AGEING AND LONGEVITY

TOWARDS A MEANINGFUL RETIREMENT

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Contents

CEO Foreword

Social Protection Insight 2024

Ageing and Longevity: Towards A Meaningful Retirement

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The global population is ageing at an unprecedented rate, a significant demographic shift that can no longer be ignored as it reshapes societies and economies worldwide. By 2030, a whopping 1.0 billion people worldwide will be 65 or older, a number that is expected to double to 2.0 billion by 2067. While longevity is a cause for celebration, it also brings with it a host of challenges. Failure to address these age-related challenges in a timely manner could transform the silver wave of ageing into an overwhelming silver tsunami.

This year's International Social Wellbeing Conference, with the theme "Ageing and Longevity: Towards a Meaningful Retirement", along with this publication, attempts to continue the discourse on this substantial demographic change. Like many other countries, Malaysia is not exempt from this phenomenon: the proportion of people aged 65 and over has grown at an average of 4.8% annually on a compounded basis over the past decade, exceeding the overall population's compounded annual growth rate (CAGR) of 1.3%. As a result, Malaysia is expected to become an aged society by 2043, with 14% of its population aged 65 and above. Despite this relatively short time frame, significant gaps remain in preparing the country to adequately support an aged society.

As one of the primary social protection institutions in the country, the Employees Provident Fund (EPF) recognises that our journey towards ensuring Malaysians have old-age income security is far from over. A significant portion of Malaysians either have low savings or none at all to support their retirement years. Even for those with substantial savings in hand, the lump-sum nature of EPF withdrawals has shown that almost a third of members above the age of 55 deplete their entire retirement savings within five years. Addressing this issue of providing a secure and adequate income during retirement is critical to ensure that the older population can live a dignified life after their working years.

In the face of this critical moment, I would like to instil a key question within the entire community: What more can we do to improve societal outcomes for older people? Rather than being disheartened by the challenges we face, let us view them as opportunities for growth and improvement. The need for comprehensive social protection policies calls for increased collaboration and cooperation among all stakeholders. To ensure the elderly are protected and can enjoy a comfortable retirement, a more comprehensive framework that provides basic safety nets and ensures that a comfortable standard of living is accessible to the younger, productive generations as well as those well into retirement, is needed.

This collection of policy briefs, written by experts and researchers, provides insightful perspectives and practical recommendations for addressing the complexities of an ageing population. The contributions included in this publication address various aspects of ageing, from health and social support systems to financial security and active ageing initiatives. Several articles also illuminate Malaysian society's unique cultural and socio-economic contexts and recognise our ageing population's diverse needs and desires.

As we strive to create a society that values and respects the contributions of our elders, we must foster an environment that promotes dignity, independence and meaningful engagement. This collection is a valuable resource for policymakers, practitioners, and stakeholders alike, and it guides us towards collaborative and sustainable solutions that ensure a dignified and fulfilling retirement for all Malaysians. By embracing the wisdom and experiences of our elders and addressing the challenges they face, we honour their invaluable contributions and pave the way for a more inclusive and compassionate society.

I hope this publication will catalyse constructive dialogue, innovative policies, and collective action to celebrate ageing as a natural and enriching phase of life in the future.

Introduction

By The Editorial Team

We are pleased to present the 7th Social Protection Insight (SPI) issue, a publication dedicated to exploring critical topics in social protection and social well-being. The SPI is a yearly publication by the Employees Provident Fund (EPF) and has been published in conjunction with the annual International Social Wellbeing Conference (ISWC) since 2016. Largely consisting of policy briefs by scholars and practitioners alike, the fundamental goal of SPI is to provide insightful articles that shed light on pressing issues and offer potential solutions for a more equitable, sustainable, and thriving society.

In line with the conference theme of "Ageing and Longevity: Towards a Meaningful Retirement", this edition has thirteen articles that delve into various aspects and issues of ageing and longevity. In addition, we also have two articles by our co-sponsors that provide insights on societal factors and financial inclusivity within both the global and Malaysian context, key issues that could foster greater collective well-being.

Seven of those papers discuss the topic surrounding **retirement and old-age income security:**

- **Nor Iskandar Md Nor (EPF)** explores the idea of introducing a contributory basic pension in Malaysia. In his article "Reforming Malaysia's Pension System: Six Guiding Principles for a Secure Future", he establishes the core tenets that Malaysia should consider when establishing a new retirement income layer.

- At the same time, **Nazmi Idrus (CGS)** discusses the pros and cons of the recent announcement of the Malaysian civil servants' pension reform in his article "Dissecting Malaysia's Proposed Civil Pension Reform".

- Moving away from home and shedding light on Japan's challenges in their pension system, in her article "Japan's Pension System: Challenges and Implications", **Akiko Nomura (Nomura Institute of Capital Market Research)** analyses the concerns of the super-aged nation in dealing with the sustainability and adequacy issues of Japan's pension system.

- Highlighting the lack of retirement coverage for Malaysian athletes, **Mohammad Ikmal Kadir (EPF)** elaborates on the disparity in athletes' pension coverage. He proposes several policy suggestions to expand old-age protection for this underserved group in his article "Beyond the Podium: Ensuring Retirement Financial Security for All Malaysian Athletes".

- **Sam Pei Ying (EPF)** outlines the importance of including a behavioural approach in designing social protection policies and highlights some approaches that the EPF has adopted in its schemes in her article “Understanding Behavioural Insights for Enhanced Policy Iinterventions”.

- **Khairul Anuar Che Yeop and Tiffany Tan (FWD Insurance Berhad)** contribute findings from their study titled “Mapping Malaysians' Expectations in Retirement Planning: A Survey Analysis”. The study focuses on Malaysian working adults' preparedness and awareness of retirement planning. The article emphasises the importance of proactive measures for Malaysians, including increasing retirement savings and improving financial literacy, to ensure a secure and fulfilling retirement.

- Finally, in her article "Enhancing Financial Literacy Among Older Malaysians", **Nurfazlina Kamarulbahrin (EPF)** stresses the importance of financial literacy for Malaysia's elderly population and provides several solutions to enhance retirement income security amongst the group.

In addition, several authors also illustrate the need for **comprehensive social protection measures** to address the vulnerability and challenges faced by specific groups in society, particularly the elderly:

- In their article "Advancing Gender-Inclusive Social Protection for Older Women in Malaysia", **Herlianna Naning and Subash Jai Devaraj (UNDP)** highlight the gender gap in access to social protection in old age, emphasising the need for gender equality, economic empowerment of women, and legal protections to address vulnerabilities faced by women.

- **Dr Helena Varkkey (UM)** focuses on how elderly people are particularly vulnerable to the effects of climate change, stressing the importance of social protection measures, such as social pensions, to increase climate resilience among the elderly in her article titled “Climate Resilience Among the Elderly: A Role for Social Protection”.

- In their article titled “The Critical Role of Healthcare Protection Scheme for Elderly and Retirees”, **Dr Aidalina Mahmud, Dr Rahimah Ibrahim, and Dato' Dr Tengku Aizan Tengku Abdul Hamid (UPM)** underscore the financial and caregiving burdens faced by the elderly and their caregivers in Malaysia, advocating for Long-Term Care Insurance (LTCI) system to provide sustainable healthcare financing and support for the ageing population.

- Finally, our co-sponsor, **Bank Simpanan Nasional**, offers insights into their employee protection initiatives, from recognising years of service through increased EPF contributions to providing medical coverage extending well into employees' retirement, in their article titled "Unlocking the Path to Retirement Bliss: Nurturing Social Well-Being Amongst Valued Employees".

We also have two articles delve into the **opportunities that can be associated with the ageing phenomenon:**

- In their article titled "Spurring the Silver Economy: Exploring Policy Solutions", **Sabreena Zahri, Nadhirah Ibrahim & Datin Aida Jaslina Jalaludin (ICMR)** explore the Silver Economy's growth and offer recommendations to leverage its potential.

- **Heizlyn Amyneina Hamzah (EPF)** proposes strategies to enhance the employability of older workers, drawing insights from benchmarking analyses of Japan and Singapore in her article "Unlocking Potential: Empowering Malaysia's Ageing Workforce".

In the final section, our co-sponsors also provided several essential and insightful findings with regard to the **evaluation and assessment of societal and economic factors** that would allow for improving social mobility and well-being in general:

- **Amundi Asset Management** has collaborated with the OECD to understand perceptions of equal opportunity across 27 countries, whereby it is to understand citizens' perceptions of social risks and the role of institutions and market players in providing everyone with equal chances to succeed in life. The organisation provides the findings from this survey in infographics titled “Exploring Perceptions of Equal Opportunity”.

- Last but not least, **Munirah Khairuddin of Principal Asset Management** provides findings on Malaysia's financial inclusion ranking between countries, as evidenced by the Global Financial Inclusion Index in her article "Malaysia improves overall financial inclusion according to Global Financial Inclusion Index from Principal"

With that, we hope the diverse range of articles in this edition of SPI provokes thought, sparks dialogue, and inspires action. Let us strive to foster a social protection system that promotes the well-being and dignity of all individuals, consequently creating a more equitable and sustainable future.

Reforming Malaysia's Pension System: Six Guiding Principles For A Secure Future

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Summary

The challenges faced by Malaysia's pension systems include population ageing, inadequate retirement savings, limited coverage, and system sustainability. This paper proposes the introduction of a contributory basic pension to replace a portion of pre-retirement income. This would help maintain a standard of living in retirement and alleviate elderly poverty. Additionally, the article presents six guiding principles for establishing this new retirement income layer: a comprehensive approach to addressing old-age poverty, a contribution-based pension, the use of existing infrastructure, minimal government financial assistance for sustainability, the incorporation of redistributive elements, and the avoidance of additional burdens for employees and employers.

Background

The Malaysian pension system faces several challenges that need to be addressed. These challenges include an ageing population, inadequate savings and retirement income, limited coverage of the pension system, and concerns about its sustainability. Currently, there are around 2.8 million Malaysians aged 65 and above, accounting for 8.1% of the total population. By 2043, this number is projected to increase to 5.6 million, representing 14% of the total population. As people live longer and have fewer children, retirees spend more years in retirement, which requires pension systems to provide extended benefits. Moreover, the percentage of Malaysian workers without access to a formal pension system has increased from 37% in 2012 to 40% in 2023 (The Star, 2023; World Bank, 2012). Contract workers, small business owners, freelancers, and the self-employed are not covered by a structured pension system and rely solely on social assistance programmes for retirement income. The issue of insufficient savings among members of the Employees Provident Fund (EPF) is a significant concern, with 48% (6.3 million) of EPF members under the age of 55 having less than RM10,000 in their accounts (Malaysiakini, 2023). This number has increased from 37% (4.7 million) in April 2020, before the introduction of special payouts due to the COVID-19 pandemic. Furthermore, as of April 2024, 2 out of 3 active EPF members in the formal sector do not meet the Basic Savings quantum, making it hard for them to have at least RM1,000 per month throughout a 20-year retirement period (EPF, 2024). The lack of sufficient savings can lead to retirees facing financial hardships and being unable to maintain their desired standard of living.

Guiding principles for the establishment of a contributory public pension scheme

Reforms are necessary for the pension system in Malaysia due to the ageing population, declining birth rates, and other challenges. These reforms aim to ensure the sustainability and adequacy of the pension system while considering the social dignity and well-being of older individuals. Policymakers plan to achieve this by offering a basic pension, which can help replace a portion of an individual's pre-retirement income and maintain their standard of living during retirement. The basic pension provides a guaranteed minimum income to prevent older people from falling below the poverty line. Here are six guiding principles for providing additional income to retirees.

1. Holistic approach to poverty alleviation

Comprehensive strategies should be implemented to address poverty among the elderly and ensure stable consumption. These strategies should include strengthening the social security system, maximising employment opportunities for older individuals, increasing retirement savings coverage, promoting savings and financial literacy, combating age discrimination, ensuring accessible healthcare and affordable housing, supporting family caregivers, and optimising targeted social assistance programmes. Failure to adequately address this issue may worsen social inequalities and jeopardise the well-being of the older population. When expanding pension protection, priority should be given to the self-employed. Another long-term policy direction to consider is making participation in the EPF scheme mandatory for all workers and gradually introducing a voluntary opt-out mechanism. The implementation of an additional layer of retirement income can help alleviate poverty in old age.

2. Promoting a contributory-based basic pension

Mandatory contributory pension systems have been designed to address various risks, including individual shortsightedness, low income, and uncertainties regarding life expectancy and financial markets (OECD, 2023). These pensions are funded on a pay-as-you-go basis, which eases the burden on public finances compared to tax-financed pensions. The government plays a limited role in regulating the system and providing incentives or subsidies to encourage participation, with individuals and/or employers contributing to these pensions. This approach reduces fiscal pressures, mitigates the risk of budget deficits, and prevents the accumulation of debt. Contributory pensions are often seen as more sustainable compared to tax-financed pensions due to the ageing population and demographic shifts. By linking pension benefits to individual contributions, contributory pension systems can more effectively accommodate demographic changes, fluctuations in life expectancy, and fluctuations in the labour market, ensuring long-term viability.

> ***"When expanding pension protection, priority should be given to the self-employed."***

3. Promoting the income layering concept using existing infrastructure

A multi-pillar pension system has advantages, including risk diversification. Pensioners can receive income from various sources, such as mandatory public pensions, mandatory pension schemes, voluntary savings, and targeted social assistance. Diversification reduces dependence on a single source of pension income and makes the pension system more adaptable to economic volatility and uncertainty. A more efficient pension system can be achieved by establishing a basic pension scheme that leverages the existing pension fund infrastructure. This infrastructure has extensive experience and a proven track record in managing pension funds. Leveraging established systems, processes, and expertise allows Malaysia to avoid high upfront costs. Incorporating a new pay-as-you-go pension scheme into the current system can be streamlined, ensuring that pensioners receive their income replacement with minimal interruption and at a lower cost to the government.

4. Sustainable solution with minimal financial top-up from the Government

By reducing government support for Pillar 1 pensions, individuals are encouraged to take more responsibility for their retirement savings. This helps reduce the long-term financial burden on the government and ensures the sustainability of the pension system. However, contributory state pensions in Belgium, Spain, and Switzerland still receive subsidies from their respective governments. In Ireland, the government covers any funding shortfalls, while the Portuguese government partially finances the programme through a portion of VAT. In Korea, the government provides direct subsidies to the National Pension Service to help with administrative costs and strengthen the fund's financial health. Tax incentives or exemptions are also offered to encourage individuals and employers to contribute to the National Pension Fund. These incentives can take the form of tax deductions or preferential tax treatment for pension contributions. If the National Pension Fund faces financial shortfalls or challenges in meeting its obligations, the government may take actions to address these issues. This could involve injecting additional funds into the pension system or implementing reforms to improve its long-term sustainability (Takayama, 2002).

5. Inclusion of redistributive elements while advocating individual and collective responsibility

The redistributive element in Pillar 1 pensions aims to balance income by transferring assets from higher-earning individuals to lower-earning ones. This is achieved through a progressive formula where higher earners contribute a larger amount of their income to the pension system. Upon retirement, pensions are calculated so that individuals with lower incomes receive a higher replacement rate compared to those with higher incomes. This ensures that all retired individuals receive a minimum income, promoting social justice and reducing poverty among the elderly. However, additional savings or investment plans are necessary to supplement basic pensions. As Pillar 1 pensions alone may not be sufficient for a comfortable retirement, contributory pension systems can more effectively accommodate demographic changes, fluctuations in life expectancy, and fluctuations in the labour market, ensuring long-term viability.

6. No additional burden to employees and employers

Currently, employees contribute 11% to the EPF scheme, while employers contribute 13% for those earning RM5,000 or below or 12% for those earning higher than RM5,000. Switzerland has the lowest employer and employee contribution rates at 4.35% each among the 22 OECD countries with pillar 1 contributory pensions. In Spain, employers contribute 23.6% and employees contribute 4.7% to the state pension. Some of the current EPF contributions may be redirected to the mandatory contributory pension fund to avoid an increase in the contribution rate and a decrease in disposable income. The average employer and employee contribution rates for nine OECD countries with Pillar 1 contributory pensions and higher pension index values than Malaysia are 11.63% and 5.26%, respectively.

Conclusion

The Malaysian pension system is currently facing challenges due to demographic changes, inadequate pension provision, and limited coverage. To address these issues, the article recommends six guiding principles for future pension reforms. These principles focus on reducing old-age poverty, promoting contribution-based programmes, utilising existing infrastructure, ensuring sustainability with minimal government financial support, incorporating redistributive elements, and avoiding additional burdens on employees and employers. The aim of implementing these reforms is to ensure the sustainability and adequacy of the pension system, while also guaranteeing a minimum level of retirement income to prevent older individuals from experiencing poverty.

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Dissecting Malaysia's Proposed Civil Pension Reform

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On 23rd January, the government laid out its intention to introduce a new pension scheme for civil servants. The traditional pension system which is based on defined-benefit is set to be phased out in favour of defined contribution system.

While still in the drafting stage, the reform is set to apply only to new hires but also to political positions. In the interim, recruitment of new civil servants will be on a contract basis until a new policy of non-pensionable permanent employment is rolled out.

The issue of pension sustainability is nothing new. Commitment to the government's pension payments has been gradually rising every year. Estimates of 2024 Budget pension expenditure is RM32.4 billion and has been growing at 10.7% annually since 1990.

On the other hand, the rate of growth in revenue collection is slower at 7.8%. As a result, pension as a share of revenue has been steadily rising. For 2024, the ratio is 10% versus 4% in 1990. In other words, for every RM10 the government collects, RM1 is given to pensioners compared to just 40 cents in the past.

More worryingly the projection by the Ministry of Finance shows that pension commitment is likely to balloon to RM120 billion by 2040, reflecting a CAGR of 8.9%.

While the reform is seemingly a simple move, we think it could lead to a tectonic shift in how the Government operates over the next few decades.

Pension reform is a generation-long process

Current pension payments are commitments made by the government as far back as 40-50 years ago. Hence, adjustments made now will only be reflected when the fresh hires retire. Realistically, we could only see a reduction in the government's fiscal commitments beyond the current generation, circa 2060-2070.

In the meantime, pension spending is likely to increase even higher owing to a few factors such as the expanding number of public sector workers, adjustments to inflation, as well as improving life expectancy. In 2024, Malaysians are expected to live up to 76.8 years, an increase from 70.7 in 1990 and projected to reach 80 by 2050, according to the United Nations.

Added contributions will strain public finances

Existing civil servant pension payments are financed under a pay-as-you-go basis, which means current taxpayers fund the benefits of present retirees. This is in contrast to the fully-funded system of the private sector in which individuals contribute to a provident fund for their retirement.

With the proposed move, not only the government have to pay for current pensioners, it will also need to contribute towards the provident fund for new hires. Over time, the contributions will rise alongside the increasing ratio of fund-based hires vs pension hires. At the same time, the pension commitment is unaffected and continues to grow until all pension hires retire. This will add pressure on government finances over the next several decades.

We note that Kumpulan Wang Persaraan (KWAP) has been tasked to reduce the pension payouts. However, the existing fund is insufficient. At an allocated fund size of RM184.5 billion as of June 2023, KWAP can only cover pension payments for about 5 to 6 years. Hence, taxpayers will likely continue to finance the retirees.

As a result, the next few decades will see stronger pressure on fiscal finances. This will either put more pressure on higher tax collections or reduction in other spending commitments.

Civil servants set for a series of reforms

Despite an arguably unattractive salary scheme, the promise of a lucrative permanent retirement income is a major appeal for civil servants to stay on the job.

Post-reform, civil servants may not necessarily feel obligated to stay, allowing for mobility in and out of the government sector. Naturally, this will add pressure on the government's pay scheme to attract talent.

This pressure could lead to wage reforms. Options include monetising allowances and incentives into base salary, or an outright wage adjustment. Already, the government has announced a handsome boost to civil servants' pay under the Public Service Remuneration System (SSPA). Further details are expected to be announced during the budget this year.

Meanwhile, with increasing staff mobility, the seniority system for promotion and base progression for the public sector would be brought into question. Career progression could likely realign with the private sector – based on performance and character attributes.

Other reforms could also include consideration of the retirement age for public service. The government could take advantage of the ageing population and longer life expectancy to address rising pension commitment and the subsequent fiscal constraints.

Conclusion

As economists, we rejoice at the proposal for pension reform. The public sector requires an overhaul given the need to improve productivity and enhance the quality of delivery.

While the government may face greater fiscal pressure in the near term, fiscal position would be more resilient in the coming decades as we face the challenges of an ageing society. According to the World Bank, Malaysia will be an aged nation by 2044, and a "super-aged nation" by 2056.

That said, concern over the rising fiscal payouts could be addressed by reforming the pension system in stages. Removal of pension could start with a certain class or profession (i.e. doctors or lecturers) which minimises the economic and societal shock.

Regardless, the main hurdle remains as the proposal for reform would be brought to Parliament and requires amendments to the Constitution.

We hope that the changes yield a more progressive civil sector, capable of addressing current and future challenges. The government should no longer be seen as an option for the public to chase annuity, instead, it should be a driver in Malaysia's transition towards a high-income economy.

Japan's Pension System: Challenges and Implications

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Diversity of Pension Systems

The fundamental purpose of the pension system is to help people secure income during retirement and their senior years. There are many ways to achieve that goal. For example, the World Bank has provided the concept of multi-pillar pension systems (Table 1). How to combine these pillars is up to each country, and there will therefore be a variety of patterns based on historical and indigenous circumstances.

While one should not look for "one size fits all" answers, there are always some things to learn from developments in other countries. As described in the next section, Japan's pension system consists of multi-pillars, as recommended by the World Bank. Nonetheless, Japan has encountered a number of problems. Some have been resolved, some not, and Japan is now facing new challenges, related to demographic, economic and societal changes. Asian countries, in some way or another, will face many of the same challenges as their populations age and their economies mature.

