities and values within the family and society, culturally and through education.

There is a clear and concerning evidence to suggest the disintegration of traditional family values in filial piety among older Malaysians. There should be a legislation that provides some form of protection for older persons. The coverage should be extended to ensure that adult children take full responsibility in matters pertaining to the wellbeing of their older parents. At the same time, family institutions should be strengthened towards promotion of family support through co-residence, financial and non-financial assistance, and care of the aged parents. Government should provide some form of incentives such as old age support allowance and income tax rebate for families to care for their elderly. This is to promote sustainable ageing in place and hence reduce the rate of institutionalisation of older persons.



"Moreover, numerous studies have found that the pandemic had an enormous impact on the mental health and cognitive function among older people due to the risk of social isolation and loneliness."

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THE NUANCES OF INEQUALITY IN SOCIAL SECURITY

Jarren Tam Keat Wen
Employees Provident Fund

The Employees Provident Fund (EPF) operates on a defined contribution (DC) scheme whereby each EPF member owns an individual account that they deposit and withdraw from until retirement and beyond. The socio-economic disruption resulting from the prolonged Covid-19 pandemic has caused a far reaching impact on the livelihood of Malaysian, being particularly harsh on those who face higher exposure to uncertainty. Besides government cash assistance, subsidies and programmes, the fiscal stimulus package was also supplemented with EPF initiatives (i-Lestari, i-Sinar and i-Citra) that allowed EPF members to make early withdrawals from their Account 1 and Account 2 savings to tide them over this difficult period. As part of the economic shock response, EPF withdrawals injected cash into the people's hands, albeit at the cost of their retirement savings. Salaried employees were also given the option to reduce their mandatory employee contribution rate in 2020 and 2021 by 4 per cent and 2 per cent respectively.

The challenge of managing equity balance within a social security scheme structured on individual savings accounts has become more pronounced in recent years, and was further pressured with the launch of initiatives that allow members to make an early drawdown on their retirement savings for their current needs. Essentially, the economy's financial and labour market risks are shouldered by individual members should anything happen (as compared to the pooling of risk across the general population by a state institution in a defined benefit scheme). This calls for careful evaluation as such an arrangement runs a high individual risk and in the absence of redistributive and risk-pooling corrective mechanisms, it may undermine the solidarity and fairness of the social protection system (Behrendt & Nguyen, 2018). The low rate of financial literacy and understanding of fiscal matters further exacerbates this problem as a large number of members are more than willing to withdraw as much as possible, as fast as possible. Though the equity distribution of the provident fund is not often discussed, it will have far reaching consequences if not addressed.

Lack of Stricter Contribution Limits Has Caused Significant Inequality in EPF Savings

The structuring of individual EPF accounts without strict constraints on inflow has led to the unfettered accumulation of large amounts in high net worth members' accounts. To put this into perspective, the top 0.4 per cent (28,727 members) possess more wealth in EPF than the bottom 51.9 per cent (3.6 million people). Hence instead of minimising the natural tendencies of inequality in provident funds, the lack of a strict input limit worsens the top-heavy fund structure that will continue to increase if left unchecked. The core issue lies in the fact that employee and employer contributions from salaried workers do not have a maximum limit; a salaried worker may contribute up to any percentage with no upper limit of the contribution amount, even on a monthly salary of RM1,000,000. This leads to accounts rising to the tens and occasionally hundreds of millions, going far and beyond the EPF's stated objective of retirement savings provision. EPF beginning operations without an inflow cap has proven to be detrimental as the fund is now obliged to manage and administer high net value accounts that does not currently have an effective outflow mechanism, which is another policy that would be much harder to implement. Essentially, this portion of the fund caters to the rich as an investment vehicle with no management fees, provides returns that will beat inflation and is guaranteed by the government.