Table 1: Multi-Pillar Pension Concept

	Characteristics	Funding
Pillar 0	Basic or social pension, at least social assistance, universal or means-tested **Participation:** Universal or residual **Major target:** Lifetime poor	Budget/general revenues
Pillar 1	Public pension plan, DB or notional DC **Participation:** Mandatory **Major target:** Formal sector	Contributions, perhaps with financial reserves
Pillar 2	Occupational or personal pension plans Fully funded DB or fully funded DC **Participation:** Mandatory **Major target:** Formal sector	Financial assets
Pillar 3	Occupational or personal pension plans Partially or fully funded DB or funded DC **Participation:** Voluntary **Major target:** Formal and informal sector	Financial assets
Pillar 4	Access to informal (e.g. family support), other social program (e.g. health) and other individual financial and nonfinancial assets (e.g. home ownership) **Participation:** Voluntary **Major target:** Informal sector and lifetime poor	Financial and non-financial assets

Note: DC=defined contribution, DB=defined benefit

Source: Robert Hozmann, Richard Hinz and Mark Dorfman, "Pension Systems and Reform Conceptual Framework," SP Discussion Paper No. 0824, World Bank, June 2008.

Japan's Pension System

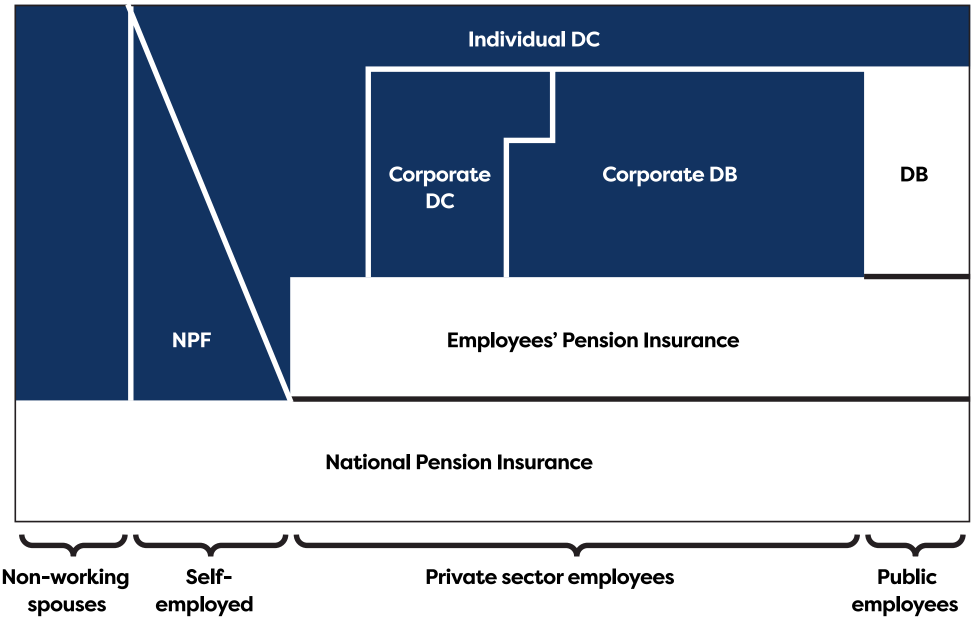
The Japan pension system consists of the public pension system and private-sector pension plans (Figure 1). The public pension system is part of Japan's social security system and consists of the National Pension Insurance (NPI) and Employees' Pension Insurance (EPI). Participation in the public pension system is mandatory. NPI is the basic income portion that covers everybody. EPI is the income replacement portion that covers public and private sector employees.

Private pension plans consist of two types. One is the defined benefit (DB) type and the other is the defined contribution (DC) type. Private pension plans are voluntary in nature, and employers are not required to offer these pension plans. Public employees are covered by DB plans.

National Pension Funds (NPFs) and individual DC plans are individual pension plans. NPFs are for the self-employed and individual DC plans are for most of the working-age population, including non-working spouses. Eligible individuals can join at their discretion.

Applying the World Bank multi-pillar concept, the Japanese pension system incorporates the elements of Pillar 0 (part of National Pension Insurance), Pillar 1 (part of NPI and EPI) and Pillar 3 (DB and DC plans).

Figure 1: Japan's Pension System



Note: (1) Blue areas are voluntary pension plans.
(2) NPF=National Pension Fund

Source: Ministry of Health, Labour and Welfare (MHLW), Nomura Institute of Capital Markets Research (NICMR).

Challenges for the Public Pension System: How to Enhance Sustainability

Achieving universal coverage

The public pension system should aim at covering everybody. In Japan that goal was achieved in 1985.

Often, pension plans based on the workplace are introduced first. In Japan's case, a mandatory pension plan for private company workers was introduced in 1942. This later became today's EPI, and the pension plan for government employees and private school teachers was established in the 1950s. In 1961, the NPI for self-employed people was introduced. All workers were now covered, realising universal coverage. However, those pension plans were separate from each other and the pension system as a whole was not well integrated. Thus, the Basic Pension was introduced in 1985. The NPI became the Basic Pension and part of EPI and the government employee pension also were included in the Basic Pension. The participation of non-working spouses also became compulsory. In theory, everybody regardless of working status now was covered by a common system, the Basic Pension. In 2015, the salary-related portion of the government employee pension was integrated into the EPI.

Rapid ageing and sustainability of the public pension system

The ageing of the Japanese population has been more rapid than projected. To strengthen public pension funding, the public pension premium has had to be raised repeatedly. However, this has meant increasing the burden on the working generation, which cannot be continued forever. Sustainability thus became the biggest challenge for the Japan's public pension system.

Besides raising the premium, policy measures to improve funding prospects and enhance the sustainability of the public pension system include raising the retirement age, reducing the benefit level, and finding other sources of funding. Raising the retirement age has been adopted by a number of developed countries. To give people sufficient time to prepare for such changes to the public pension scheme, the changes must be introduced gradually over a long period of time. In Japan's case, the seriousness of the nation's low fertility rate was recognised in the early 1990s, and the decision to gradually raise the retirement age from 60 to 65 years old was made. Japan is still in the midst of raising the minimum retirement age, which is now scheduled to reach 65 in 2025 for men and 2030 for women.

In 2004, Japan implemented a comprehensive public pension reform. This reform included (1) gradually raising the premium from 13.58% to 18.3% between 2005 and 2017, after which it would remain fixed at the higher level, (2) introducing an automatic benefit control mechanism called the "macroeconomic slide" when the mechanism was ready for use, (3) keeping the income replacement ratio (percent of average public pension benefit to average worker's income) above 50%, (4) financing half of basic pension income from general government revenues, and (5)conducting funding reviews every five years to secure the sustainability of the public pension system for the next 100 years.

In 2012, Japan also decided to raise its consumption tax from 5% to 8% and eventually to 10% and to use the additional revenue for strengthening its social security system. The consumption tax rate was raised to 8% in April 2014, and the increase to 10% is now scheduled for October 2019.

Automatic benefit control mechanism

The automatic control mechanism (the macroeconomic slide) is a fairly complex method of reducing the purchasing power of the public pension benefit over a long period of time. Basically, public pension benefits are increased based on the wage increase for new benefit recipients and on the consumer price increase for retirees. When the automatic control is applied, benefit increases will be diminished by the "slide adjustment rate," which is calculated by the Ministry of Health, Labour and Welfare (MHLW) based on the life expectancy and fertility rate. For example, if the consumer prices rise 2.0% and the slide adjustment rate is 0.9%, the pension benefit will be increase by only 1.1% instead of 2.0% for that year. The same exercise will be repeated until the demographic imbalance between the working generation and retirees is resolved.

To date, the macroeconomic slide has been fully applied only once, in fiscal 2015. It was decided that the nominal benefit amount should not be decreased unless wages or consumer prices decrease. Accordingly, for example, if the consumer price increase is only 0.5% and the slide adjustment rate is 0.9%, the benefit will be kept at the same level (0% increase/decrease) instead of reducing it by the 0.4% difference between the rise in consumer prices and the slide adjustment rate. The law was revised in 2016 to record the forgone adjustments and apply them when possible.

It is never easy to decrease the public pension benefit level. One could say that the macroeconomic slide was devised to implement the decrease without consuming unnecessary political capital by making the decrease automatic. No one could foresee that the Japanese economy would suffer from low growth and deflation after the 2004 reform. It remains to be seen whether the benefit adjustment mechanism will be able to resolve the public pension stability issue over the long run.

A more urgent issue, however, is how individuals and households should make up for the scheduled decrease in the public pension benefit. In short, people should prepare more for old-age financial independence by utilizing private pension plans.

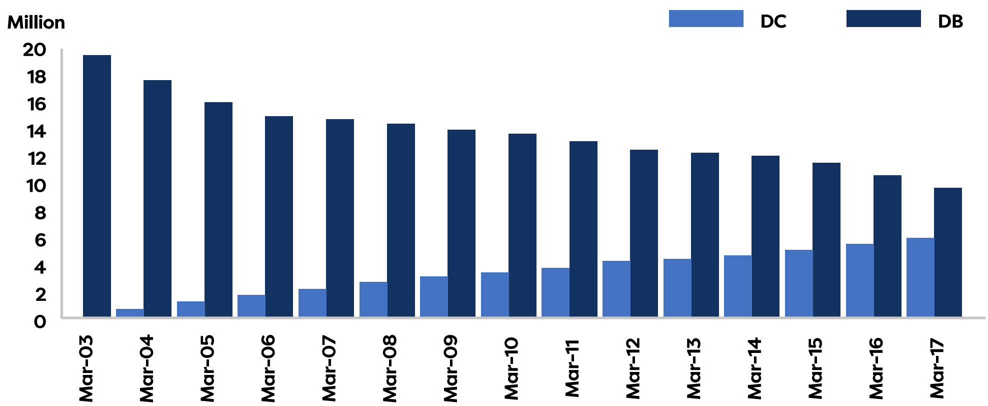
Challenges for the Private Pension System: How to Expand Coverage

Historical development of private pension plans

In Japan, DB plans were once the only type of private pension plans available. During the 1990s, however, the prolonged economic downturn and slumping domestic stock market made it increasingly difficult for employers to keep providing DB plans. Companies could no longer bear the cost of underfunded current and future pension obligations. In 2001, the DC Law was enacted, and corporate DC plans and individual DC plans were introduced. At the same time, DB plan reform was implemented to strengthen participants' rights to receive benefits.

Since their introduction, the number of DC plans and participants has been growing steadily. As of September 2018, more than 32,000 companies have adopted DC plans, which have 6.85 million participants. However, this growth in DC plan participants has not been sufficient to offset the concurrent decline in participants in DB plans. As a result, the overall number of corporate pension plan participants has not grown (Figure 2).

Figure 2: Number of Participants in Corporate Pension Plans



Source: MHLW, NICMR

Table 2: Basic Features of DC Plans

Employer-employee agreement	Employer and employees must agree to adopt DC plans. A DC plan often replaces part of existing retirement benefits, which could be a DB plan and/or retirement lump sum arrangement.
Automatic enrollment	Basically, all eligible employees become participants. Recently, however, plan features closer to elective deferral are gaining popularity.
Employer contributions first	Employer contributes to the accounts. Employees can contribute as well up to the contribution limit prescribed by DC Law.
Investment education requirement	Employers are required to provide investment education to participants. They typically hire a plan administrator. The plan administrator also selects the investment products for the plan, which are typically bank deposits, insurance products (GICs) and various types of mutual funds.
Investment decision by participants	Participants can choose from the plan's pre-selected products when investing their account assets.
Pension portability	When participants change jobs or leave the job market, they can roll-over their DC account assets to corporate or individual DC accounts.
No early withdrawals	There are strict restrictions on withdrawals before 60 years of age. Once participants reach 60, they can withdraw assets in lump sum and/or in installments.

Source: NICMR

Features of DC plans
Employers do not have to worry about pension underfunding with DC plans. Employees can clearly see their own assets in DC individual accounts, and their account assets are portable when they change employers. Although future pension benefits are no longer guaranteed, the other features of DC plans are valuable for employees. Also, in the extreme situation of a corporate bankruptcy, DC individual account assets are unaffected, and participants need not worry about the pension benefit reduction that could occur with DB plans. Basic features of Japanese corporate DC plans are as shown in Table 2.

Japan's DC plans are in many ways similar to 401(k) plans in the United States. One big difference, however, is the contribution limit. In short, it is quite low. The annual contribution limit for corporate DC plan is 660,000 yen per participant at most (around USD 6,000). In the case of US 401(k) plan, it is USD 56,000 per participant. This low contribution limit makes it difficult for many Japanese companies to set an optimal contribution rate, knowing that they will not be able to actually contribute the full amount for participants with relatively high salaries. It is often pointed out that the contribution limits need to be raised in order to further expand the adoption of corporate DC plans.

Expanding the eligibility of individual DC plans

As mentioned above, individual DC plans were introduced at the same time as corporate DC plans. Individual DC plans were targeted at self-employed people and company employees without corporate pension plans. However, the share of non-regular employment had risen from 15% in 1984 to 37% in 2017. Employers generally offer neither DB plans nor DC plans to non-regular workers. To make private pension plans available to all private-sector workers, it became increasingly important to expand the eligibility of individual DC plans.

In 2016, the DC Law was revised to expand eligibility for individual DC plans to virtually the entire working population. As of January 2017, company employees with corporate pension plans, government employees, and even non-working spouses have been eligible to join DC plans at their discretion. The number of participants in individual DC plans has more than tripled in the 20 months from 306,000 at the end of 2016 to more than 1 million in August 2018. However, considering the fact that the number of potential participants is more than 60 million, there remains tremendous room for growth in the total number of individual DC plan participants.

Pension Funds and the Capital Markets

Investment management of GPIF

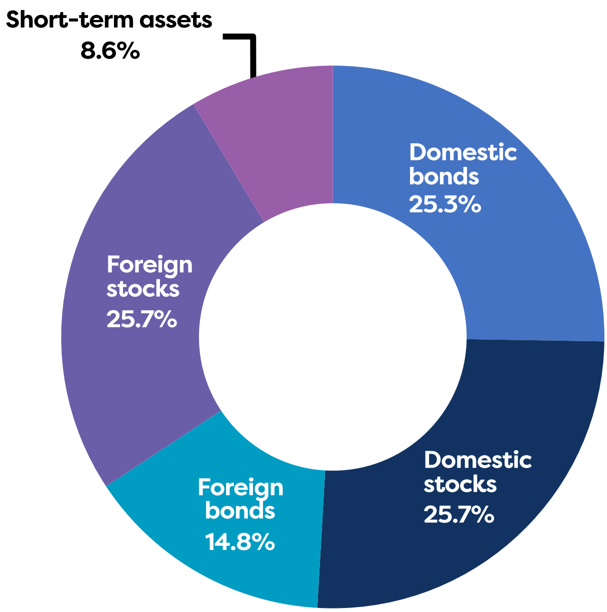
Pension plans are major players in the capital markets. They make long-term diversified investments, which can contribute substantially to the growth of the asset management industry.

Public pension funds tend to be larger than private pension funds in asset size. Japan's Government Pension Investment Fund (GPIF) is the largest pension fund in the world. Its assets under management totaled JPY 161 trillion (around USD 1.5 trillion) at the end of June 2018. Public pension funds in such Asian countries as South Korea, China, Singapore and Malaysia are among the world's top 20 pension funds, according to Pensions & Investments.

GPIF's policy asset mix used to be quite conservative, with 67% of assets invested in domestic bonds. However, the rate of return used as the assumption for the public pension funding reviews was as high as 3-4%. An expert committee recommended GPIF enhance portfolio diversification, and in 2014 the policy asset mix was changed to 35% in domestic bonds, 15% in foreign bonds, 25% in domestic stocks, and 25% in foreign stocks. The actual allocation was shifted accordingly (Figure 3). Due to GPIF's size, 76% of its assets are invested passively, but the indexes it employs have become more diverse. It now can also allocate as much as 5% of its assets to investments in alternative assets, such as private equity, real estate and infrastructure.

GPIF became a signatory of UN PRI (Principles of Responsible Investment) in September 2015. Being a long-term and mainly passive investor, commitment to ESG investments also makes sense for the GPIF, which describes itself as a "super long-term investor" and "universal owner." Strengthening its governance structure was another important change necessitated by the GPIF's investment portfolio becoming more sophisticated. A governing body with a collegial structure was introduced in October 2017.

Figure 3: Asset Allocation of GPIF



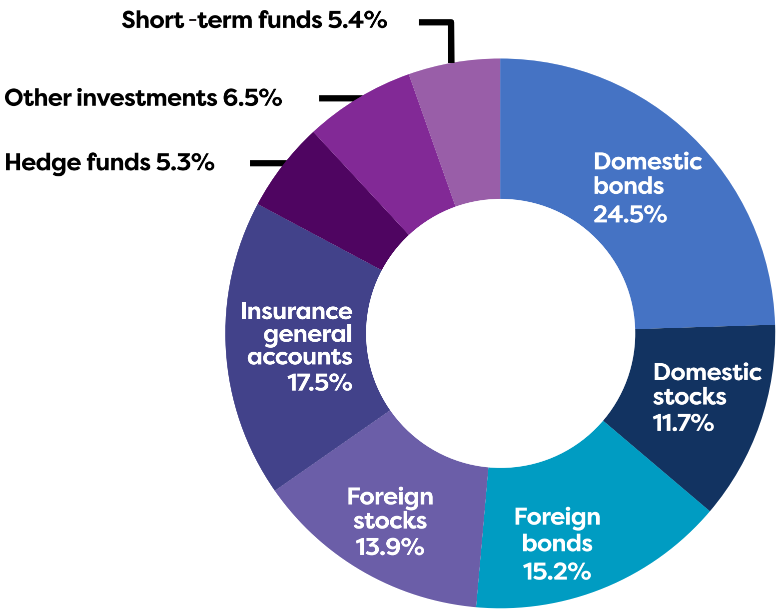
Note: As of September 2018
Source: GPIF, NICMR

DB plan management

Pension fund asset allocation used to be subject to a numerical regulation known as the 5:3:3:2 rule, which required more than 50% of a fund's assets be invested in domestic bonds while limiting allocations to stocks and overseas assets to under 30% each and property investments to under 20%. In addition, pension fund management was restricted to trust banks and insurance companies. In the early 1990s, investment advisory companies were gradually allowed to enter Japan's pension fund management business. The 5:3:3:2 was gradually relaxed and eventually abolished altogether.

Such deregulatory measures led to the diversification of asset managers and investments in Japan. Investment management companies' share of the DB pension fund market has risen from zero to 27%, with insurance companies holding on to a 25% market share and trust banks 48% as of March 2017. In addition, the share of general accounts (insurance products) in pension fund portfolios fell sharply in the late 1990s. DB assets under management totaled JPY 78.7 trillion at the end of March 2018. They are invested in various assets including both traditional and alternative assets (Figure 4).

Figure 4: Aggregate Asset Allocation of DB Plans



Note: As of March 2017
Source: Pension Fund Association, NICMR

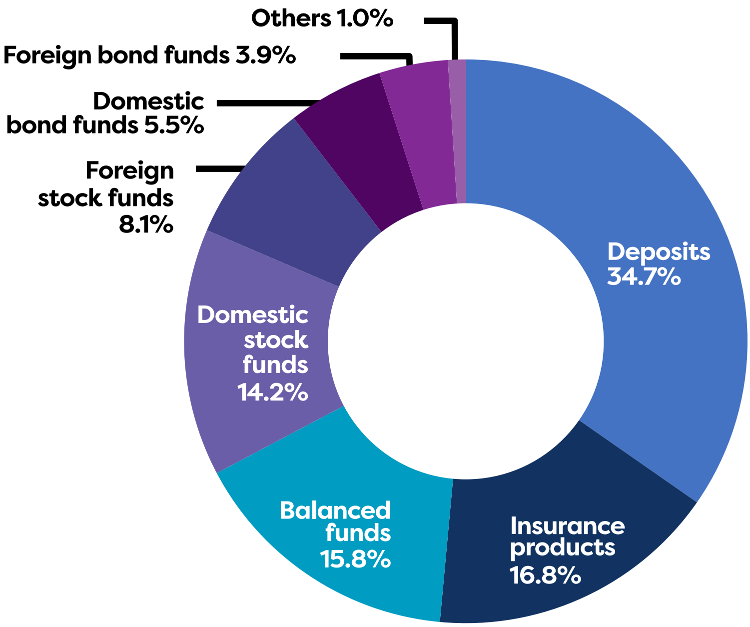
DC plan investments and the introduction of the DC default fund arrangement

As shown in Table 2, DC plan participants direct their own individual account asset management. They are offered investment education and opportunities to achieve long-term asset formation consisting of a diversified portfolio of mutual funds.

However, the data shows that cash deposits and insurance products account for more than half of the outstanding balance of corporate DC plans, unlike other pension funds (Figure 5). In other words, DC plan participants are heavily weighted toward low-risk, low-return assets.

Measures have been taken to adjust such investment behavior, including enhanced financial education programs, but they have yet to produce any significant change in the aggregate DC asset allocation. Therefore, an amendment to the DC Law in 2016 introduced the "Japanese version of a DC default investment fund." In DC plans, if participants do not specify their investment choice, contributions are allocated to the predesignated default fund, depending on the plan's administrative arrangements. If the default fund is subject to price fluctuations, plan sponsors could take the blame when the value of the default fund falls below the initial invested amount. As a result, such contributions usually were placed in time deposits. The introduction of the default investment product addressed this problem by regarding the plan participants as having instructed the administrator to make the investment as long as certain procedures were followed and conditions were met. Participants can opt out at any time.

Figure 5: Aggregate Asset Allocation of DC Plans



Note: As of March 2018
Source: Association of DC Plan Administrators, NICMR

One could say that applying the findings from behavioral finance is a global trend in DC plan design. Automatic enrollment is one feature and to default participant investments in such broadly diversified products as balanced mutual funds or target date funds is another. In Japan's case, while investment education and experience in long-term investment via DC plans could play an important role in enhancing the financial literacy of people, it may not be powerful enough to make participants actually take action and additional nudging may be needed.

The shift from DB to DC may affect the nature of pension funds as institutional investors to some extent because, in many DC plans, the final investment decision is made by participants rather than investment professionals. However, if the main trend is for DC contributions to be placed in default funds, the bulk of DC assets will end up being managed by default fund managers, who should be as sophisticated and professional as DB plan managers.