Setting this within the current COVID-19 context, pre-existing problems will have been made much worse today, with massive withdrawals being made by ordinary members, making the EPF top-heavier than it already was. This is due to the fact that middle to high income individuals did not face the same financial difficulties and did not need to drawdown from their retirement funds whereas lower income households who are more vulnerable and exposed to the economic impact have chosen to withdraw from their EPF accounts in this time of crisis. All of this was framed as a government stimulus, albeit a regressive one, as the withdrawals were performed disproportionately by EPF members with lower saving amounts.

"The socio-economic disruption resulting from the prolonged Covid-19 pandemic has caused a far reaching impact on the livelihood of Malaysian, being particularly harsh on those who face higher exposure to uncertainty."

Equity In The Allocation Of Finite Resources

The operating costs of running the EPF is supported by the investment income earned from managing the members' money as a collective fund. These resources are used to fulfil the primary objective of helping members prepare their retirement savings for old age. It is imperative to keep this goal in mind when analysing the policies on restricting inequality and playing a role in wealth distribution. Economics is a zero-sum game, whatever is spent performing an activity comes at the cost of another, opportunity cost. The problem with high value EPF accounts is the consumption of resources at a disproportionate amount to other members. As aforementioned, EPF's returns does comprise foregone government revenue which should intuitively be purposed towards wealth redistribution in good governance and social well-being. Free market mechanisms already favour the rich and cause money to flow upwards, hence it is the government's responsibility to carry out the necessary social redistribution. Having laid out EPF's favourable investment gains, it is inherently unjust to reward high value accounts for keeping money beyond what is adequate and comfortable for their retirement. Also worth mentioning is the inter-generational inequality which sees workers across different generation groups experience differing dividend rates according to the present-size of the fund, investment performance and economic conditions during their career years. Ultimately, it is important to ensure that the EPF carefully allocates resources as a state institution, particularly when it comes to luxurious means that goes beyond EPF's core objective.

Investment Fund Size And Diminishing Marginal Returns

EPF as an institutional organisation operates on a finite number of resources which comprises existing funds and a constant inflow through the contributory scheme. Since the population, and the corresponding labour force, has been growing in number over the past several decades, the fund has experienced a natural growth along with the economy and wages. However, the young population has meant that contributions consistently exceed withdrawals, and the fund size has grown significantly, with a large portion being invested into domestic markets which has led to mass asset ownership by the statutory body. This may or may not have a detrimental impact on the Malaysian economy but does contribute towards a higher proportion of state-owned assets. Furthermore, certain channels of investment income are tax-free, which translates to increasing foregone government revenue with a rising portfolio. The most basic of economic concepts has the largest impact, diminishing marginal returns. Once a portfolio has surpassed its optimal size, marginal gains on a growing principal drop off significantly. Hence if the fund is constantly operating beyond its optimal size, the resulting diminishing marginal returns brings back the question of EPF's duty to safeguard members' retirement savings. If EPF were to manage its optimal size and needed to reduce the fund size, then the high net worth accounts should be prioritised, having already achieved its objective. Basically, the management of excess individual savings comes at the detriment of other members.

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Appendix A

Total EPF Members' Achievement of Basic Savings by Age and Gender, Dec 2020

		Male		Female	
Basic Savings Rate	**Age**	**No. of Members**	**Total Savings**	**No. of Members**	**Total Savings**
Achieved	18-20	28,904	257,461,777	18,609	164,781,490
	21-25	121,249	3,274,948,245	92,290	2,471,288,364
	26-30	275,192	16,371,573,586	236,443	13,814,553,903
	31-35	325,018	35,447,985,038	277,015	30,070,806,740
	36-40	274,496	49,748,752,678	224,870	40,733,131,583
	41-45	225,855	62,776,795,657	176,620	48,085,888,067
	46-50	177,460	72,278,910,853	120,093	47,158,354,423
	51-55	116,106	62,235,610,927	66,720	33,904,804,953
Not Achieved	18-20	277,931	496,503,275	206,871	373,932,407
	21-25	862,488	4,948,772,729	764,901	4,330,447,472
	26-30	838,010	11,197,725,934	799,366	10,516,080,205
	31-35	719,203	15,042,908,675	696,400	13,629,004,080
	36-40	690,199	19,958,376,229	654,170	17,449,436,807
	41-45	653,903	25,774,607,569	608,825	22,583,806,568
	46-50	617,453	31,740,516,726	585,679	26,775,930,761
	51-55	555,233	29,522,673,085	539,191	23,813,299,308
Total		**6,758,700**	**441,074,122,982**	**6,068,063**	**335,875,547,130**

Appendix B

Active EPF Members' Achievement of Basic Savings by Age and Gender, Dec 2020

		Male		Female	
Basic Savings Rate	**Age**	**No. of Members**	**Total Savings**	**No. of Members**	**Total Savings**
Achieved	18-20	28,313	252,133,046	18,333	161,721,781
	21-25	117,118	3,165,321,033	89,523	2,395,854,454
	26-30	260,931	15,587,484,152	222,884	13,082,742,822
	31-35	299,747	33,094,940,521	251,217	27,744,517,551
	36-40	246,993	45,627,737,117	200,003	37,045,949,792
	41-45	199,648	56,751,501,393	155,496	43,274,521,643
	46-50	153,142	63,899,216,388	103,637	41,658,639,746
	51-55	96,654	53,313,560,063	55,372	28,867,662,185
Not Achieved	18-20	198,278	418,662,377	148,238	316,438,776
	21-25	556,732	4,107,095,957	504,592	3,635,083,328
	26-30	491,489	8,660,174,315	442,211	7,763,094,193
	31-35	321,434	10,055,242,605	252,900	7,867,101,025
	36-40	248,852	12,053,475,229	197,393	9,034,217,246
	41-45	209,109	14,819,942,576	183,842	11,413,246,237
	46-50	199,876	18,419,719,224	183,024	13,786,341,787
	51-55	189,965	17,494,881,647	166,437	12,432,865,006
Total		**3,818,281**	**357,721,087,642**	**3,175,102**	**260,479,997,572**

Appendix C

Inactive EPF Members' Achievement of Basic Savings by Age and Gender, Dec 2020

		Male		Female	
Basic Savings Rate	**Age**	**No. of Members**	**Total Savings**	**No. of Members**	**Total Savings**
Achieved	18-20	591	5,328,732	276	3,059,708
	21-25	4,131	109,627,212	2,767	75,433,911
	26-30	14,261	784,089,434	13,559	731,811,080
	31-35	25,271	2,353,044,517	25,798	2,326,289,189
	36-40	27,503	4,121,015,562	24,867	3,687,181,790
	41-45	26,207	6,025,294,264	21,124	4,811,366,423
	46-50	24,318	8,379,694,465	16,456	5,499,714,678
	51-55	19,452	8,922,050,864	11,348	5,037,142,767
Not Achieved	18-20	79,653	77,840,897	58,633	57,493,631
	21-25	305,756	841,676,772	260,309	695,364,144
	26-30	346,521	2,537,551,619	357,155	2,752,986,013
	31-35	397,769	4,987,666,070	443,500	5,761,903,055
	36-40	441,347	7,904,901,000	456,777	8,415,219,560
	41-45	444,794	10,954,664,993	424,983	11,170,560,331
	46-50	417,577	13,320,797,502	402,655	12,989,588,974
	51-55	365,268	12,027,791,438	372,754	11,380,434,302
Total		**2,940,419**	**83,353,035,340**	**2,892,961**	**75,395,549,557**