Concluding Remarks

The role of the public pension system is to provide a broad, if not universal, coverage. This goal has generally been achieved in Japan. However, Japan is ageing rapidly and it will be increasingly important to clarify the role of public pension system—will it be to provide basic income after retirement or to provide some sort of income replacement. Japanese EPI contains both elements, which could cause confusion about what should be prioritised in discussions about the reform agenda for enhancing system sustainability. The importance of strengthening private pension plans is shared by many countries. And DC plans rather than DB plans will play a major role. Trickier issues for DC plans include how to enhance coverage and provide support for participants' investment decisions. It seems that defaulting people into participation in broadly diversified investments is becoming the globally accepted arrangement for resolving these issues.

Pension systems are based on long-term commitments, and system stability is therefore very important. However, when changes are needed, early action is crucial to enabling more people to become better prepared for the changes affecting their old-age pension income. In addition, while pension systems are unique to each country, many common issues exist, such as ageing populations. It is therefore beneficial to monitor pension system-related developments in other countries and learn from other countries' experiences.

Dislaimer:
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Beyond the Podium: Ensuring Retirement Financial Security for All Malaysian Athletes

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Summary

The disparity in retirement support and social protection for athletes is pronounced, particularly between elite athletes in high-profile sports and those in less commercialised disciplines or lower competitive tiers. Elite competitors often benefit from comprehensive pension schemes, endorsements, and extensive medical benefits, thanks to well-established athlete pension programmes in countries like Germany and Australia. These programmes provide substantial support that includes financial assistance and transition resources post-retirement.

In contrast, athletes in less mainstream sports often lack financial support and access to essential training resources, impacting their career longevity and post-sport life preparation. The financial rewards for these athletes are typically inadequate lump sums, insufficient for long-term financial security.

Real-life scenarios highlight the financial and personal struggles faced by athletes upon retirement, underscoring the absence of adequate pension benefits and financial planning. This stark contrast emphasises the need for comprehensive reforms to establish equitable support and pension benefits for all athletes, regardless of their sport or fame level. Proposed reforms include expanding pension schemes, integrating athletes into EPF, establishing welfare funds, and implementing career transition programmes. These measures aim to ensure that athletes can retire with dignity and security, honouring their dedication and contributions to sports and national pride.

Introduction

While discussions on social protection often highlight the vulnerabilities of gig workers, the informally employed, and housewives, athletes, especially those not in the limelight, are frequently overlooked in these conversations. This oversight is particularly pronounced in the context of global pensions for athletes, where a significant disparity exists between elite competitors and those in lower tiers or less commercial sports. For elite athletes representing their countries on the world stage, especially in sports like football, basketball, and track and field, robust support and comprehensive pension schemes are often in place. These athletes typically receive significant financial compensation, endorsements, and access to retirement plans provided by their national sports federations or professional leagues. For instance, countries like Germany and Australia have well-established athlete pension programmes that ensure retired athletes receive financial support and benefits. Moreover, many countries have established athlete welfare programmes and retirement funds to ensure that their star athletes are adequately cared for once they retire from competition. These pension schemes often include medical benefits, financial assistance, and career transition support, recognising elite athletes' immense contributions and sacrifices in representing their nations.

> ***"...many countries have established athlete welfare programmes and retirement funds to ensure that their star athletes are adequately cared for once they retire from competition."***

Table 1: Current pension programmes around the world

Country	Programme	Eligibility	Benefits	Pension Value	Other facts
UNITED STATES OF AMERICA	NFL Player Pension Plan	Players qualify after three credited seasons	Monthly pension payments start at age 55, with disability and survivor benefits.	$470 per month for each credited season	The plan includes a "Legacy Benefit" for pre-1993 retirees, enhancing their pensions significantly.
	Major League Baseball (MLB) Pension Plan	Requires at least 43 days of service for health benefits, 10 years for a full pension.	Pension varies with service time; maximum benefit after 10 years.	Can reach approximately $220,000 per year	It's one of the most generous sports pensions globally
CANADA	Canadian Football League (CFL) Pension	Eligible after playing at least one game	Pension payments based on years of service, starting as early as age 50.	Calculated based on service years and contributions	Players contribute to their pension during their active career.
UNITED KINGDOM	Rugby Football Union (RFU) Injured Players Foundation	For players who suffer catastrophic injuries while playing at any level in England.	Financial support, specialist treatment, home adaptations	Varies; focus is on need-based support	The foundation provides extensive emotional and psychological support.
AUSTRALIA	National Rugby League (NRL) Superannuation Plan	All registered NRL players.	Pension benefits based on contribution from league and club	Pension distribution derived from 9.5% contribution of annual salary	The plan is part of a broader player welfare policy
INDIA	Board of Control for Cricket in India (BCCI) Pension Scheme	Former crickeers with a specified minimum of first-class games	Monthly pension based on match participation	Up to 50,000 INR per month for extensive careers.	The pension scheme was enhanced in 2022 to include more players.

Country	Programme	Eligibility	Benefits	Pension Value	Other facts
SPAIN	Association of Spanish Footballers (AFE) Pension Plan	Membership in the AFE after retirement from professional football	Retirement, disability, and death benefits	Dependent on playing years and contributions	AFE also fights for improved labor conditions affecting pension rights.
ITALY	Italian National Olympic Committee (CONI) Pension for Athletes	Participation in at least one Olympic Games	A state-funded pension based on participation and medals	Depends on achievements during the Olympics. Medalists obtain a higher pension	Funded by government resources, emphasising national pride in Olympic success.
JAPAN	Japan Professional Sports Association Pension Plan	Professional athletes across various sports	Retirement benefits based on years of participation	Calculated based on service and achievement levels.	Reflects Japan's cultural respect for career longevity

However, the landscape vastly differs for athletes competing at lower levels or in less mainstream sports. Many athletes who dedicate their lives to sports such as gymnastics, swimming, or athletics struggle to make ends meet, with little to no financial security to rely on after retirement. These athletes often lack access to proper training facilities, coaching, and financial support, making it challenging to sustain a career in sports, let alone prepare for life after retirement. As a result, these athletes' retirement planning and social protection remain inadequate and overlooked, leaving them vulnerable to financial hardship and insecurity in their later years. Addressing this disparity requires a concerted effort from sports organisations, governments, and international bodies to ensure equitable access to social protection and pension benefits for athletes at all levels of competition, thereby honouring their dedication and contributions to the sporting world. Athletes typically begin honing their skills early in life, often as children, long before they start competing. Despite their early start and the intense dedication required, athletes tend to have relatively short career spans due to the nature of sports, which can be curtailed by injuries, pregnancies, and other factors such as physical decline or competitive pressures thus emphasising the importance of safeguarding the retirement future of our heroes.

The Story of Malaysia

In Malaysia, the Olympic Solidarity Allowance Scheme (SITO) serves as a beacon of recognition for athletes who achieve medals in the Olympics or Paralympics. Notably, Olympic gold medallists receive a lifetime monthly allowance of RM5,000, while silver and bronze medallists receive RM3,000 and RM2,000 for life. This programme is an incentive for the athlete in recognition of their achievements in the Olympics and is not accounted as an old-age benefit according to the Old-Age benefit of the Nine Branches of Social Security according to the International Labour Organisation. Among the esteemed recipients of SITO are Malaysian sporting icons such as Datuk Lee Chong Wei, Dato' Azizulhasni Awang, Dato Pandalela Rinong, Cheong Jun Hoong, and three national Paralympic gold medalists, Mohd Ridzuan Puzi, Mohd Ziyad Zolkefli, and Abdul Latif Romly. However, it is important to note that not all sports are contested in the Olympics, leaving successful athletes like Datuk Nicol Ann David, who excelled in squash—a sport not included in the Olympics—without the same recognition and financial support. Additionally, the financial rewards for athletes competing in non-Olympic sports are often given as one-off, lump-sum amounts, which are not sustainable in the long term for supporting an athlete's life after retirement.

Despite such prestigious recognition for top achievers, the Olympic Council of Malaysia (OCM) seeks to expand a pension scheme beyond an allowance for successful Olympians, aiming to include all qualified national athletes to ensure their future. Despite these efforts, significant gaps in social protection persist, leaving many athletes unaccounted for and underserved compared to their counterparts in more renowned sports, underscoring the need for comprehensive reforms to provide equitable support for all Malaysian athletes.

In Malaysia, the narrative of national athletes' transition into retirement is often a sobering reflection of broader systemic gaps in support and compensation. These athletes, once celebrated as national heroes for their exceptional contributions on the global stage, frequently face an uncertain future marked by financial insecurity once their athletic careers conclude.

The following narratives are not mere hypotheticals but actual accounts of Malaysian athletes who have graced both local and international stages. These real-life stories showcase the diverse experiences and challenges faced by athletes across different sports, emphasising the harsh realities of transitioning from active competition to retirement without adequate financial security.

Consider an athlete who dedicated nearly a decade of their life to representing Malaysia in less popular sports at prestigious events like the 2004 Athens and 2008 Beijing Olympics. Throughout their active years, they earned a monthly salary of merely RM1,500, a value that currently stands as the minimum wage threshold here in Malaysia. Despite their significant sacrifices and the laurels they brought home, their post-sport life as an insurance agent offers no pension benefits stemming from their sporting contributions. This lack of post-career support starkly contrasts with the extensive training and national pride they carried during their service from 1999 to 2008.

Another illustration involves a dedicated athlete whose career spanned from 1990 to 2000, participating in multiple world championships and SEA Games. This athlete now works as a full-time instructor and earns a similar monthly salary of RM1,500, based on proof of lost income required by the sports association. Like many of their peers, they receive no pension, leaving them with no financial reflection of the decade they contributed to Malaysian sports.

The plight is consistent even among those with shorter careers, such as an athlete whose stint included the 2003 SEA Games over two years and earned a monthly income of RM1,200. Today, as a full-time instructor, they face similar financial vulnerabilities with no pension plan to honour their national service.

Even athletes with more recent contributions, like a journeyman active between 2015 and 2020 with participations in the SEA and Asian Games, ended up in non-sporting roles post-retirement. Despite earning RM1,500 per month during their career, their only pension prospect now comes from their current clerical job at a municipal council, unrelated to their years representing the nation.

In contrast, stands a superstar athlete with Olympic silver medals and a net worth significantly bolstered by sponsorships and endorsements. They benefit from a specialised allowance benefit through the SITO, which provides a lifetime monthly payment of RM3,000. However, this level of success and financial security is an exception rather than the norm among Malaysian athletes.

These individual stories, while anonymised, shed light on a critical issue: the lack of systemic financial planning for athletes' post-career lives in Malaysia[1]. They underscore the urgent need for a comprehensive pension scheme that recognises and compensates these national heroes for their dedication and sacrifices long after their athletic performances conclude. As we honour their contributions, ensuring that their commitment to national sports is met with an equal commitment to their welfare beyond their active years is imperative.

[1] **Disclaimer:**
The supportive narrative presented in this brief is based on real experiences and interviews with Malaysian athletes. Names and specific details have been omitted to protect privacy and confidentiality of individuals involved.

Recommendations for a Comprehensive Pension Scheme for Malaysian Athletes

1. Expansion of the Olympic Solidarity Allowance Scheme (SITO):

The proposed expansion of the Olympic Solidarity Allowance Scheme (SITO) aims to extend its benefits beyond Olympic medallists to include all national athletes who have represented Malaysia in any accredited international competitions. This expansion would introduce a graded pension scheme, reflecting each athlete's level of achievement and years of service. For example, athletes participating in multiple international events could be eligible for a monthly pension of RM2,000, while those with fewer achievements might receive RM1,000. Additionally, athletes would have the opportunity to contribute a portion of their competitive earnings to their pension fund, with matching contributions from their respective sports federations, enhancing the sustainability and breadth of the pension benefits.

2.Integration with the Employees Provident Fund (EPF):

Another vital reform involves the integration of national athletes into the Employees Provident Fund (EPF). This initiative would ensure that all national athletes are automatically enrolled as EPF members, with contributions being made both by the athletes and their sports federations during their active years. The EPF's structure, which provides financial security based on cumulative contributions and accrued dividends, would be leveraged to establish a stable retirement fund for athletes. A fixed percentage of the athlete's monthly earnings would be earmarked for the EPF, complemented by an equal or greater match from the sports federation or national sports body, securing their financial future post-retirement. This can also be complemented by voluntary contributions by the athletes from the prize money and endorsement income they receive away from the sport they compete in to further bolster the retirement income adequacy of the athletes.

3. Establishment of a National Athletes Welfare Fund (NAWF):

Furthermore, establishing a National Athletes Welfare Fund (NAWF) is proposed to support athletes who have competed nationally for at least five years. This fund would offer a fixed monthly pension starting at RM1,500 for five years of service, with an increment of RM300 for each additional year of service. The NAWF would be funded through government allocations, public donations, and a portion of revenues from national sporting events, ensuring a sustainable financial base for this essential support.

4. Career Transition Programmes:

Lastly, implementing Career Transition Programmes would provide mandatory support for all retiring athletes who have served at least three years. These programmes are designed to offer career counselling, job placement services, and educational opportunities, facilitating a smoother transition for athletes moving on from their sports careers. Funding for these programmes would be a collaborative effort between the Ministry of Youth and Sports and private sector partnerships, ensuring a comprehensive support network for athletes adjusting to post-sporting life.

Conclusion

Even in the landscape of global sports, the disparities in post-career support for athletes are stark. Elite athletes in prominent sports often enjoy comprehensive support structures, including substantial pensions, endorsements, and medical benefits, ensuring their financial security long after their competitive days are over. For many athletes, especially those in less publicised sports or those who do not reach superstar status, the end of their athletic career can mark the beginning of significant financial and personal struggle. This disparity is acutely visible in Malaysia, where many national athletes find themselves without sufficient financial safety nets upon retiring. Therefore, as we seek to move beyond the podium's fleeting glory and into a future where every athlete can retire with pride and security, establishing a robust pension scheme specifically designed for athletes becomes crucial. This initiative would provide our heroes of sport with the stability and dignity they deserve after years of dedication and sacrifice, ensuring that their legacy and contributions to national pride endure well beyond their days in the spotlight.

Understanding Behavioural Insights for Enhanced Policy Interventions

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Employees Provident Fund

Summary

The paper introduces behavioural insights as a more nuanced approach to understanding human behaviour and decision-making. It highlights how individuals often act irrationally due to cognitive biases and information limitations, in contrast with the rational agent's assumption of logical decision-making based on perfect information. The example of automatic enrolment in retirement savings plans illustrates the effectiveness of nudges in addressing behavioural barriers like inertia and short-term bias. At the same time, narrow bracketing of mental accounts allows individuals to focus their attention and resources on specific aspects of retirement planning and, thus, helps to mitigate the likelihood of succumbing to impulsive spending or neglecting long-term savings goals.

Overall, the paper emphasises the importance of addressing behavioural biases in policymaking and suggests that behavioural interventions can complement traditional policy tools. By leveraging insights from behavioural science, policymakers can design interventions that guide individuals towards better decisions without infringing on their freedom of choice.

Introduction

For decades, behavioural and social scientists have debunked the rational agent model. According to the rational agent model, individuals, groups, and organisations are driven by an impartial assessment of available information to optimise their decisions. Information initiatives encompass educational programmes and informational campaigns aimed at enhancing decision-making. Incentives such as financial rewards, punishments, tax credits, subsidies, etc., function as motivational tools to align individual behaviour with government interests. Regulation involves mandates that provide specific incentives or disincentives through legal sanctions, such as licensing requirements or prohibitions on certain behaviours.

However, in most cases, individuals routinely act irrationally and violate assumptions of the rational agent model because they have a limited capacity to retain and process information. Behaviour is often influenced by how options are framed and labelled. Individuals are normally biased to stick with default options or status quo and towards immediate rather than future consumption (Fox & Sitkin, 2015).

Early behavioural researchers sought to understand the mechanisms of human behaviour by exploring motives that drive actions and the ways those actions can be influenced. In the ensuing decades, behavioural insights were used to encourage positive behaviour and mitigate negative behaviour. In doing so, researchers have used behaviours to understand situations and replicate interventions that work best for people. To counter irrationality as mentioned above, traditional economic tools are applied to enforce a more rational decision-making.

The Nudge Theory

In 2008, behavioural economist Richard Thaler and legal scholar Cass Sunstein, two American scholars at the University of Chicago, popularised the "Nudge" theory, which advocates the usage of behavioural insights to design interventions that promote desired behaviours while preserving freedom of choice. In general, the Nudge theory complements traditional approaches to policymaking. It derives information from observations of how people actually behave in real-life situations rather than on the theoretical behaviour of rational agents as prescribed by traditional economic models. That being said, nudges are effective when behaviours are influenced strongly by cognitive biases as they help individuals make choices that are in their best interests.

In the context of retirement savings, most people acknowledge the importance of saving for retirement, yet many fail to take action due to inertia, which refers to the tendency to maintain one's current state or avoid making changes, even when they may be beneficial. As a result, individuals may neglect to enrol in or contribute to retirement savings plans despite recognising its significance. However, nudging can gently guide individuals towards decisions that will make them better off, taking into account the cognitive biases that often influence choices.

One of the notable uses of nudges is the United Kingdom's (UK) automatic enrolment into a workplace pension. Under the UK law, employers are required to automatically enrol all eligible workers into a workplace pension and make contributions to it, but employees have the option to opt out but only with a valid reason. Here, it is important to note that automatic enrolment in itself is not a nudge, but if it is paired with an opt-out option, it turns into a nudge. Nudges allow individuals to make choices based on their own perceived interests, which is considered a significant advantage because it avoids cognitive bias where people focus on "being told what to do" instead of "what is in their best interest" (Jachimowicz, Duncan, and Weber, 2016).

The Case for Automatic Enrolment in Malaysia

In Malaysia, formally employed workers are required to make contributions to the Employees Provident Fund (EPF) directly from their payroll, and there is no opt-out option as stipulated in the EPF Act 1991. Therefore, automatic contributions to the EPF are not a nudge because these employees are not given a choice whether to contribute or not. The only way for an individual to opt out from the scheme is either to become self-employed or to leave the workforce, as in both cases, they do not need to contribute to the EPF. As long as individuals have an employer, both employer and employee must contribute to the EPF. The aim is to ensure that Malaysians save adequately for their retirement, given that many lack awareness of the importance of retirement planning. To date, informally employed individuals or self-employed are not mandated to contribute to the EPF if they do not wish to. While they are not required to do so, they are encouraged to voluntarily contribute to the EPF.

In a recent World Bank report (2024), informal employment in Malaysia has exhibited a decline from 38.4% in 2012 to 26.8% in 2022, which accounts for about 4.1 million workers. Despite the World Bank's report of a decline in informal employment, they also highlighted that informal employment is likely to persist over time, especially gig employment. It is crucial to recognise that informal employment is characterised by the absence of pension schemes, EPF retirement savings, and Social Security Organisation (PERKESO) injury insurance coverage. While injury insurance provides access to essential medical care and financial security in case of work-related accidents, it does not address the issue of old-age income insecurity. Therefore, a combination of both injury insurance and pension schemes is paramount, particularly given the low job security and lack of unemployment benefits typically associated with informal employment.

According to the Malaysia Digital Economy Corporation (MDEC), there has been a significant increase in gig workers, especially those involved in location-based tasks mediated through platforms or on-demand work apps. These tasks are assigned to selected individuals or crowdsourced, and the work is typically completed offline. Examples of location-based tasks are ride-hailing and delivery services. Gig companies, typically platform providers, do not formally consider gig workers as employees but independent contractors. Due to the flexibility given to independent workers in terms of freedom to work for other companies as well as non-fixed working hours, platform providers argue that gig workers resemble contractors rather than employees. The distinction between the two classifications is important, as it would affect their rights.

Nonetheless, it remains a contentious issue to classify gig workers as contractors or employees as it would give them entitlement to certain rights. It is important to highlight that there are still some indicators of a traditional employment relationship, such as how the companies operate and the framework under which the drivers are engaged. More often than not, the companies have significant control over the workers in terms of rewarding consistency through incentive schemes, withdrawal of rewards for breaching guidelines, or slips in quality levels as measured by user ratings. Thus, these indicators warrant a perspective that is beyond those of an independent contractor. Increasingly, countries worldwide, such as the United Kingdom, New Zealand, the United States (specifically in California), and Spain, have started recognising the employment status of gig workers, ensuring that gig workers are not underpaid and have access to basic protection. Conversely, in Singapore, platform workers are not classified as employees. Still, they are granted parity with employees in areas where they face particular vulnerabilities, such as work injury protection and the sufficiency of savings for housing and retirement.

Despite the ongoing uncertainty surrounding the classification of gig workers in Malaysia, policymakers and industry players can significantly influence the security of their future and help them achieve a meaningful retirement. As previously highlighted, automatic enrolment for gig workers can be particularly beneficial, especially for those susceptible to cognitive biases. This initiative can be integrated directly into existing mobile applications used by ride-hailing or delivery service drivers, allowing retirement savings contributions to be deducted from their monthly earnings. Additionally, platform providers are proposed to contribute to the retirement savings of gig workers through the same mobile application. Considering the nature of gig employment, contribution rates can be gradually increased until they align with statutory rates. This approach not only minimises the impact on gig workers and platform providers but also facilitates their adjustment to the new initiative.

The Case for Mental Accounting and Renaming of EPF Accounts in the Recent EPF Account Restructuring

Another example of the use of behavioural insights in the EPF is the recent introduction of the Akaun Fleksibel. Restructuring members' EPF accounts into three categories from short-term to long-term financial needs can encourage strategic financial planning for individuals throughout their lives. This approach utilises the concept of mental accounting, which is a set of cognitive operations that individuals use to mentally separate their money into different 'accounts' based on specific goals or needs. An aspect of mental accounting is to help people make more informed decisions by "setting brackets". The idea of narrow bracketing suggests that it can serve as a method for individuals to manage and potentially overcome challenges related to self-control in decision-making (Koch and Nafziger, 2016), thereby helping foster good savings behaviour and make more informed decisions.