Appendix D

EPF Members' Registration of i-Akaun by Age, 2018-2020

	2018		2019		2020	
	No. of Members Registered for i-Akaun					
Age	Yes	No	Yes	No	Yes	No
≤20	230,690	378,766	258,424	344,831	234,454	313,239
21-25	819,551	1,045,651	1,039,774	829,246	1,173,760	667,170
26-30	1,056,339	1,014,098	1,274,470	817,273	1,520,771	628,241
31-35	946,544	1,016,880	1,160,754	855,577	1,372,625	645,014
36-40	768,421	1,002,252	945,675	860,363	1,155,138	688,605
41-45	654,322	947,222	816,744	818,144	981,657	688,960
46-50	607,213	828,250	757,725	707,058	873,260	629,070
51-55	525,753	670,526	697,391	555,638	789,059	489,831
56-60	274,663	370,865	389,583	339,446	481,254	337,564
61-65	118,139	256,215	164,885	243,647	201,794	244,162
66-70	43,104	232,786	64,982	236,143	83,617	243,920
71-75	12,104	119,226	19,750	116,136	27,335	117,099
≥76	2,288	246,992	4,171	269,823	6,196	294,036
Total	**6,059,132**	**8,129,886**	**7,594,329**	**6,993,482**	**8,900,920**	**5,987,068**

Appendix E

EPF Members' Selection of Account Type by Age, 2018-2020

	2018		2019		2020	
	No. of Members by Account Type					
Age	Conventional	Shariah	Conventional	Shariah	Conventional	Shariah
≤20	603,353	6,103	594,845	8,410	532,450	15,243
21-25	1,817,693	47,509	1,812,402	56,618	1,754,503	86,427
26-30	1,934,190	136,247	1,941,905	149,838	1,955,991	193,021
31-35	1,826,222	137,202	1,853,308	163,023	1,808,973	208,666
36-40	1,662,327	108,346	1,679,086	126,952	1,680,867	62,876
41-45	1,497,507	104,037	1,516,735	118,153	1,529,947	140,670
46-50	1,337,081	98,382	1,351,992	112,791	1,369,279	133,051
51-55	1,118,852	77,427	1,159,184	93,845	1,169,300	109,590
56-60	619,809	25,719	690,140	38,889	763,822	54,996
61-65	370,052	4,302	402,100	6,432	435,848	10,108
66-70	274,822	1,068	299,629	1,496	325,451	2,086
71-75	131,086	244	135,541	345	143,952	482
≥76	249,401	37	274,094	58	300,302	87
Total	**13,442,395**	**746,623**	**13,710,961**	**876,850**	**13,770,385**	**1,117,303**

Appendix F

Average and Median Savings of EPF Members under 55 years old by Age, Dec 2020

Age	No.of Members	Total Savings (RM)	Average Savings (RM)	Median Savings (RM)
≤19	294,960	528,535,285	1,792	1,082
20-24	1,664,367	10,476,393,000	6,295	3,709
25-29	2,163,357	43,335,813,034	20,032	13,841
30-34	2,025,911	85,282,446,747	42,096	28,253
35-39	1,895,591	123,089,462,794	64,935	36,714
40-44	1,705,161	153,426,533,836	89,978	43,448
45	1,536,517	178,063,060,257	115,887	48,444
50-54	1,346,905	161,575,153,693	119,960	39,585
Total	**12,632,769**	**755,777,398,645**	**59,827**	**18,785**

Appendix G

Active EPF Members 60 years old and above by Most Recent Contribution Month, 2020

Most Recent Contribution Month	Age			Total
	60-64	65-69	70-74	
January	5,947	2,411	1,011	9,369
February	4,539	2,086	838	7,463
March	4,274	1,715	678	6,667
April	3,556	1,331	499	5,386
May	2,818	1,006	373	4,197
June	4,063	1,427	529	6,019
July	4,499	1,772	632	6,903
August	5,155	1,726	679	7,560
September	5,709	2,147	774	8,630
October	7,595	3,056	1,022	11,673
November	16,415	6,781	2,347	25,543
December	115,714	51,662	18,643	186,019
Total	**180,284**	**77,120**	**28,025**	**285,429**