Aside from the new introduction of the Akaun Fleksibel, the restructuring also emphasises renaming existing accounts to reflect their intended purpose. Generally speaking, EPF members struggle to associate EPF savings with retirement and have chosen to withdraw their retirement savings for non-retirement purposes. Therefore, renaming the existing accounts to Akaun Persaraan and Akaun Sejahtera from Account 1 and Account 2 will clearly reflect their intended use. Akaun Persaraan signifies a future income source for retirement, designed to be locked for longer-term financial preparedness. The Akaun Sejahtera still functions to address lifecycle needs, while the Akaun Fleksibel supports short-term financial needs. Reframing the mindset of members through renaming these accounts may help reduce the cognitive load associated with decision-making, thus allowing members to focus their attention on specific aspects of a decision rather than being overwhelmed by its broader implications.

In essence, narrow bracketing and the renaming of accounts are practical tools for navigating situations where self-control problems are prevalent and uncertainty abounds. It provides a structured approach to decision-making that can help individuals overcome impulsive tendencies and make more deliberate choices in the face of complexity and ambiguity. To motivate members' future selves, they can set goals and specify the brackets of their mental accounts. Goals induce reference points in a particular mental account, and the individual will become loss-averse regarding goal achievement. In other words, goals give rise to expectations about outcomes and encourage members to save based on a specific goal and purpose. Having said that, organising these accounts side-by-side in the EPF allows members to evaluate their financial decisions more holistically and address short-term needs whilst also preparing for longer-term goals.

Conclusion

Behavioural insights are effective because they leverage human psychology to encourage desired behaviours. It is evidently the most effective on individuals who are below average in desirable behaviour or above average in undesirable behaviour. Take the example of automatic enrolment; it is effective on individuals with undesirable behaviour who are unwilling to save. Individuals' preference to stick to the status quo has led to higher participation rates in retirement savings plans. Additionally, narrow bracketing should be recognised as a method for individuals to manage and potentially overcome challenges related to self-control in decision-making, especially in terms of saving for long-term, mid-term and short-term needs. Behavioural approaches effectively utilise framing and communication techniques to present information in a way that influences decision-making. However, behavioural insights interventions are not particularly better or worse than neoclassical policy tools; instead, both techniques should complement each other where they lack the ability to produce the desired results independently.

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Redefining EPF Accounts

Striking a balance between short-term and long-term financial needs

On 11 May 2024, the EPF has restructured its accounts for members below age 55, involving renaming the existing **Account 1 and Account 2 to Akaun Persaraan and Akaun Sejahtera** respectively, and also **introducing the new Akaun Fleksibel.**

This reform is the result of the **EPF's Public Consultation** conducted between 2020 – 2021, during which **83% of EPF members expressed a desire for some autonomy** through an additional flexible account. Additionally, **63% agreed to a higher savings rate for Account 1**, provided that some flexibility is offered.

Recognising this growing need for a formal measure to **ensure a balanced short- to long-term financial preparedness**, these three accounts are poised to better address this concern.

Key Objectives of the Account Restructuring at Accumulation Phase

1 Renaming of accounts to reinforce the purpose of each account

Lacking clarity of purpose.

Akaun 1 →	Akaun Persaraan
Akaun 2 →	Akaun Sejahtera
	Akaun Fleksibel

2 A step to financial stability during retirement

33% or 1 in 3 active formal members meet the Basic Savings quantum by age, while 2 out of 3 do not. The 5% higher distribution to Akaun Persaraan is expected to accelerate savings accumulation in the retirement pot.

Akaun 1		Akaun Persaraan
70% of contribution	→	**75%** of contribution

3 Balancing short-term to long-term financial needs

Organising the three types of accounts side-by-side for long-term retirement use, for lifecycle needs, and for short-term needs could encourage people to **strategically plan their lifetime financial preparations**.

LONG TERM	MEDIUM TERM	SHORT TERM
Akaun Persaraan	**Akaun Sejahtera**	**Akaun Fleksibel**
Accumulate savings to serve as income during retirement	Address lifecycle needs that contribute toward better retirement well-being	Address shorter-term financial needs that could threaten retirement well-being if left unmet

4 The new account structure is relevant for the new employment landscape

Access to liquid savings through the Akaun Fleksibel offers flexibility for workers to handle unexpected shocks, which is especially important for those in precarious gig employment or the informal sector.

How Your Contributions Flow Into Your EPF Accounts Under The New Structure

EMPLOYEE/ MEMBER

11%

or Voluntary Contribution

EMPLOYER

12% (>RM5,000)

13% (≤RM5,000)

(for those under formal employment)

KWSP EPF

Akaun Persaraan

75%

+

Initial balance on implementation day equivalent to previous Account 1

Akaun Sejahtera

15%

+

Initial balance on implementation day equivalent to previous Account 2

Akaun Fleksibel

10%

+

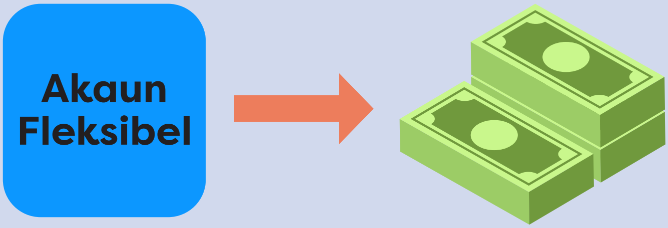
Initial balance on implementation day, which begins with **RM0**

Members may choose to opt for an initial amount in Akaun Fleksibel using their Akaun Sejahtera balance

Option For An Initial Amount In Akaun Fleksibel

EPF members are given until **31 August 2024** to decide whether they would like to **opt for an initial amount transfer to their Akaun Fleksibel**, whereby the balance in the account will be derived from the previous Akaun Sejahtera

A minimum of **RM50 withdrawal** can be made anytime from the Akaun Fleksibel



Initial amount calculation for those with Akaun Sejahtera balance >RM3,000

ADAM

Akaun Persaraan	RM70,000
Akaun Sejahtera	**RM30,000**
Akaun Fleksibel	RM0

BEFORE

Akaun Persaraan	Akaun Sejahtera	Akaun Fleksibel
RM70,000	**RM30,000**	**RM0**

1/3 of the RM30,000 balance **(RM10,000)** will go here → **+ RM10,000**

+ RM5,000 ← **1/6 of the RM30,000** balance **(RM5,000)** will go here

1/2 of the RM30,000 balance **(RM15,000)** stays here

AFTER

Akaun Persaraan	Akaun Sejahtera	Akaun Fleksibel
RM75,000	**RM15,000**	**RM10,000**

A slightly different initial amount calculation for low savers (<RM3,000 in Akaun Sejahtera)

Scenario 1: Bazli's Akaun Sejahtera balance is **below RM3,000**

BAZLI

Akaun Persaraan	RM7,000
Akaun Sejahtera	**RM2,700**
Akaun Fleksibel	RM0

Akaun Persaraan
RM7,000

Akaun Sejahtera
RM1,700
(RM2,700 - RM1,000)

→

Akaun Fleksibel
RM1,000
(+RM1000)

Up to RM1,000 will be transferred to Akaun Fleksibel,
and the balance stays in Akaun Sejahtera

Scenario 2: Aidil's Akaun Sejahtera balance is **below RM1,000**

AIDIL

Akaun Persaraan	RM5,000
Akaun Sejahtera	**RM900**
Akaun Fleksibel	RM0

Akaun Persaraan
RM5,000

Akaun Sejahtera
RM0
(RM900 - RM900)

→

Akaun Fleksibel
RM900
(+RM900)

All balance in Akaun Sejahtera will be transferred to Akaun Fleksibel

How to withdraw from Akaun Fleksibel

1 

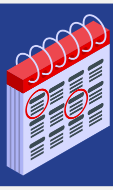
Members can apply for Akaun Fleksibel withdrawals **anytime**, subject to the minimum withdrawal amount of **RM50**.

2 

Members have the **flexibility to specify the amount** they wish to withdraw, without the necessity to withdraw the entire balance in Akaun Fleksibel.

3 

Application for withdrawals can be done through **i-Akaun** and/ or at **EPF counters.**

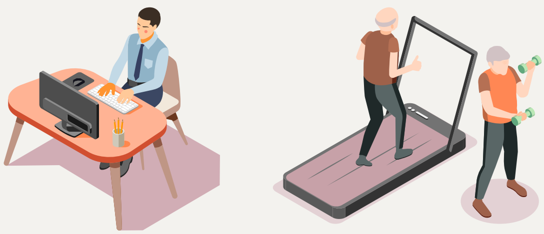
4 

The crediting of funds into members' accounts will occur within **seven (7) days** upon application approval.

5 

For more information on the withdrawal mechanism from Akaun Fleksibel, please refer to our website at: **https://www.kwsp.gov.my/member/life-stages/akaun-fleksibel-withdrawal**

The Account Restructuring at accumulation phase is in line with the organisation's values of empathy and progressiveness. The **balance between prioritising present necessities and securing future financial stability is critical**, not only for personal well-being but also to alleviate the potential burden on future generations. Taking into consideration of the diverse facets shaping members' lives, the new account structure encourages a **holistic approach to retirement planning.**



Preparations for a fulfilling retirement need to start today to realise this long-term aspiration. This involves not only tangible aspects like financial planning and wealth creation but also intangible factors such as maintaining good health and overall well-being.

This effort also supports the EPF's purpose of building a better retirement future for Malaysians. This encompasses **empowering members to lead fulfilling and healthy lives.**

Post-retirement years should not just be a phase of reaping what you sowed but also a chapter of meaningful living.

Enhancing Financial Literacy Among Older Malaysians

Nurfazlina Kamarulbahrin
EPF Learning Campus, Employees Provident Fund

Summary

At the heart of the ageing population and many social crises is a critical problem: a lack of financial literacy. As life expectancy increases, financial literacy has become increasingly important. The consequences of financial illiteracy are serious: inadequate retirement savings, over-reliance on mandatory retirement savings, and vulnerability to financial fraud targeting older people. This insightful article examines our ageing population's diverse challenges, from a lack of retirement savings to the digital divide that impedes access to financial resources. However, a glimmer of hope comes from strategic recommendations based on global best practices. Improving the financial literacy of Malaysia's elderly population is critical to maintaining their financial well-being and security in retirement. This article also presents innovative solutions that could pave the way for a safer and more dignified retirement for all Malaysians.

Introduction

Malaysia is facing unprecedented demographic change. The United Nations predicts that by 2043, a staggering 14% of our population will be aged 65 and over. Countries like France and Sweden took a century or more to transition from being an ageing nation to an aged one. Remarkably, our nation will make this seismic leap in just 25 years (ESCAP, 2017), underscoring the urgent need for proactive measures. Additionally, Bank Negara Malaysia (BNM) stated that only 40% of Malaysian employees are financially ready for retirement, and 60% still need long-term financial planning (BNM, 2017). This revelation is alarming and signals that many Malaysians lack adequate retirement savings.

Furthermore, Malaysia's household debt rose to RM1.53 trillion by the end of 2023, with the household debt to gross domestic product (GDP) ratio rising slightly to 84.2% from 82.0% in 2018. This precarious financial situation risks many borrowers, especially those with minimal savings. Ensuring that Malaysians possess the knowledge and skills to manage their finances effectively becomes paramount with longer life expectancies and the inevitability of retirement. Adequate retirement savings and prudent retirement planning are not mere aspirations but necessities in a rapidly ageing society.

"...only 40% of Malaysian employees are financially ready for retirement, and 60% still need long-term financial planning (BNM, 2017)."

Issues And Challenges

Low financial literacy and awareness

One in three Malaysians believe their financial skills are poor (FEN, 2023). Wave 2 of the Malaysia Ageing and Retirement Survey (MARS) found that 37% of 4,821 respondents said they did not think much about retirement, and 26% of respondents aged 60 and over expressed their intention to work as long as their health permitted (SWRC, 2023). Furthermore, the financial literacy rate of EPF members remains alarmingly low at 29%, even lower than the adult financial literacy rate in Malaysia of 33%. Rates are lower than in Germany (75%), Thailand (65%), and Hong Kong (60%) (OECD, 2023). These findings highlight the lack of knowledge and confidence in financial matters, the urgent need for initiatives to improve financial education and awareness, and the importance of raising awareness and planning for retirement among Malaysians.

Lack of savings and retirement planning

Bank Negara Malaysia reported that 69% of respondents to the Financial Capability and Inclusion (FCI) Demand Side Survey 2021 prioritise spending over saving, resulting in insufficient savings for emergencies (BNM, 2022). The same survey found that 47% of Malaysians struggle to accumulate RM1,000 for emergency funds, and 84% lack regular monthly savings, indicating a lack of financial planning and discipline. Furthermore, the EPF shows that as of 2023, only 33% or 2.4 million active formal sector members aged between 18 and 55 met the Basic Savings quantum by age, which is up to RM240,000 by the age of 55. The FCI survey also indicates that 47% of Malaysians cite EPF savings as a source of retirement income. Over-reliance on EPF may require additional financial resources for retirement (Mustafa et al., 2023). Interestingly, older Malaysians (over 50 years of age) rely more on other income sources in retirement, particularly their children and family members (see Table 1).

Table 1: Strategies to fund household expenses during old age

	All respondents	Respondents above 50 years old
Rely on EPF	47%	34%
Rely on Children	14%	29%
Continue Working	25%	25%
Financial support from family	16%	21%

Source: BNM (2022)

Although Malaysia raised its retirement age from 55 to 60 in 2012, it is still below the average retirement age of 64.2 for OECD members. Globally, a common practice in other countries is to align their retirement ages to the changes in life expectancies. In addition, the EPF still allows existing members to withdraw their retirement savings on a lump-sum basis at 55 years old, the age set since EPF's establishment during the 1950s when the life expectancy was 53.6 years old. This disparity in retirement age poses significant challenges to the country's lack of preparedness for retirement. The combination of a lack of retirement planning, low retirement ages and inadequate retirement savings increases the risk of financial insecurity among retirees. It underscores the urgent need for comprehensive solutions to address these interrelated challenges.

The impacts of financial literacy on pension coverage gaps and inadequacy of benefits

There are common connections between financial literacy and social security deficits. Individuals with higher financial literacy are more likely to understand the importance of retirement planning and enrol in available retirement plans, whether an employer-sponsored or individual retirement account. This increased participation leads to better pension protection as financially conscious people understand the need for adequate retirement income. They will likely contribute more significant amounts to their retirement plans or accounts. Hence, awareness increases the likelihood of having sufficient funds for retirement. Financial literacy enables individuals to make informed investment decisions regarding retirement plans or accounts. Critical knowledge includes understanding risk-return trade-offs, asset allocation and diversification strategies, which ultimately impact the growth and adequacy of their retirement savings. Financially savvy people are less likely to make mistakes that can drain their retirement savings, such as early withdrawals, unnecessary fees, fascination with financial fraud or misleading investment products.

Digital and technology barriers

Many seniors face challenges in adopting digital financial services (DFS) due to lack of awareness, trust and digital literacy. Seniors often lack access to economic resources, retirement planning tools, and digital skills. Additionally, companies usually overlook seniors when developing online products, making seniors vulnerable to online scams that significantly threaten their financial well-being (see Figure 1).

Figure 1: Knowledge gaps in digital financial literacy among Malaysians

37% of Malaysians share passwords and/or PIN of bank accounts with close friends

Only 38% pay attention to the security of a website before making online transactions - https sites, safety logo or certificates

Only 11% regularly change password for online shopping and personal finance

Source: FCI survey, BNM

Bernama (2024) reported that Malaysians lost RM1.34 billion from 33,234 reported cases of online fraud between January and December 2023, with investment scams accounting for the highest losses at RM437 million. Fraudsters often target vulnerable groups such as the less informed, older people and those in urgent need of money, exploiting their vulnerability to pressure tactics and deception.

Recommendations

The imperative of bolstering financial literacy among the older population grows increasingly urgent. To address this challenge effectively, here are several strategic recommendations along with examples of best practices from other countries:

Sustained investment in tailor-made educational programmes:
These programmes should focus on retirement planning and embrace digital literacy, enabling older people to navigate the digital financial landscape confidently. For example, the Consumer Financial Protection Bureau (CFPB) in the United States hosts the 'Money Smart for Older Adults' programme, providing online courses and workshops designed for seniors to manage their finances confidently.

Collaborative approach involving the government, financial institutions and NGOs:
In the United Kingdom, this collaborative approach involves partnerships to provide complimentary financial advice and resources for retirees. The Money Advice Service, funded by the UK government, offers personalised financial guidance to retirees, ensuring accessibility and relevance.

Prioritising inclusivity:
There is a need to ensure financial literacy initiatives and inclusivity reach all segments of the older population, including those in rural areas with limited access to digital tools or the internet. Initiatives in Japan, such as the 'Elderly Financial Support Project' conducted by the Japan Financial Services Agency (JFSA), provide financial education seminars for seniors in rural areas, ensuring equitable access to financial literacy programs. Similarly, the Central Provident Fund (CPF) Board in Singapore offers financial planning workshops covering digital tools for seniors, acknowledging the importance of digital literacy. Personalised financial counselling will ensure older people receive relevant and meaningful guidance for their financial needs. Personalised support services efforts, as seen in the National Debt Helpline in Australia, offer free financial counselling services for seniors. At the same time, the UK's Money Advice Service provides personalised financial advice tailored to individual circumstances.

Conclusion

Improving the financial literacy of Malaysia's elderly is critical to maintaining their economic well-being and resiliency during retirement. By implementing targeted initiatives, promoting collaborative efforts and prioritising accessibility and inclusivity, Malaysia can empower its elderly to confidently manage their financial affairs and achieve a more secure and dignified retirement.

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Mapping Malaysians' Expectations In Retirement Planning: A Survey Analysis

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FWD Insurance Berhad

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FWD Insurance Berhad

Summary

The purpose of this study is to investigate the awareness and preparedness of Malaysian working adults regarding retirement. Retirement planning involves ensuring that one's retirement fund or pension is substantial enough to cover not only basic living expenses but also potential increases in medical costs and the general rise in the cost of living. This is especially pertinent in Malaysia, where inflation is a growing concern, leading to higher prices for goods and services, thereby emphasising the importance of saving for the future. While many countries have established retirement systems, including both publicly and privately managed retirement systems, there tends to be a disparity in benefits between the two. In Malaysia, for instance, employees in the public sector often enjoy more comprehensive retirement benefits compared to those in the private sector. Consequently, many private sector workers may overlook retirement planning, particularly if they rely heavily on the accumulated savings within schemes like the EPF.

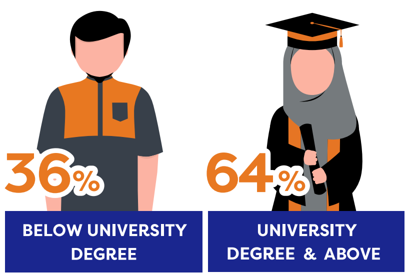
Introduction

Many working-age Malaysians have envisioned a comfortable retirement, but the reality often falls short due to various challenges such as inadequate savings and rising healthcare costs. Retirement planning in Malaysia encounters both significant challenges and promising opportunities. One pressing issue is the insufficient retirement savings among many Malaysians, leaving them ill-prepared for their post-work years. Moreover, there is a lack of financial literacy regarding retirement planning strategies and investment avenues. The escalating healthcare costs further exacerbate these difficulties, necessitating careful financial planning to cover medical expenses during retirement.

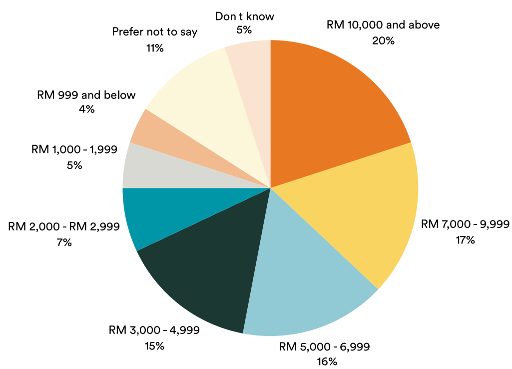
However, there's a growing awareness and demand for financial planning among Malaysians, signalling an opportunity for financial institutions to provide accessible and user-friendly retirement planning tools and resources. By addressing the current challenges and leveraging available opportunities, Malaysians can work towards a more secure and fulfilling retirement. This entails increasing retirement savings, enhancing financial literacy, and navigating the complexities of healthcare costs.

Research Overview

Conducted in 2019, this online survey utilised a stratified sampling approach to ensure representation across different regions of Malaysia, categorising regions as Central (comprising KL, Selangor, Negeri Sembilan, and Putrajaya), North (Kedah, Penang, Perak, and Perlis), South (Malacca and Johor), East Coast (Pahang, Terengganu, and Kelantan), and Borneo (Sabah, Sarawak, and Labuan). 1,020 respondents were drawn from various demographics, including age, education level, monthly household income, and employment status. The survey instrument was designed to capture insights into retirement planning attitudes and behaviours.



Survey Data: Malaysians' Monthly Household Income




WWW
idea
45% is SALE!
25% time
TEAM
internet
MAIN
300
2000
MARKETING
SUCCESS
CLOUD

Discussion

Malaysians are increasingly inclined to retire at an earlier age compared to previous generations. This trend may be influenced by various factors such as increasing longevity, improved healthcare, and a desire for more leisure time. With longer life expectancies and improved healthcare, retiring early allows for more quality time with family and friends and a longer, more enjoyable retirement period. However, it also poses challenges regarding financial preparedness for an extended retirement period. Moreover, the average life expectancy is increasing, which indicates a need for more money after retiring. Contrary to prevailing assumptions of low awareness levels, recent surveys indicate a strong awareness among Malaysians regarding the importance of retirement planning.

Approximately two-thirds of respondents recognise the necessity of proactive retirement planning. However, there exists a divergence in retirement priorities across different age groups. Young working adults prioritise debt reduction, while older generations prioritise maintaining physical and mental well-being during retirement. Additionally, post-retirement aspirations vary widely, with travel emerging as a predominant desire. Furthermore, approximately half of the respondents express interest in maintaining their health through regular exercise post-retirement.

Despite a general acknowledgement of the importance of retirement planning, many Malaysians may not have adequate savings to support themselves post-employment, indicating a gap in implementation.

The prevalent reliance on the Employees Provident Fund (EPF) as a primary retirement fund exacerbates this reality. Nonetheless, 20% of Malaysian working adults demonstrate awareness by consistently setting aside more than RM 3,000 per month, driven by concerns of insufficient funds post-retirement and the fear of becoming a financial burden.

A comprehensive retirement plan, as emphasised by the majority of the Malaysian working population, prioritises regular payouts for financial stability, followed by coverage for critical illnesses. More than half of the working population relies on EPF for financial security post-retirement, while approximately half opt for fixed deposits.

THE GOLDEN GOALS

Plans and Priorities of Malaysian Retirees

RETIREMENT AGE

55

The **Ideal Age for Retirement** Among Malaysians

Most Malaysians plan to travel, stay active, learn, and do voluntary work after retirement.

- **77%** Want to go on holiday
- **52%** Aim to stay active
- **51%** Acquire new hobbies or skills
- **44%** Interested in doing voluntary work

66% understand the importance of retirement planning

70% are setting aside <RM3k per month for retirement

20% are setting aside ≥RM3k per month for retirement

*Remaining 10% do not know or do not have plans to save for retirement.

2 out of 3 prioritise retirement plan that gives out **Monthly Income**

Critical illness and **Hospital Bill Coverage** are top priorities during retirement

3 Top Priorities for Malaysians During Retirement

- Maintaining Good Health & **Wellness**
- **Being debt-free**
- Having Multiple Streams of **Income**

The **top 2 concerns** when it comes to retirement are **insufficient savings** and **medical coverage**.

- **71%** Rely Entirely on EPF for Income upon retirement due to **Insufficient Savings**
- **22%** Worry **Becoming a Financial Burden**
- **21%** Worry about **Outstanding Loans**
- **17%** Worry about **Insufficient Health Coverage**

The survey was conducted by FWD Insurance in 2019.

Conclusion

In conclusion, the findings of this study shed light on the awareness and preparedness of Malaysian working adults regarding retirement planning. It is evident that while there is a growing awareness of the importance of retirement planning among Malaysians, there remain significant challenges in translating this awareness into effective financial preparation for retirement.

It is imperative for Malaysians to start now, start early in their retirement planning endeavours.

Proactive steps, such as increasing retirement savings, enhancing financial literacy, and exploring diverse investment avenues, are essential to mitigate the challenges and seize the opportunities presented by the evolving retirement landscape in Malaysia. By taking decisive action today, individuals can work towards achieving their desired retirement goals and enjoying a secure and fulfilling post-career life.

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Advancing Gender-inclusive Social Protection for Older Women in Malaysia

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Executive Summary

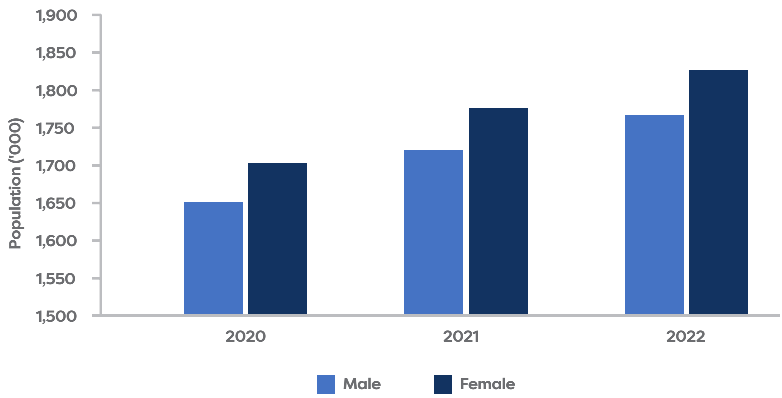
As population ageing gains greater prominence on national agendas, governments across Asia and the Pacific have established or reinforced governmental entities, coordination mechanisms, and national committees to oversee pertinent policies and programmes. However, not much attention has been given to addressing the gender gap between men and women in access to social protection in old age. Due to societal, cultural, and systemic factors, including limited access to resources and decision-making power, women are at a disadvantage position. Societal expectations and traditional gender roles burden women with caregiving responsibilities and domestic work, limiting their opportunities and increasing vulnerability to poverty. Discrimination in the workplace exacerbates economic instability, while reproductive health needs expose women to risks, particularly in regions with limited healthcare access. These interrelated factors make women highly vulnerable in old age as they lack social security to enable them to live independently and with dignity. Efforts to address these vulnerabilities require promoting gender equality, empowering women economically and socially, strengthening legal protections, and challenging discriminatory practices.

Introduction

By 2030, one in seven people in Malaysia will be over 60 years of age.[1] As with other countries that are facing a similar challenge with an ageing population, the Government needs to navigate the significant impacts of the increased burden on healthcare, and pressures to meet the demand for better social protection to ensure women and men in old age are supported to live independently and with dignity.

As women typically have longer lifespans than men, the gender gap between males and females widens as the population ages. The heightened risk and vulnerabilities are worsened by the fact that over the life course of women, they face unique vulnerabilities due to societal, cultural and systemic factors. In Malaysia, the population of elderly women is steadily increasing (Figure 1).

Figure 1: Malaysia Population aged 60 years and above by gender, 2020-2022



Source: DOSM, EPF

Malaysia’s social protection for women in old age

Acknowledging these challenges, particularly the unaddressed risks and vulnerabilities among elderly women, the Government has introduced initiatives to improve access to income security for women in old age through a matching contribution approach.

In 2018, the Government introduced targeted matching contribution schemes for poor households such as the I-Suri. Aimed to improve retirement savings among housewives from the lowest income bracket, by 2024, the Employees Provident Fund (EPF) scheme allows housewives of hardcore poor households to contribute, receiving a 50% matching contribution from the government for every RM1 they save. Although the Government’s matching contribution is limited to RM300 per year or RM3000 for life, housewives may be entitled to receive other benefits, such as death benefits. However, the matching contribution is only available for housewives aged 55 and below. This is likely to ensure the scheme could provide optimal returns for housewives and be aligned with the EPF general policy which allows withdrawal at the age of 55.

Learning from COVID’s experience, Malaysia introduced another scheme called the Housewives’ Social Security Scheme (SKSRR). Launched by the Social Security Organisation (SOCSO) in December 2022, the SKSRR aimed at providing financial protection among housewives against invalidity and domestic accidents. What is unique about this scheme is that it moved away from traditionally defined housewives; it allowed any married or unmarried woman who managed a household – whether she was a wife, single mother, divorcee, or widow – to contribute as low as RM120 (~USD25) for a year of insurance coverage. Instead of relying on the husband to contribute, this first-of-its-kind scheme facilitates women to voluntarily contribute, empowering them in their decision-making. Additionally, the scheme adopts a “once in always in” concept for husbands who voluntarily contribute to their wives’ SKSRR to ensure continuous coverage. Another good feature of this scheme is that it allows another third party, such as NGOs or government agencies, to contribute on behalf of the housewives who are not able to afford it. The Budget 2024 saw the Government raise its contribution limit with an additional allocation of RM50 million, which is expected to benefit more than 40,000 housewives registered with e-Kasih.[2]

In March 2023, EPF launched the i-Sayang scheme that allows the husband to voluntarily allocate 2% of their monthly EPF contribution to the EPF accounts of their wives. It was reported that several months after its launch, about 34,000 husbands registered in i-Sayang, equivalent to a cumulative savings of RM14.7 million.[3] It was also announced in the Budget 2024 that the i-Sayang facility will be expanded to include househusbands which allow wives to contribute 2% of their monthly EPF to their husbands. However, upon checking the EPF website at the time of writing this article, it shows that this is yet to be effective.

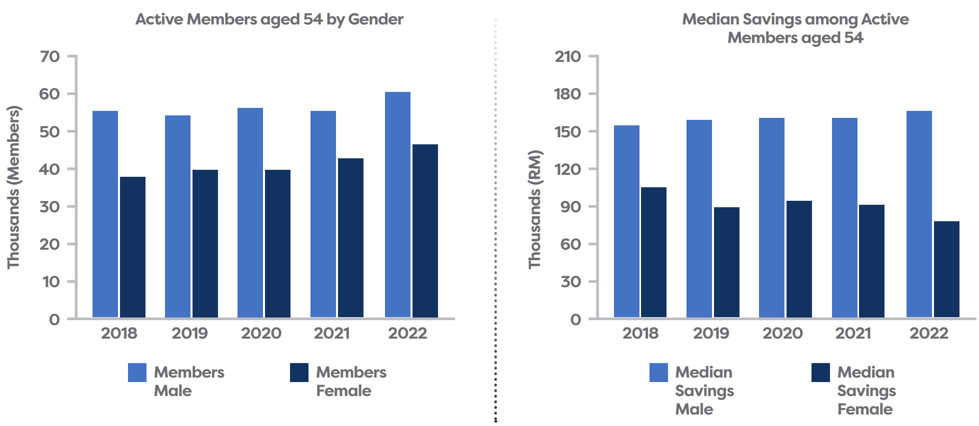
Other broader programmes such as the voluntary retirement savings scheme, i-Saraan and the Self-Employment Social Security Scheme (SKSPS), aimed at protecting the "missing middle" or population that is traditionally not covered in the social security offered in the formal economy. This is particularly important for self-employed women, who are often under-represented in the gig sector and without fixed income, to protect themselves from occupational disaster and to have more secure retirement savings through the Government's special incentives.

A recent announcement by the Government reported that a total of RM28 million of government incentives have been credited to 211,361 members of the i-Saraan programme in June 2023, while another RM19 million has been credited to 42,532 housewives under the i-Suri programme in 2023.[4]

Access to Income Security in Old Age

While these are important steps forward to ensure financial security among housewives in old age, saving retirement among women is consistently low compared to men. The latest annual EPF report shows that among active members, the female median savings at the age of 54 is RM89,296 or nearly half of the median savings for males (Figure 2). While there is a steady increase of women actively participating in the labour market at the age of 54, from 39,010 women in 2018 to 50,649 in 2022, men continue to show a gradual improvement in savings retirement; it is quite the opposite for women.

Figure 2: Gender Distribution among Active Members aged 54 and their Median Savings

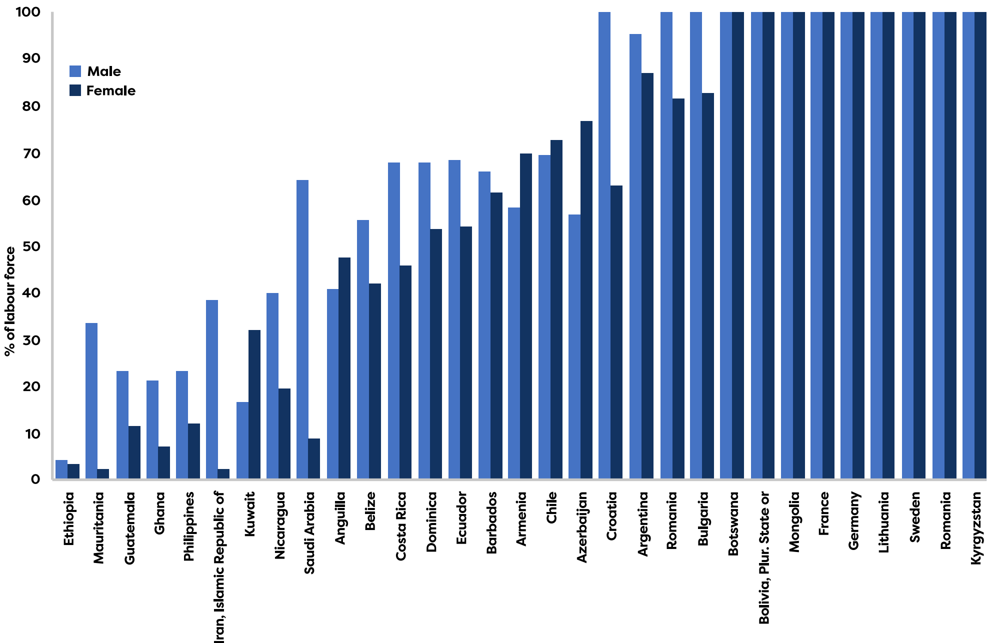


Source: EPF Annual Report 2022

Why the low-income security for women in old age

This worrying trend is not unique to Malaysia. Many countries, including a few of the OECD countries i.e. Croatia and Costa Rica, although fairly better than developing countries, are struggling to close the gender gap in income security for women in old age (Figure 3).

Figure 3: SDG 1.3.1 on effective coverage for old-age protection: Percentage of persons above statutory retirement age receiving an old-age pension, selected countries, by sex, 2020 or latest available year



Source: ILO. World Social Protection Report 2020-2022

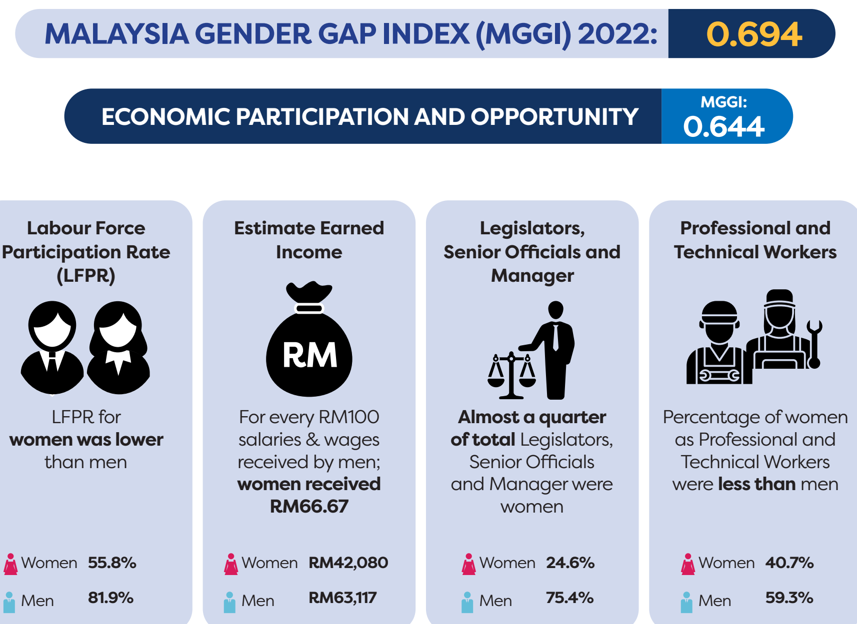
Ensuring financial stability for women in their later years continues to be a significant challenge across many countries. This challenge persists due to ongoing gender disparities in employment opportunities, alongside wider societal inequalities, including the uneven distribution of unpaid family obligations along gender lines. These elements collectively contribute to the lower involvement of women in the workforce, their increased presence in precarious job positions (including roles as contributing family members), continual gender wage disparities, and diminished earnings over their lifetimes. Consequently, in many countries, women are less inclined than men to participate in pension schemes and are also less likely to receive pension benefits, making them more vulnerable in their elder years.

In Malaysia, a programme to encourage more women back to the workforce after a career break plays an important role in increasing women's contribution to old age retirement saving – as seen with TalentCorp's Career Comeback Programme. Established by Talent Corporation Malaysia Berhad (TalentCorp), an agency under the Ministry of Human Resources (MOHR), it is designed to support individuals, particularly women, who are looking to re-enter the workforce after taking a career break. The programme offers various resources and opportunities, such as skills training, career counselling, networking events, and job placement assistance to help participants transition back into fulfilling careers.

The Budget 2024 also saw the Government announce tax breaks for women re-entering the labour market after a hiatus of at least two years, providing a crucial incentive for them to reintegrate into the workforce, promoting economic independence and empowerment.[5] By removing financial barriers and equipping women with the necessary skills and resources, such comprehensive strategies not only bolster women's participation in the workforce but also drive economic growth and foster gender equality.

However, with the labour force participation rate among females at 55.8% compared to males at 81.9% for 2022 in Malaysia[6], participation in the TalentCorp's Career Comeback Programme for women remains relatively low.

Persisting cultural norms burden women with caregiving, hindering their return to work. Structural barriers like childcare access and biased recruitment deter participation in initiatives like the Career Comeback Programme. Addressing these challenges is vital for closing the gender gap in labour force participation. Despite Malaysia's 103rd position in the Global Gender Gap Index 2022, women's educational attainment does not equate to equal workforce representation, with disparities in health, economy, and political empowerment persisting .[7]



Source: DOSM

Additionally, the schemes such as i-Sayang and i-Saraan, will take at least 5 to 10 years to reflect the effect of the compounding interest. However, these schemes will fail to show any positive dent if the uptake of voluntary retirement savings and the social security schemes continue to remain low. A recent report by the World Bank reported that only 16.4% of self-employed workers registered with SKSPS in 2021, and even fewer registered with i-Saraan, with only 10.7% in 2022.[8] Important to note that the context of self-employed workers is confined to those who own account workers and unpaid family workers. A similar trend is observed for the SKSRR, where only 205,000 housewives registered with SKSRR in 2023[9], which accounts for only 7% of housewives.[10] Nevertheless, the Government is continuously reviewing the product strategy and policy to increase more take-up. A recent announcement by the Ministry of Human Resources said that the SKSRR's age eligibility has been raised from 55 to 60 years old.[11]

A brief analysis of the most common social protection in Malaysia against gendered life-cycle risk and vulnerabilities is reflected in Table 1.

Table 1: Gendered life-cycle risk and vulnerabilities mapped against Malaysia's social protection instrument

Gendered life-cycle risk and vulnerabilities*		Malaysia's Social Protection Instruments+				
		Service	Transfer	Insurance	Labour Market	Legislation
Childhood	Lower health outcomes ie stunting and wasting	Rancangan Makanan Tambahan (RMT), Programme Hidangan Berkhasiat (HiTS)	Bantuan Kanak-kanak for poor households	-	-	Child Act 2001
	Barriers to education	Free public education system	Bantuan sekolah	-	-	Education Act 1996
	Child marriage	-	-	-	-	Child Act 2001 Age of Majority Act 1971
Adolescent and early youth	Barriers to education	Free public education system	-	-	-	Education Act 1996
	Teenage pregnancy	Generasiku Sayang Programme	-	-	-	Child Act, 2001 Regulation 47 of the Facilities and Healthcare Services Regulations (Private Hospitals and Private Healthcare Facilities) 2006

Gendered life-cycle risk and vulnerabilities*		Malaysia's Social Protection Instruments+				
		Service	Transfer	Insurance	Labour Market	Legislation
Working -age	Maternity -related health risk	Highly subsidised universal public healthcare	-	SOCSO SKSRR	Maternity leave is up to 90 days and paternity leave is up to 7 days for the public sector	Child Act, 2001 Employment Act 1955
	Maternity -related income risk ie loss of employment, informal employment, lower wages, lack of career progression	Childcare facilities for the public sector and tax-exempted for the private sector	-	SOCSO SKSPS EPF i-saraan	Return to work programme, training, tax break for women re-entering the labour market after at least 2 years not working	Childcare centre Act 1984 Employment Act (1955) (Part IX - Maternity Protection)
	Domestic abuse	Counselling	-	-	-	Domestic Violence Act 1994
	Employment -related risk ie injury and invalidity	-	-	SOCSO invalidity and injury benefits	SOCSO Return-to-work programme of PWD	Employees' Social Security Act 1969 Occupational Safety and Health Act 1994
	Single motherhood	-	Bantuan Kanak-kanak for poor households	-	-	-
Old-age	Widowhood -related risks	-	Death benefit of government retiree	Pension benefit for surviving spouse of government retiree	-	Pensions Act 1980
	Old age social and income risk	Pusat Aktiviti Warga Emas (PAWE), Elderly Day Care, Retirement home	Bantuan Orang Tua for poor households	EPF i-Saraan, EPF i-Sayang, i-Suri, Civil service pension, LTAT	-	Pensions Act 1980 Minimum Retirement Age Act 2012

Recommendations

1. Addressing gendered life-cycle risk and vulnerabilities through an integrated and comprehensive Social Protection system

While social protection supports the objective of social inclusion and economic development, social protection systems alone are unlikely to fully close all gender gaps. The gender gap in old age income security stems from socio-cultural norms, which lead to the disparities in opportunities for paid work and earnings between women and men. Social protection systems should not be employed solely to rectify labour market deficiencies and socio-cultural norms. More importantly, social protection through a life cycle approach should be designed in a way that mitigates these disparities rather than exacerbating them.

Best practices from upper-middle to high-income countries could inspire Malaysia to be more intentional in its social protection strategies to minimise gender inequality in old age retirement. As contribution accumulations for women are often low, the most efficient method to increase access to social protection would involve guaranteeing adequate public non-contributory schemes, such as basic pensions and minimum unemployment benefits. Over 85% of the countries in which there is no gender gap in effective pension coverage have universal or mean-tested non-contributory pensions.[12] Nevertheless, while non-contributory pensions can go a long way towards securing women's access to basic protection, benefit levels are often too low to allow beneficiaries to fully meet their needs. Hence, the provision of non-contributory pensions should be accompanied by efforts to support women's increased participation in contributory schemes.

Table 2: Selected best practices and lessons learned from upper-middle to high-income countries

Countries	Best practices and lessons learned
Croatia[13]	**Raising Retirement Age:** The normal retirement age for women is gradually increased by three months a year to age 65 in 2030, matching the normal retirement age for men.
Nordic countries[14] Japan and Korea[15]	**Paternity leave:** Promoting more equal distribution of unpaid care work and involvement of fathers in childcare through "daddy quotas". In Sweden, parental leave is up to 16 months, with the first year paid at 80% of salary. In Asia, Japan and Korea permit fathers to take parental leave for up to a year. However, uptake rates have been low due to gender norms.
Latin America[16]	**Economic empowerment:** Cash transfer targeting women can have an economic empowerment effect, but cash-conditional transfer (CCT) programmes that assume women as the main caregivers may result in perpetuating gender stereotype

Mexico[17]	**Childcare:** The Programa de Estancias Infantiles para Apoyar a Madres Trabajadoras cover 90% of childcare costs by subsidising both low-income parents and the suppliers of childcare, has improved labour market access for women and created 45,000 formal, paid jobs, mainly for women
France[18]	**Caregiver credit:** A parent caring for a child under 16 for at least 9 years receives up to 2 years of coverage, regardless of workforce participation. Additionally, a parent caring for a child under 3, earning below a threshold, is credited as if receiving minimum wage. Furthermore, a parent raising 3 or more children for at least 9 years before they turn 16 receives a 10% increase in old-age benefits at retirement
Iceland[19]	**Equal pay:** Companies with 25 employees or more are required to demonstrate that they pay male and female employees fairly without gender discrimination or risk facing daily fines

2. Institutionalising Gender-responsive Social Protection through Capacity Building and Awareness-raising Initiatives

Building the Government and partners with capacities on gender-responsive social protection is important for policymakers to make informed and evidence-based policy decisions related to social protection. Knowledge and skills in recognising gender-specific needs, designing inclusive policies, and ensuring equitable access to resources and services are important to advance gender equality and more sustainable development.