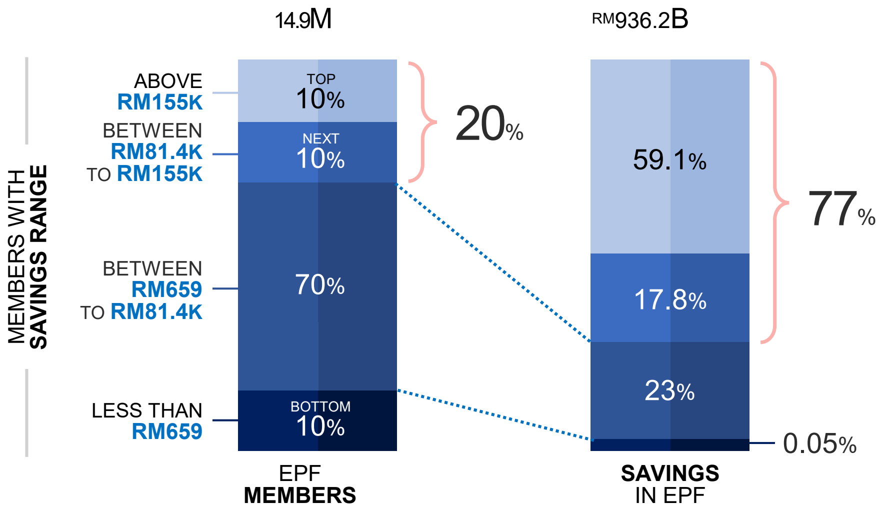
Appendix H

EPF Members by Savings Range, Dec 2020

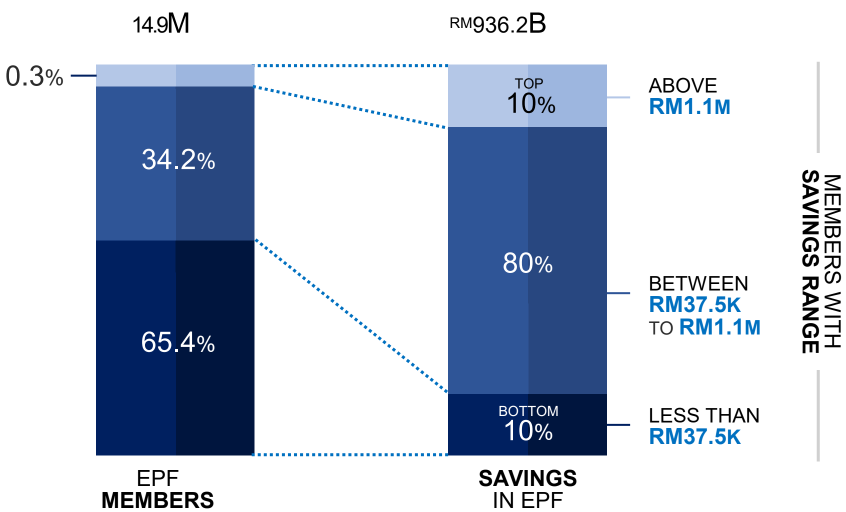
Savings Range	No. of Members	Total Savings (RM)
≤5000	4,727,778	7,871,199,747
5,001-10,000	1,517,923	11,071,241,468
10,001-50,000	4,318,987	110,159,987,097
50,001-100,000	1,872,405	134,065,438,179
100,001-500,000	2,205,090	436,846,447,535
500,001-1,000,000	177,886	120,134,203,132
1,000,001-10,000,000	67,671	111,766,010,989
> 10,000,000	248	4,341,534,600
Total	**14,887,988**	**936,256,062,749**

Appendix H (cont.)

TOP 20% MEMBERS OWN 77%
OF TOTAL EPF ASSETS



THE WEALTH OF TOP 0.3% MEMBERS
EQUIVALENT TO BOTTOM 65%



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