The gender-sensitive vulnerability assessment[20] is a tool to inform the design of social protection strategies or programmes to be more sensitive to the different needs of women and men. The tool identifies and recognises that women's and men's vulnerability to the same risks can vary as can their exposure to different types of risks due to gender norms, roles, and responsibilities. Available in the public domain, this tool can be easily adopted in the local setting by the Government or other entities in designing more effective strategies or programmes that work for both women and men.

3. Investing in Gender-responsive Social Protection

Financing gender-responsive social protection is essential to address systemic inequalities. It acknowledges and rectifies gender disparities in access to resources, opportunities, and social services. Investing in financing gender-responsive social protection will extend the current coverage to effective coverage and adequate benefits that are meaningful for elderly women and men. This would include investing in improved gender data disaggregation collection, quality and analysis research and evidence on policy design features to improve social protection effectiveness.

Conclusion

In countries with established social protection systems and ageing populations, the primary struggle lies in finding a balance between financial sustainability and ensuring sufficient pension benefits. These obstacles are often rooted in socio-cultural norms and structural challenges associated with limited economic development, widespread informality, insufficient capacity for contributions, poverty, and constrained fiscal resources, among other factors. However, many countries globally have demonstrated that expanding and funding their pension systems to achieve gender equality where meaningful coverage and benefits for both men and women can be achieved. By adopting a more progressive and gender-responsive approach, Malaysia can address complex sociocultural norms and institutional barriers that hinder gender equality and women's empowerment. Comprehensive systems that are designed to recognise gendered risks and vulnerabilities and contribute to transformative outcomes for gender equality and women empowerment through a life course approach not only benefit women but the whole of society.

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***** The gendered life-cycle risk and vulnerability is locally contextualised to Malaysia setting based on the author's assessment guided by the nine life-cycle contingencies identified by ILO No.102 and UN Women's Gender-Responsive Social Protection Checklist
+Not reflective of the comprehensive Social Protection in Malaysia as there are more than 150 programmes of social protection implemented by various ministries/agencies in Malaysia as well as programmes offered by CSOs and NGOs.

Climate Resilience Among The Elderly: A Role For Social Protection

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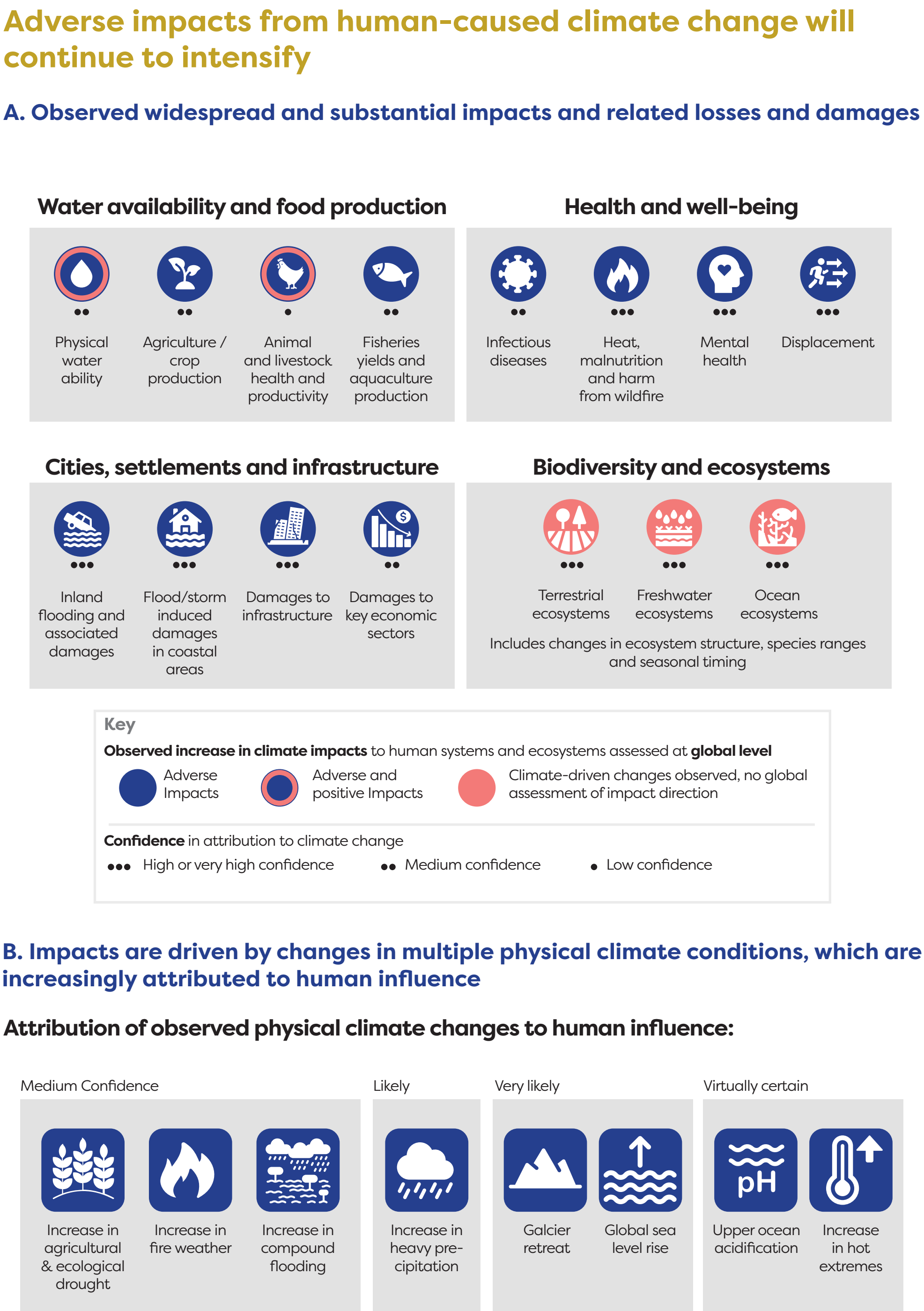
Executive Summary

Climate change is affecting everyone everywhere. However, climate change affects some groups of the population more than others. In this policy brief, we explore how elderly people are especially vulnerable to extreme heat, extreme weather events, and worsening air pollution due to climate change. This can be especially pronounced in developing and rapidly ageing countries like Malaysia. One way to increase climate resilience among the elderly is to have good social protection measures in place. Strategies like social pensions help to stabilise income so that elderly people have the means to navigate the challenges of climate crises.

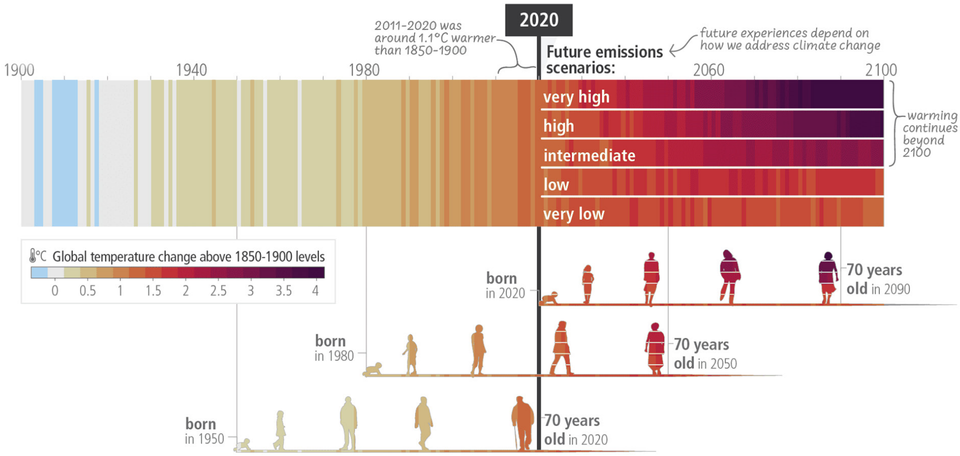
Introduction

Climate change is already happening. By 2023, the world had reached 1.1°C of global temperature rise since the pre-industrial era. The latest Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) finds that the last decade has been warmer than any other period for the last 125,000 years. Sea levels have risen faster than any prior century for the past 3,000 years, and the ocean has been warming faster than ever since the last ice age (Calvin et al., 2023, see Figure 1). While the world is scrambling to reduce emissions to limit global warming to either the "best case scenario" of 1.5°C or 2.0°C, the climate will continue to change around us, and its effects will continue to intensify.

Figure 1: Figure SPM.1 from the Sixth Assessment Report of the IPCC



C. The extent to which current and future generations will experience a hotter and different world depends on choices now and in the near-term



As a tropical country surrounded by oceans, climate change presents unique threats to Malaysia. Under a high emissions scenario, the mean annual temperature in Malaysia is projected to rise by about 4°C on average from 1990 to 2100, increasing climate-sensitive diseases like dengue and heat stress. Under this scenario, an additional 85,800 Malaysians are projected to be affected by inland river flooding by 2030, and an annual average of 234,500 Malaysians will be affected by coastal flooding between 2070 and 2100 (WHO, 2015).

However, not everyone is affected by climate change in the same way. Some segments of the population are more vulnerable to climate change than others. These include children, women, the poor, and the elderly.

Overview

Developing countries have a much faster rate of ageing population growth than developed countries (Sarkar, 2023). Indeed, Malaysia's population is ageing at a comparatively higher rate than most other countries. The latest demographic figures indicate that 7.4% of the Malaysian population is 65 or older. Malaysian males aged 65 in 2023 can be expected to live around 14.9 years more, and females 17.2 years more (DOSM, 2024). Research by Rabi et al. (2019) indicates that Malaysia will become an "aged nation", defined as when the post-working population (+65) makes up 14% of the total population by 2045.

A nation's elderly population faces many specific vulnerabilities in the face of climate change. Exposure to elevated temperatures with climate change can heighten the risk of sickness and mortality in the elderly. Heat extremes have been associated with increased hospital admissions among older people suffering from heart and lung ailments (USGCRP, 2016). Due to the high operating costs, elderly persons with low incomes who own air conditioners might not use them during heat waves (USGCRP, 2016). Under a high emissions scenario, heat-related deaths among the Malaysian elderly population are projected to increase to almost 45 deaths per 100,000 people by 2080, compared to the baseline of under one death per 100,000 people annually between 1961 and 1990 (WHO 2015).

Increased risk of flooding with climate change also increases the risk of flood-related deaths among older persons. The elderly are more vulnerable to negative effects on their physical and mental health during extreme weather evacuations. Older individuals who live in poverty or do not have access to clean water and sanitation are at higher risk of contracting gastrointestinal diseases from waterborne infections during harsh weather events (Sarkar, 2023; USGCRP, 2016). Extreme events can also disrupt the ability of the elderly to obtain food, healthcare, and other essential services (UGCRP, 2016).

Shifting weather patterns and more intense and frequent wildfires with climate change increase the quantity of pollutants, dust, and smoke in the air. Temperature increases also facilitate the formation of ground-level ozone, which is linked to many health issues. Asthma and chronic obstructive pulmonary disease (COPD), common ailments among the old, are worsened by poor air quality. In older persons, air pollution can also raise the risk of a heart attack (USGCRP, 2016). In 2016, Southeast Asia was among the highest regions recording deaths in people aged 60 or over for deaths due to small particle (PM2.5) air pollutants (ESCAP, 2022).

Sarkar (2023) found that in developing countries, the vulnerability of older adults in the face of climate change is often intensified due to inadequate infrastructure and limited access to healthcare services. Furthermore, the effects of climate change on health in developing nations can potentially worsen existing socioeconomic and health inequalities. Developing countries are also more likely to see air pollution-related deaths, as laws tend to be weak or poorly enforced, vehicle emission standards lower, and coal-fired power plants more common.

Discussion

Longer life expectancy is a sign of a nation's development and progress. As Malaysia continues to develop and its healthcare sector advances (Aziz & Ahmad, 2017), more Malaysians will likely live longer lives. Therefore, ensuring that this growing segment of the Malaysian population is well-equipped to face the challenges of a changing climate is especially important.

Malaysia's social protection policy should incorporate climate adaptation approaches to protect the most vulnerable and those with low adaptive capacity from climate change shocks and risks (Nelson, 2011). Social protection measures can include insurance, pensions, grants and social welfare. In Malaysia, insurance, pensions, grants, and welfare are available to certain segments of the population (Pereira, 2007; Leng et al., 2016; Khan et al., 2017).

Social pensions are non-contributory cash payments the government provides to senior citizens without the prerequisite of having contributed to a pension plan (Davies et al., 2008). While other developing countries like Botswana, Cook Islands, Guyana, Kiribati, Mauritius, Namibia, and Suriname have universal age-based pensions (Pension Watch, n.d.), this is not yet in place in Malaysia. A comprehensive study by Rabi et al. (2019) from the Social Wellbeing Research Centre, University Malaya, recommends social pensions for all Malaysians. This will guarantee Malaysians a reasonable minimal level of security to meet their fundamental needs, even as they age (Pereira, 2007).

Social pensions can work in the short and long term by providing the elderly with reliable and predictable buffers during extreme weather events or climate disasters. In the short term, it can support the operational costs of air conditioners and air purifiers to protect against the effects of temperature and air pollution increases. It can also help the elderly navigate the challenges of disasters like floods, where clean water, sanitation, and medical assistance may not be freely or cheaply available.

In the long term, it can contribute to food security by stabilising income and consumption in the face of climate shocks (Nelson, 2011). The elderly can avoid selling off assets to cope with climate events. Social pensions can also reduce the burden of elderly care on the younger generation, especially in times of crisis (Devereux, 2001).

Conclusion

Elderly people are particularly vulnerable to climate change, and climate change is a major challenge to healthy ageing. Malaysia is committed to playing its part in reducing its emissions to meet the global 1.5°C warming target. The government is also working hard to improve infrastructure, access to healthcare services, and environmental law enforcement while addressing socioeconomic inequalities. These efforts must exist alongside improvements in social protection mechanisms, especially for vulnerable populations. As Malaysia builds a more climate-resilient society, social protection measures must be carefully designed to efficiently and effectively protect and support the elderly, in line with Strategy F4 of the 12th Malaysia Plan to increase the well-being of the aged population.

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The Critical Role of Healthcare Protection Scheme for Elderly and Retirees

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Universiti Putra Malaysia

Summary

As Malaysia approaches becoming an aged nation by 2043, with 14% of its population over 65, addressing the health care and long-term care (LTC) needs of its ageing population becomes imperative. Drawing on the AGELESS Project findings, this article underscores the financial and caregiving burdens faced by the elderly and their caregivers. With a significant portion of the elderly population enjoying good health, yet a notable minority struggling with health and financial challenges, the need for a comprehensive Healthcare Protection Scheme is evident.

The preliminary result reveals that a majority of caregivers of the elderly endure financial and social strains, managing caregiving responsibilities with their financial limitations. The inadequacy of current social and healthcare financing protection mechanisms to meet these growing demands is highlighted, alongside the economic sufficiency disparities among the elderly and caregivers.

Proposing the introduction of a Long-Term Care Insurance (LTCI) system akin to Japan's model, the article advocates for a sustainable healthcare financing solution for the elderly by covering costs associated with LTC services. The article calls for the government to integrate an LTCI within Malaysia's existing social security organisations, which could enhance efficiency and streamline service delivery. The necessity of political will, policy direction, and stakeholder engagement to support the adoption and implementation of LTCI is emphasised, pointing to a significant policy opportunity to improve the well-being of Malaysia's ageing population and their caregivers.

Introduction

By the year 2043, 14 per cent of Malaysia's population will be aged over 65 years, making us an aged nation. As part of the ageing process, physical frailty and cognitive decline occur, resulting in significant public health problems, with equally dreadful consequences for the caregivers of the elderly individuals. On this note, the Malaysian Research Institute on Ageing (MyAgeing), Universiti Putra Malaysia conducted a study to address the cost of aged health care and long-term care (LTC) in our ageing society, which is a part of a multidisplinary, multi-institution and multicohort study started in 2013 (Shahar, Omar, Vanoh, Hamid, Mukari, Din, et al, 2016).

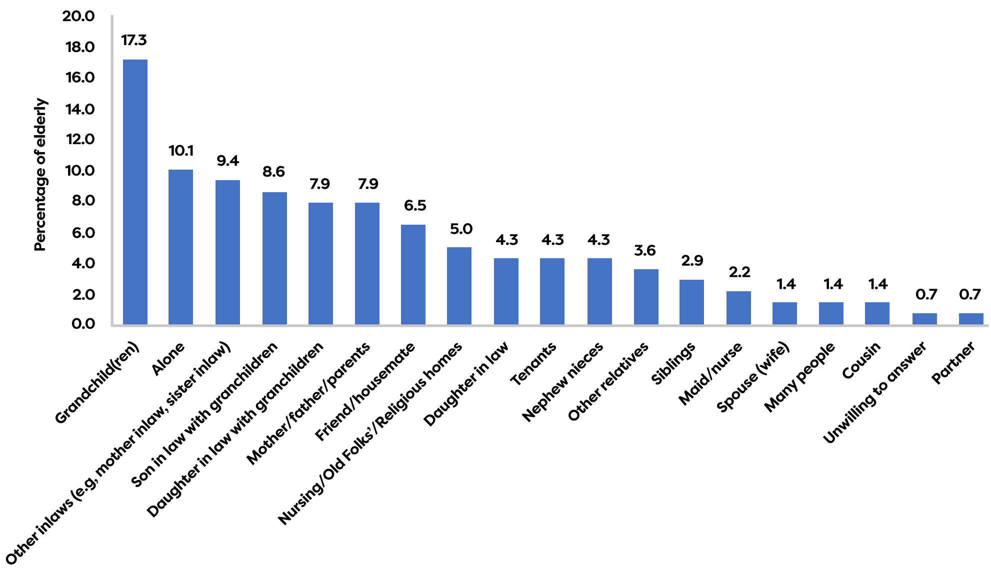
This article is based on this study and another cross-sectional study (Aravindhan, Mat, Hamid, Shahar, Abdul Majeed, Teh, 2022), which is part of a large, nationwide research project, called the AGELESS (Transforming Cognitive Frailty into Later- Life Self-Sufficiency) Project (LRGS/1/2019/UM/01/1/2) funded by the Ministry of Higher Education under the Long-Term Research Grant Scheme.

This article aims to highlight the financial burdens of both the elderly and their caregivers, advocating for the introduction of a Healthcare Protection Scheme as complementary to current social protection schemes.

Profile of the older persons

Preliminary results show that almost 90% of the 126 elderly respondents live with their family members such as their grandchildren, while only 10.1% of the respondents lived alone (Figure 1). This living arrangement suggests a strong commitment to filial responsibility but could also imply a heavier financial burden on these family members.

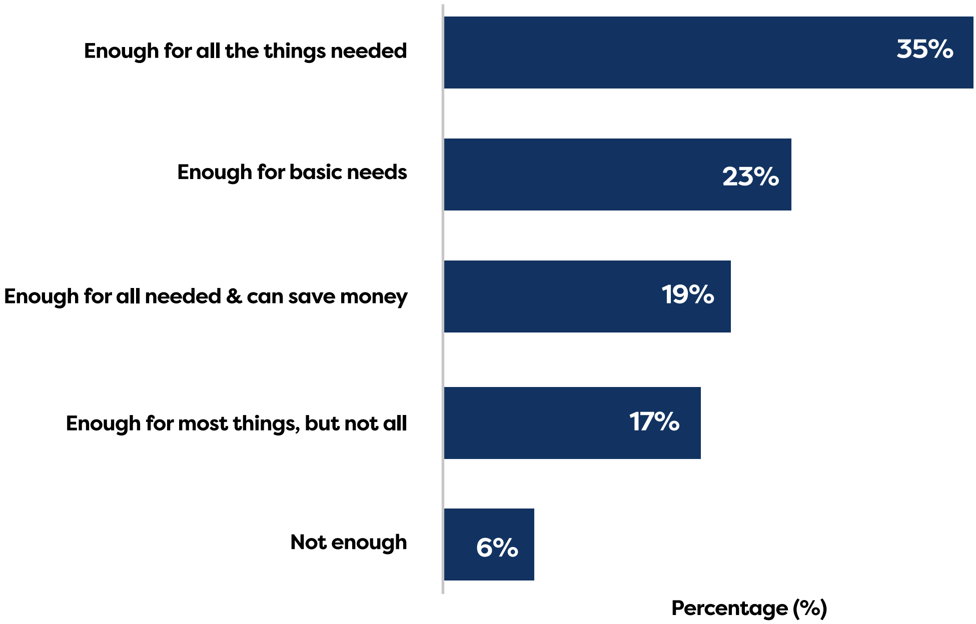
Figure 1: People the elderly live with



Of these respondents, 73.4% reported feeling well "most of the time" over the past month, suggesting a positive self-perception of health among the majority of the elderly population, while a modest 10.1% reported experiencing ill health.

Slightly more than half of the sample have adequate income, such that 19% have sufficient income and are able to put money aside for savings. Additionally, 35% of them have enough for all the things that they need. Nevertheless, 23% have only enough for basic needs. 17% are still struggling to meet all basic needs, and 6% of them is in an alarming situation of having insufficient income altogether, as shown in Figure 2.

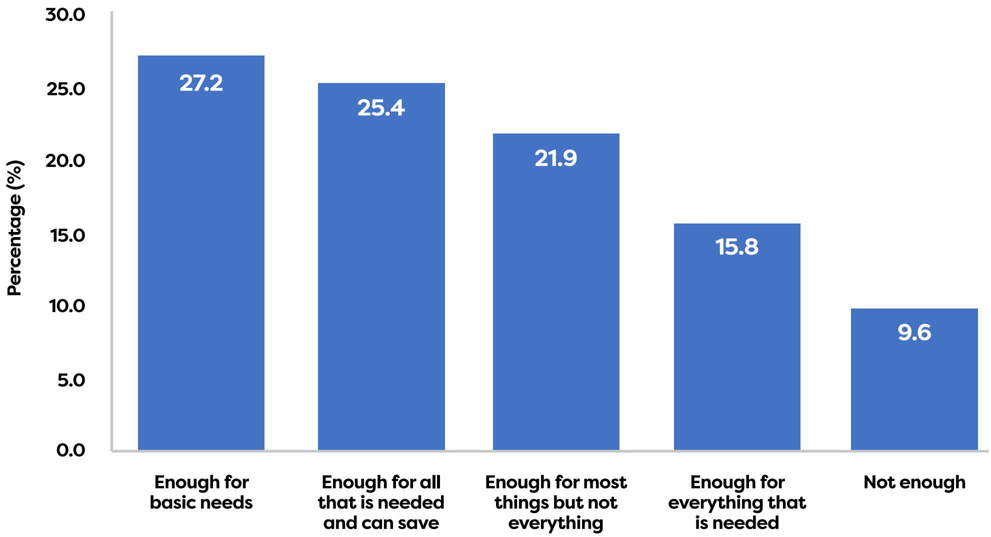
Figure 2: Adequacy of current income of the elderly



The Social and Financial Burden of Caregivers

Among the 116 caregivers who responded to our survey, about one in five (21%) cared for two or more elderly individuals at the same time. Of them, 66% cared for both parents and 13% cared for both parents-in-law. Some of the caregivers (8%) have spouses as the elderly that they care for. The average age of the elderly was 75.9 (SD 9.8) years old with 95% of the households caring for elderly individual(s) with one and more co-morbidities - 37% of the caregivers looked after elderly with diabetes and hypertension, 22% cared for elderly with bowel/urinary incontinence, 15% with heart problems, and 5% with cancer. About 41% of these caregivers have a household income of RM5,249 and below, with expenditures closely trailing at RM3,999 and below (the status of financial aid was not ascertained in this study). When asked about the adequacy of their current financial situation, about one in 10 respondents replied that it was inadequate (Figure 3).

Figure 3: Adequacy of current financial situation of the caregivers



Despite the modest income, the monthly health-related expenditure for the elderly can be quite high. For example, about 50% of the caregivers spent up to RM500 for food for the elderly and approximately RM200 for other necessities respectively, such as medical disposable items (syringes, glucose test strips, gloves, etc.), non-medical disposable items such as (diapers, self-care needs, etc.), travelling (using own vehicles or e-hailing transportation), and special food and supplements. Additionally, one-off high expenditure was also incurred, such as when purchasing medical equipment with a mean of RM613 (SD 1,810, range 0-16,000), and renovating their houses to accommodate the needs of the elderly with RM4,226 (SD16224, range 0-150,000). Hence, it was not surprising when almost one in ten caregivers (9.6%) reported that their current household income is insufficient to cover the expenses of the elderly under their care.

The Case for Government Attention

These preliminary results suggest the existing social protection and financing support mechanisms may be inadequate to meet the growing needs of an ageing population and their families. As approximately 10% of the elderly and the caregivers, respectively, disclosed their income was "not enough," there needs to be innovative solutions from the government. The following discussion uses Kingdon's Multiple Streams Framework to explore the alignment of problems, policies, and politics to advocate for the introduction of a healthcare protection scheme, i.e., the Long-Term Care Insurance (LTCI) system akin to Japan's, tailored to meet Malaysia's unique needs.

The Problem Stream

There is a critical gap in the existing healthcare protection framework, highlighting the urgency of exploring sustainable long-term care and health financing models to support the ageing population. As detailed earlier, the economic sufficiency among the elderly and the caregivers varies. A notable portion were unable to afford even necessities, with many of whom struggled to meet both the healthcare needs of their elderly dependents and their own basic needs. Moreover, there are media reports regarding the adequacy of retirement savings among Malaysians, with only a small percentage of Employees Provident Fund (EPF) members expected to retire comfortably (Kaur, 2024).

By financing professional long-term care services, schemes like LTCI reduce the economic burden on individual caregivers, allowing them to maintain or improve their quality of life. It also enables caregivers to participate more fully in the workforce, contributing positively to the national economy. Similar to its implementation in Japan, LTCI in Malaysia could offer beneficiaries the freedom to choose between different care providers and services, promoting quality through competition and personalization of care.

The Policy Stream

Several policies on healthcare protection measures for the elderly are already in place in Malaysia, which include universal healthcare systems providing broad access to medical services regardless of income; social pensions and retirement benefits offering financial support; and integrated care models combining health and social services to meet diverse needs effectively. Examples include free outpatient clinic visits and a 50% discount for class 3 ward treatment, up to a maximum of RM250.00 maximum inpatient charges (Kementerian Kesihatan Malaysia, 2012). There are also Skim Perubatan MADANI and MySalam, which offer free healthcare services and benefits. However, healthcare needs for the elderly are not confined to healthcare facilities alone or limited to a certain age. The elderly also need adequate and appropriate health-related care at home, which studies have shown can, in turn, reduce "social admissions" to hospitals (Yamada & Arai, 2020).

Therefore, another policy option for Malaysia is a social insurance scheme like Japan's Long Term Care Insurance (LTCI). The LTCI is designed to cover the costs associated with long-term care services, which are not typically covered by regular health insurance or other existing forms of healthcare financing, such as assistance with daily activities (bathing, dressing, and eating) at the individual's homes, assisted living facilities, nursing homes, adult day care centres and respite care.

Japan's LTCI, established in the year 2000, is funded through compulsory premiums paid by all citizens aged 40 years and over. There are different financing methods for different types of population:

- For employed individuals, the LTCI premium is often deducted directly from their salary.
- For those not formally employed or without a regular income, such as retirees or homemakers, the premium is usually based on other criteria, such as pension income.
- For the unemployed, their LTCI premiums are subsidised or paid in full by the government.

The LTCI model could provide a sustainable financing mechanism for Malaysia as it provides a dedicated funding stream for long-term care services. The Long-Term Care Insurance (LTCI) may be integrated within Malaysia's existing Pertubuhan Keselamatan Sosial (PERKESO) (also known as Social Security Organisation, SOCSO) framework to streamline the implementation process, using the existing infrastructure, networks, and systems that PERKESO already has in place. This can potentially reduce the startup costs and complexities of introducing a new program. Additionally, Malaysians are already familiar with PERKESO, and the organisation has established trust with both employers and employees. This familiarity could encourage participation and support for the LTCI scheme. By consolidating social security benefits under one organisation, Malaysia can achieve greater efficiency and coordination in delivering these services.

Nonetheless, an LTCI scheme in Malaysia could overlap with the existing PERKESO scheme in terms of coverage, benefits, and target groups, potentially covering similar health-related events and offering benefits to the same employed individuals. Overlap might occur for long-term care due to work-related injuries or illnesses, leading to possible duplication of benefits. To minimise overlap, the government would need to design the LTCI to complement PERKESO through coordinated services, clear eligibility criteria, and benefit coordination, ensuring a comprehensive safety net without excessive compensation for those requiring both short-term and long-term care.

The Politics Stream

The idea of Malaysia adopting a Long-Term Care Insurance (LTCI) system similar to Japan's has been discussed and supported by some Malaysian policymakers (Bernama, 2024, Arifin, 2024). Nonetheless, strong political will, policy direction, and engagement with key stakeholders are crucial to garner support for LTCI. Additionally, the economic and social benefits of LTCI must be highlighted, implementation considered, its sustainability deliberated, and the system’s potential impact on Malaysia’s ageing society must be explained. All efforts require a proactive approach, from conducting comprehensive needs assessments to establishing clear guidelines for LTCI’s implementation and integration with existing healthcare services.

Opening the Policy Window

The convergence of the problem, policy, and politics streams presents a unique opportunity to advocate for LTCI in Malaysia. Given Malaysia's comprehensive healthcare and support systems, introducing a Long-Term Care Insurance (LTCI) system could further strengthen the provision of care for the elderly, especially for long-term and non-medical care needs that are not fully covered by existing programs. It could offer a more dedicated, viable, and sustainable financing mechanism for long-term care services.

Conclusion

The tax-based system has served Malaysia well, offering universal healthcare access. However, as the population ages, the demand for long-term care—distinct from acute medical care—surges, necessitating a more focused approach to financing and delivering these services. The LTCI model from Japan, is seen as a potential framework. This system covers a range of services that may alleviate the financial burden on the elderly and ensure they receive optimal care.

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Unlocking the Path to Retirement Bliss: Nurturing Social Well-Being Amongst Our Valued Employees

Bank Simpanan Nasional

In the ever-evolving employment landscape, retirement planning has transcended beyond financial preparations. Now, it encompasses a broader spectrum of support aimed at ensuring the holistic well-being of employees as they transition into their post-career lives. Understanding this, Bank Simpanan Nasional (BSN) has taken proactive steps to nurture the social well-being of its workforce, paving the way for a meaningful retirement journey.

At the core of BSN's approach lies a commitment to recognising and rewarding employee loyalty. As employees dedicate their years to the organisation, BSN reciprocates by providing additional EPF employer contributions, serving as a tangible acknowledgement of their long-term commitment and ensuring a secure financial foundation for retirement.

Recognising the significance of cultivating financial prudence among its staff, BSN encourages a culture of saving for the future. To facilitate this, the bank offers ASB Staff Financing facilities with desirable rates and encourages our employees to save through various internal activities, promotions and campaigns to instil the saving habit among our employees. Even gifts given to our employees during internal competitions, appreciations or recognitions are usually in the form of BSN Sijil Simpanan Premium (SSP) to ensure employees have substantial savings beyond their working years.

BSN goes beyond traditional benefits by offering innovative solutions to support employee health and well-being. Through doorstep delivery of medical supplies facilitated by a user-friendly mobile application, the bank prioritises convenience and accessibility, ensuring employees can access essential healthcare resources with ease.

In terms of healthcare coverage, BSN leaves no stone unturned. Employees and their eligible family members enjoy unlimited medical benefits coverage at leading government facilities, including heart-related cases at Institut Jantung Negara (IJN), eye-related treatments at Tun Hussein Onn National Eye Hospital, and cancer-related care at Institut Kanser Negara (IKN). This comprehensive coverage, besides providing peace of mind, when employees and their family members have access to healthcare without financial strain, they are more likely to address health issues promptly, which positively impacts our productivity.

Even after employees retire from BSN, their well-being remains a top priority. Retirees and their spouses may continue to receive medical benefits based on their year of employment, ensuring continued access to quality healthcare and peace of mind in their retirement years.

Furthermore, BSN understands the diverse needs of its employees by offering flexible leave policies to accommodate various life events and circumstances. From Hajj/ Pilgrimage Leave to Trauma Leave, the bank's comprehensive leave policies prioritise our employees' physical, spiritual and mental well-being.

By prioritising social well-being alongside financial stability, BSN empowers its employees to be resilient and embark on their retirement journey with confidence and peace of mind. Together, the bank and its employees craft a future where retirement isn't just a destination but a fulfilling and enriching chapter of life.

Spurring The Silver Economy: Exploring Policy Solutions

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Institute for Capital Market Research Malaysia (ICMR)

Summary

This paper delves into the rising phenomenon of the Silver Economy and through a social and economic lens, examines changing paradigms of society's needs as influenced by the ageing population. We explore existing gaps and challenges, prompting the question - is Malaysia equipped to face the Silver Tsunami? Considering this, we analyse global solutions and provide practical recommendations to policymakers, market participants and the general populace to harness the untapped potential of the Silver Economy.

Introduction

The Silver Economy is defined as economic activities and market opportunities tailored to meet the needs of the older population.[1] This segment spans various sectors such as healthcare, financial services, housing, and technology, among others. The age scope for the Silver Economy varies, ranging from age 50[2] to age 60[3] and above.

The Silver Economy is an outcome of the Silver Tsunami—a term used to describe the rapidly ageing population driven by increasing life expectancies and declining fertility rates. However, the term "tsunami" often carries negative connotations, suggesting widespread adverse effects. The term fails to acknowledge that with the implementation of the right policies and support systems, the Silver Economy presents untapped potential for national and economic development.

As we shift our mindset towards embracing the opportunities presented by the ageing phenomenon, it is imperative to recognise the multifaceted nature of the Silver Economy. Beyond being a mere welfare concern, it represents a thriving market ripe with opportunities for growth, innovation, and societal development. By embracing a collaborative approach that extends beyond government intervention, we can unlock the full potential of the Silver Economy for our collective benefit.

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State of Play

While the Silver Economy extends across various sectors, we focus on 4 key areas - derived and modified from Malaysia's 2011 National Policy for Older Persons and the strategies outlined for older persons in RMK-12[5].

Figure 1: Ageing Ecosystem in Malaysia

Note: The list of stakeholders may cross-cut and is not exhaustive

Issues and challenges across the Focus Areas

1. Healthcare and Wellness

- Malaysia faces challenges in ensuring accessible and affordable healthcare services alongside an underdeveloped Care Economy, posing a strain on the sustainability of the healthcare system.
- There is a discernible increase in the number of years lived in poor health in Malaysia, increasing from 8.3 years in 1990 to 9.1 years in 2019, signalling a need to enhance healthcare solutions in response to longevity.[6]

2. Continued Productivity

- The increasing importance of lifelong learning and skill development is being acknowledged globally, alongside prolonged employment.
- Malaysia's relatively low employment rate among individuals aged 50 to 74 can be attributed to the low minimum retirement age, early EPF withdrawals[7], and inadequate laws addressing age-based employment discrimination.[8]

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3. Financial Sustainability

- Challenges in Retirement Savings
  a. Accumulation
    - » Over 82% of total EPF members aged 51-55 have less than RM1,000 per month for retirement living expenses.[9]
    - » With the current minimum wage of RM1,500 in stark contrast to BNM's living wage rate of RM2,700[10] , efforts in building retirement savings are impeded.

  b. Decumulation
    - » Retirees often spend impulsively without long-term financial planning, akin to a "lottery effect".
    - » 50% of retirees exhaust their EPF savings within 5 years of retirement.[11]
- Insufficient Insurance Coverage
    - » Malaysia's combined penetration rate for conventional insurance and takaful is 54% as of 2022, falling short of BNM's 75% target.[12]
- Fragmented and Inadequate Social Protection System
    - » Only 4% of the older population receive Bantuan Warga Emas, revealing a significant gap in the retirement and pension system.[13]

4. Infrastructure and Services

- Shifting care preferences highlights the critical need for **quality caregiving services and retirement housing or care centres**, as well as **ageing in place** (Malaysia Ageing and Retirement Survey found that 83% of respondents wished to age in place[14]).
- Many retirement housing options and care services are priced beyond the reach of many and are not widely dispersed geographically.

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Global Solutions Employed and Possible Solutions for Malaysia

As Malaysia prepares for its transition to an aged society by 2044[15] it is crucial to explore policy enhancements across both social and economic domains, alongside the role of market-based solutions.

Focus Areas	Countries	Best Practices	What Can Malaysia Do?
Healthcare & Wellness	Sweden	**Public-private collaboration** • Legislation emphasises **municipal community planning** for elderly care, comprising **public and private operators**. • Municipalities set a maximum charge of SEK 2,350/month (~MYR1,054) for care services. • Affordable transportation services and free meals for elderly and disabled (tax-funded).[16]	**Developing Care Economy** • Creating a **conducive regulatory environment** to facilitate private entries into the care market, while prioritising service quality. **Developing Thematic Funds** • Investors to diversify investment portfolios with **thematic funds** targeting the Silver Economy – which has been gaining traction in global markets (e.g. BlackRock, Global X and Janus Henderson Investors).[17] • The funds capitalise on long-term prospects driven by demographic shifts, offering exposure to sustainable investment opportunities that create positive impact.

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<table>
<tr><th>Focus Areas</th><th>Countries</th><th>Best Practices</th><th>What Can Malaysia Do?</th></tr>
<tr><td rowspan="2">Continued Productiv-ity</td><td>Singapore</td><td>Employment Policies and Lifelong Learning
• SkillsFuture Mid-Career Support Package provides reskilling programmes to promote re-employment.
• National Silver Academy offers learning opportunities via a one-stop platform.[18]
• Public and private institutions are increasingly adopting senior mentoring - facilitating skills exchange between veterans and younger staff.[19]</td><td rowspan="2">Incentivising Lifelong Learning
• Expanding access to initiatives such as the University of the Third Age (U3A) by UPM which promotes seniors' personal and professional development.[20]

Engaging Older Employees
• Companies to adopt recruitment strategies to attract mature workers, leveraging their experience to mentor younger employees.
• Strategies include flexible working arrangements, shorter working hours and tailored benefits package.

Future of work
• Technological advancement has shifted preference towards remote and freelance work.[21]
• Redesigning labour system based on the work and structural shifts, allowing retirees to work in a flexible working environment whilst fostering financial inclusion.

Employment Policy Adjustments
• Align retirement age to increase in life expectancy.</td></tr>
<tr><td>Japan</td><td>Retirement Age
• Raised to 61 - will be raised by one year every two years until it reaches 65 in 2031.[22]
• Proportion of companies adopting retirement age of 65 or over is 25%.[23]</td></tr>
</table>

<table>
<tr><th>Focus Areas</th><th>Countries</th><th>Best Practices</th><th>What Can Malaysia Do?</th></tr>
<tr><td rowspan="3">Financial Sustaina-bility</td><td>Thailand</td><td>Universal old-age allowance
• Implemented a non-contributory old-age allowance.[24]
• Allowance varies with age groups, with older groups receiving more.</td><td rowspan="3">Strengthen Social Safety Nets
• Establish a universal old-age allowance for a basic level of retirement income security.
• Categorical benefit can be introduced for an older age group, with further expansion as fiscal capacity allows.

EPF Policy Enhancement
• Extending mandatory EPF coverage to workers outside the formal sector through a gradual implementation.
• Introducing Basic Income Payout – convert retirement savings into monthly payout for a more sustainable decumulation approach.

Enhancing Private Retirement Schemes (PRS)
• Allowing more diverse investment options to meet individual needs and facilitate employers to adopt private pension plans.
• Including retirement specialists in the breadth of PRS providers.
• Utilising behavioural economics to increase participation:-
» Automatic enrolment to shift from opt in to opt out
» Lifecycle funds as default funds
» Retirement calculators to increase awareness of income replacement rates
• Increase PRS tax relief beyond the current RM3,000.</td></tr>
<tr><td>Australia</td><td>Multi-pillar pension and retirement system
• Means-tested Age Pension funded through general taxation revenue.
• Superannuation guarantee, compulsory employer contribution to private superannuation savings.
• Voluntary superannuation contributions and other private savings.[27]</td></tr>
<tr><td>Singapore</td><td>Financial Data Exchange (SGFinDex)[28]
• World's first public digital infrastructure to use a national digital identity and centrally managed online consent system.
• Facilitates access to financial information and services for consumers, consolidating financial data from various banks and government agencies into a single digital repository.</td></tr>
</table>

Focus Areas	Countries	Best Practices	What Can Malaysia Do?
Financial Sustainability	United Kingdom	**Home Equity Release Schemes**[29] • Allow homeowners to access a portion of the equity tied up in their property while ageing in place. • Two main options:- **i. Lifetime Mortgage** Borrowing against the value of one's home. **ii. Home Reversion** Selling all or part of one's property but with a legal right to continue living in it.	**Single Viewer Platform (SVP)** • As Malaysians tend to diversify their retirement funds beyond EPF (i.e. ASB, FD, Gold, etc), a **centralised platform** would enable individuals to access financial information across different government agencies and financial institutions. • Cohesion and data integration between industry players eases mental accounting allocation. **Financial products for retirees** • Market players to offer comprehensive **guidance and advisory** on retirement funds management. • To design **retiree-friendly financial investment products.**[25] **Promoting Reverse Mortgages** • In 2022, CAGAMAS introduced Skim Saraan Bercagar and Skim Saraan Bercagar Islamik in selected cities. As of April 2023, there are a total of 26 approved loans . As the product is relatively new, the product has not yet reached many. • Increasing take-up rates by expanding to other cities and aggressive promotion to **increase awareness and understanding.**

Focus Areas	Countries	Best Practices	What Can Malaysia Do?
Infrastructure & Services	Japan	**Community-based Integrated Care (CICS)[30]** • In 1974, Mitsugi, a rural town in Hiroshima, pioneered Japan's first CICS. • Its success prompted expansion as a nationwide model for integrated care by 2025. • CICS combines different resources like hospital services, welfare facilities, home care, and community activities, all within a 30-minute distance.	**Investments by Institutional and Impact Investors** • Institutional investors and impact investors to diversify portfolios by exploring investment opportunities within the Silver economy, such as:- » Age Tech » Retirement/ Intergenerational/ Long-term Care Centres • Establish a collaborative network to share knowledge, resources, and best practices among investors, funders, social enterprises, NGOs, and government agencies.

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Age Tech as an Enabler

- A key enabler for the development of the Silver Economy which cuts across all 4 focus areas, is **Age Tech**, whereby digital technologies are built around the needs and wants of older adults.
- Malaysia has a few players in the Age Tech scene, such as Robopreneur, Smart Peep, Teman Malaysia, Care Concierge, Managed Care etc. However, there remains ample room for scale and development in this sector.

<table>
<tr><th>Enabler</th><th>Countries</th><th>Best Practices</th><th>What Can Malaysia Do?</th></tr>
<tr><td rowspan="2">Age Tech</td><td>Singapore</td><td>• Has over 15 longevity R&D centres nationwide.
• The Silver Economy is projected to triple from SGD 33 billion (MYR 116 billion) in 2015 to SGD 91 billion (MYR 321 billion) in 2025.[31]
• Singapore has one of the region's largest concentrations of Insurtech (technology innovations to enhance the insurance industry) startups, with over 80 companies.[32]</td><td rowspan="2">Promote SMEs Enabling Old-age Wellbeing through ECF (Equity Crowdfunding) and P2P (Peer-to-Peer) Lending
• ECF and P2P lending platforms provide an avenue for SMEs to raise capital from a large pool of investors and provides an alternative financing option for companies to enable research, development and expansion.
• Malaysia’s current Age Tech and social enterprises or small businesses scene catered to old-age well-being can benefit from ECF and P2P to scale operations.
• These initiatives can catalyse the growth of SMEs, spur innovation in healthcare technology, and ultimately contribute to improving health outcomes and well-being.

Development of Insurtech
• As automation reduces operating costs, premiums can be offered at a more affordable price.[33]
• Leveraging on the lower premiums from Insurtech, Malaysia can tap on the opportunity to offer affordable products catered to the older population [34] – an underdeveloped segment in Malaysia.</td></tr>
<tr><td>Switzerland</td><td>• Has 100 R&D institutions in the Longevity area, with majority (52%) operating for profit.
• Over 660 longevity-focused companies surrounding Age Tech.[35]</td></tr>
</table>

Conclusion

The complex and interconnected nature of the Silver Economy requires comprehensive solutions that span across various domains. Market-based solutions, especially in financial sustainability, infrastructure development and Age Tech, play a significant role. While government interventions and institutional reforms are indispensable across the segments, it is crucial to recognise that individual accountability plays an equally significant role. This highlights the imperative for a comprehensive, whole-of-nation approach to empower stakeholders to harness the untapped potential of the Silver Economy.

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Unlocking Potential: Empowering Malaysia's Ageing Workforce

Heizlyn Amyneina Hamzah
Employees Provident Fund

Summary

The accelerated pace of population ageing in Malaysia has raised concerns, particularly with the rapid growth in the number of retirees, which is anticipated to exert adverse effects on fiscal space and impede overall economic growth. Therefore, this paper serves to address these challenges by offering a comprehensive benchmarking analysis of selected countries. The aim is to identify and evaluate policies and initiatives that effectively enhance the employability of the older workforce. Through benchmarking analysis, the study delves into the efforts of two prominent Asia-Pacific nations, Japan and Singapore, known for their proactive approaches to managing ageing demographics and fostering a productive older workforce. Furthermore, several strategies to empower Malaysia's ageing workforce were proposed. These strategies encompass a range of interventions, from policy enhancements to collaborative initiatives involving various stakeholders. By fortifying the ageing workforce, our labour market will be able to develop a diverse and dynamic multigenerational labour force that contributes to the resilience and sustainability of Malaysia's economy.

Introduction

The rapid global demographic transition, characterised by lower fertility and mortality rates, has resulted in the global phenomenon of population ageing. Advanced technological development has significantly increased life expectancy worldwide, leading to a rapid rise in the proportion of older people within the total population. **The proportion of the global population aged 65 years or over is projected to rise from 9.3% in 2020 to 16.0% by 2050** (United Nations, 2019).

Compared to other regions, the rate of population ageing in Asia and the Pacific, including Malaysia, is notably more rapid. **Malaysia has reached an ageing nation status since 2020**, with at least 7% of the total population aged 65 years old and above, **and is transitioning to an aged nation by 2043**, which indicates more than 14% of Malaysians aged 65 and above. The transformation from being an **ageing to an aged nation of 23 years is much faster** than France (115 years), Australia (73 years), the United States of America (69 years), the United Kingdom (45 years), the Philippines (35 years) and Japan (26 years) (UNESCAP, 2020).

According to the Department of Statistics Malaysia, the current average life expectancy at 60 years old is 18.7 years old. With Malaysia's minimum retirement age set at 60, **Malaysians will spend almost 20 years in retirement**. This extended post-retirement period poses a challenge to the **retirement readiness of Malaysians**, as evidenced by the insufficient savings among EPF members. According to the recent data from EPF, only **33% of active formal members have reached the Basic Savings threshold**. Basic Savings, introduced by the EPF, is a predetermined amount set according to age in Account 1, aimed at enabling members to attain a minimum savings of RM240,000 by age 55.

On a macro level, Malaysia's rapid ageing may lead to **decreased productivity and slower economic growth** due to a shrinking labour force, resulting in reduced labour contribution to the economy. In addition, the rise in the number of elderly may also impact the fiscal space through increased demand for pensions and healthcare allocation. Many ageing countries have addressed this challenge by activating and engaging the older workforce in the labour market. This study will examine **the initiatives undertaken by selected countries to employ older workers** and recommend several **strategies to activate Malaysia's older workforce.**

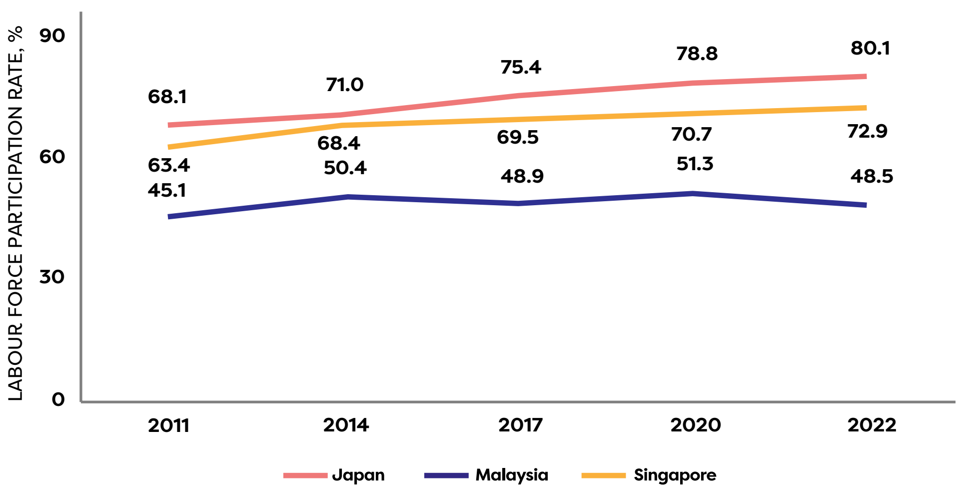
Older Workforce in the Labour Market

A multitude of international documents, agreements, and plans have emphasised initiatives targeting older adults, specifically aiming to promote their participation in the labour market. **The Madrid International Plan of Action on Ageing**, adopted at the Second World Assembly on Ageing, focuses on three priority directions: **promoting the inclusion of older persons in development, advancing health and well-being into old age, and ensuring an enabling and supportive environment**. These priorities aim to guide policy formulation and initiatives toward improving the quality of life for older persons. The Plan of Action advocates for the creation of decent employment opportunities for older persons in the labour market, raising awareness of the benefits of maintaining an older workforce and ensuring equal opportunities for lifelong learning.

The **2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs)** aim to ensure human rights across all segments of society, highlighting policy areas concerning the ageing population. The 2030 Agenda **recognised older persons as active agents of societal development**. Within the SDGs, several goals related to ageing are highlighted, including SDG 3, which promotes health and well-being at all ages; SDG 8, which emphasises decent work; and achievements in areas such as quality education for all (SDG 4); and gender equality (SDG 5), which can enhance individuals' situations throughout the life course (United Nation, 2022).

In this study, we have chosen **two countries as benchmarks** for discussing the initiatives and strategies undertaken to promote employment among older individuals. Singapore and Japan have been selected primarily due to their **diverse range of initiatives** to encourage older workforce participation and their **high labour force participation rates among older individuals**. Figure 1 illustrates the trend of labour force participation rates for those aged 55-64 years old in Malaysia, Singapore, and Japan.

Figure 1: Trend of Labour Force Participation Rates for Population Aged 55 to 64 Years Old for Selected Countries



Source: ILOSTAT Database, 2024

Over the past decade, Singapore and Japan have achieved notable advancements in labour force participation among older workers. Among these countries, **Japan exhibited the highest labour force participation rate** for individuals aged 55 to 64 years old in 2022, with 80.1%, followed by Singapore with 72.9%. These rates surpass Malaysia's rate of 48.5%. Furthermore, these two countries have consistently increased **labour force participation rates for this age cohort over time**, unlike Malaysia, **which has shown fluctuations throughout the years**.

Policies and Initiatives for Older Workforce in Singapore's Labour Market

Singapore's population is experiencing rapid ageing, with the proportion of citizens aged 65 and above increasing from 11.7% in 2013 to 19.1% in 2023. **By 2030, approximately 1 in 4 citizens (24.1%) are expected to be aged 65 and above** (Singapore Department of Statistics, 2023). In response, the **Special Employment Credit (SEC)** was introduced in 2011 to increase the employability of the older workforce aged 50 and above. The SEC **provide tax credits for employers who employ an older workforce**. In 2015, the Singapore Government introduced the **Action Plan for Successful Ageing**, which emphasised several measures to **facilitate lifelong employment opportunities**, including for the older workforce. In addition, to reflect the increase in longevity, the government has also raise the minimum retirement age. In 1993, the minimum retirement age in Singapore was 60 years old. Based on the Retirement and Re-employment Act (RRA), the minimum retirement age in 2022 is 63 years old and is expected to rise in 2026 to 64 years old and reach 65 by 2030.

As part of this plan, the government established the **National Silver Academy** to provide l**earning opportunities for Singaporeans aged 50 and above** to stay active while learning and growing at the same time. The government also launched **WorkPro, which aimed to encourage employers to create age- and family-friendly workplaces through job redesign for workers aged 50 and above and age management practices**. By 2020, more than 2,500 companies had received grants, and around 24,000 workers aged 50 and above had benefited from the initiatives since its inception.

Recently, the Singapore Government launched the **refreshed Action Plan for Successful Ageing 2023**. Through this updated plan, the government is **extending the Special Employment Credit (SEC)** to provide wage offsets for employers who hire Singaporeans aged 60 and above. The extension of the Part-Time Re-employment Grant incentivising employers to offer part-time job opportunities, flexible work arrangements, and structured career planning for the older workforce.

Policies and Initiatives for Older Workforce in Japan's Labour Market

By 2021, Japan was the only country among the Asia-Pacific nations to surpass the super-aged nation status. According to the United Nation's World Population Prospects, the proportion of Japan's population aged 65 and above reached 29.8% in 2021, surpassing the super-aged society benchmark of 21% since 2006.

The **Act on Stabilization of Employment for Elderly Persons** was initially enacted in 1971 and has undergone several revisions since then. The amendment in 1994 **prohibited mandatory retirement below the age of 60**, stipulating that if a compulsory retirement age is specified, it must be at or above 60 years old. A decade later, another amendment was passed, **extending the compulsory employment age to 65 years old**. The latest amendment in 2020 mandates both public and private sector employers to make efforts to **ensure employment up to the age of 70**.

To ensure the continued employability of the older workforce and assist them in remaining in the labour market longer, Japan's **Hello Work**, a Public Employment Service, provides specialised counselling, guidance, and job placement services tailored for job seekers aged 55 and above. Another initiative, fully funded by national and municipal governments, is the establishment of the **Silver Human Resources Centre (SHRC)**. The SHRC aims to offer employment opportunities to older workers interested in part-time or short-term jobs.

Overall, both countries have implemented two main interventions aimed at boosting the employment of their older workforce. Firstly, they regularly update and revise retirement age regulations in response to the dynamic demographic transition and economic conditions. These strict regulations are enforced to address the challenges posed by the ageing population and to reflect the increase in longevity of its population. Additionally, the increase in the employment of older workers is further facilitated by government incentives provided to employers and employees for re-employment, as well as the establishment of elderly-friendly workplaces.

Strategies to activate Malaysia's older workforce

As a larger portion of Malaysia's workforce approaches retirement age, addressing the implications of an ageing population on the labour force becomes paramount. To effectively tackle this challenge, there is a pressing need to focus on activating and utilising the potential of the older workforce.

One significant step towards this goal involves **strengthening social protection in Malaysia**. Under this umbrella, the government needs to **gradually increase the minimum retirement age from 60 to 65 years old**. Increasing the retirement age enables the older workforce to remain productive and employed in the labour market for an extended period. Countries with higher retirement ages, such as Iceland and Norway, typically exhibit higher employment rates for older workers (OECD, 2023). These nations have employment rates for individuals aged 60 to 64 that surpass the OECD average of 54%, with Iceland at 80% and Norway at 75%.

Aligning the minimum retirement age with the full withdrawal age for mandatory retirement savings in the Employees Provident Fund (EPF) can play a crucial role in ensuring older individuals to remain in the workforce for a longer duration. Currently, the minimum withdrawal age for EPF stands at 55 years old, a notable 5 years younger than the minimum retirement age. This misalignment often leads individuals who are content with their EPF savings at 55 to opt for retirement prematurely. By harmonising the retirement age with the EPF withdrawal age, individuals will be encouraged to stay longer in the workforce, contributing their skills and experience to the economy.

Expanding social protection coverage to include informal workers will play a crucial role in activating Malaysia's older workforce. The older workforce is particularly drawn to the flexibility inherent in the informal sector. This expansion will serve as a key incentive for older workers, ensuring that the risks they face while working are covered. Furthermore, a significant portion of older individuals in Malaysia are already involved in self-employment or the gig economy. By extending social protection to informal workers, we can ensure that the older workforce is safeguarded from potential job-related risks. Additionally, social security schemes administered by **Social Security Organisation (SOCSO) should be extended to cover workers aged 60 and above**, further enhancing their financial security and well-being. Employment insurance systems in Malaysia should also be **expanded to provide services tailored for individuals aged 55 and above**.

Negative stereotypes about the ageing workforce persist in the labour market in Malaysia (Yusof and Zulkifle, 2014). The labour market often perceives that the older workforce is less productive than their younger counterparts. However, it is crucial to challenge and curb this perception. Older workers possess a wealth of experience, expertise, and knowledge that can significantly contribute to the economy. In addressing this issue, employment services can level the playing field for job seekers by **prohibiting the use of maximum age limits in job vacancies**. For example, France and Sweden have implemented regulations that specifically prohibit the inclusion of maximum age limits in job advertisements. This approach helps ensure fair opportunities for older individuals seeking employment (Alexander Samorodov, 1999).

Technological advancements provide avenues for older workers to participate in lifelong learning opportunities. Through online platforms, older individuals can access a wide range of educational resources and upskill or reskill themselves in line with evolving job requirements. The transformation of work processes due to technological advancements has led to the proliferation of remote job opportunities. Remote work allows older individuals to work from home, overcoming mobility concerns and enabling them to maintain productivity and engagement in the workforce.

Conclusion

The rapid ageing phenomenon in Malaysia is poised to have significant impacts, necessitating urgent efforts to address potential risks and challenges. Rather than viewing the ageing workforce as a liability, Malaysia should recognise it as an **opportunity to navigate the challenges posed by both ageing demographics and technological advancements. Developing a multigenerational workforce** can be a strategic approach to bolstering talent pipelines, enhancing productivity, and fortifying resilience by retaining valuable human capital.

Labour market participation of the older workforce in Japan and Singapore has substantially increased over time. This progress is evidence of the **efficacy of robust policies and cooperative initiatives** implemented by stakeholders spanning federal governments, municipalities, the private sector, and the public. Thus, to activate the older workforce in Malaysia, there is an urgent need for enhancements in policies related to the ageing population.

Collaboration between government agencies, the private sector, and the public is crucial in increasing labour market participation of the older workforce. The collaborative efforts will not only **facilitate resource sharing** but also ensure a **conducive environment for implementing initiatives tailored to the needs of the older workforce**. In essence, Malaysia is capable of addressing the challenges associated with demographic transition and technological advancement by embracing the potential of the older workforce.

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Exploring Perceptions of Equal Opportunity

Amundi Asset Management

OECD with the support of Amundi has conducted a survey module across 27 OECD countries exploring perceptions of equal opportunity.

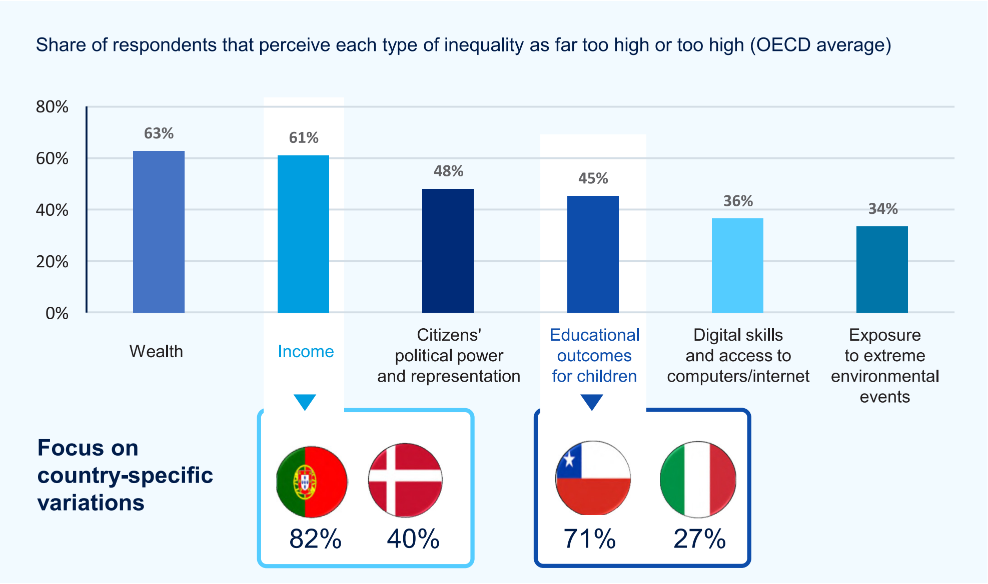
Discover the main findings*

Promoting social mobility and equality of opportunity remains an important challenge for OECD countries.

~80% of respondents believe that economic inequality should be reduced or that more should be done to ensure equality of opportunity.

Income inequality is far from being the only area of concern.

Inequality is multi-faceted and is seen as affecting all spheres of peoples' lives.

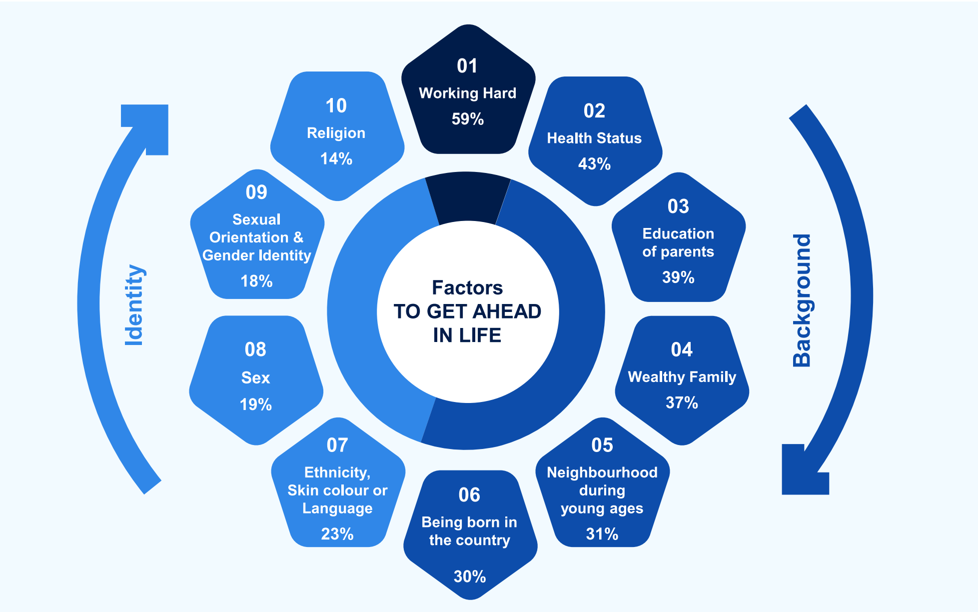


**These findings are based on responses to the Opportunities module (a module supported by Amundi) of the OECD Risks that Matter Survey 2022 (http://oe.cd/rtm), which has collected data across 27 OECD countries.*

Hard work alone appears not to be enough to climb the social ladder.

Circumstances beyond one's control such as background factors & identity traits also play a crucial role.

Share of respondents considering each factor as being essential or very important to get ahead in life (OECD average)



~80% of respondents believe that low income is the result, at least in part, of bad luck, while "only" 67% believe that higher earners stroke it lucky.

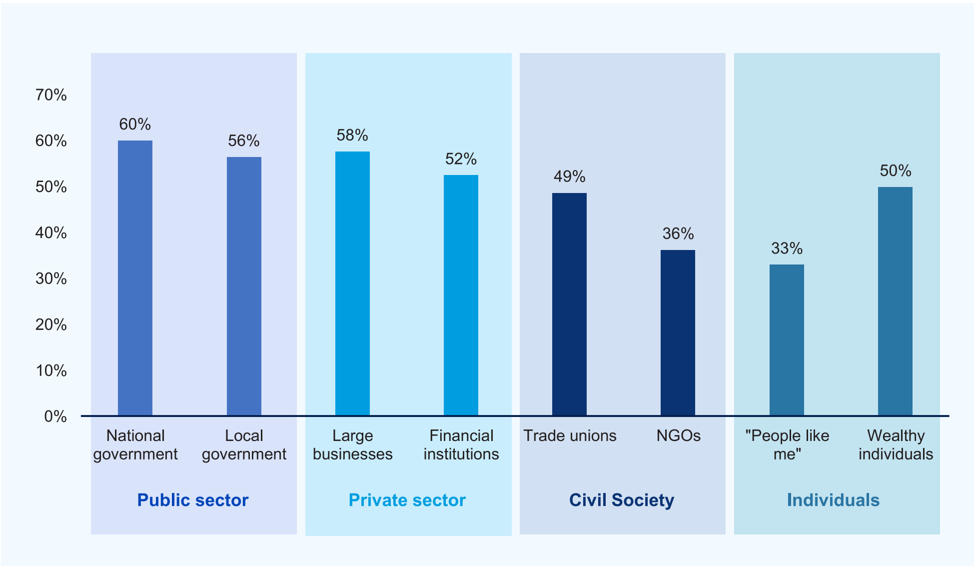
Migrants are more likely than the average respondent to believe that hard work pays off.

Young generations and those with a minority background are more likely to believe that individual characteristics are key in determining one's success.

Governments alone cannot tackle inequality

A multi-stakeholder approach is needed to fight inequalities.

Share of respondents believing that a great deal or a lot should be done by each actor to reach their preferred level of economic inequality (OECD average)



<25 year-olds are more likely to pick:

- **Local governments**
- **NGOs**
- **Ordinary individuals**

>54 year-olds are more likely to pick:

- **Financial institutions**
- **Large businesses**
- **Wealthy individuals**

Financial institutions and large businesses are perceived as disposing of key levers to break down the social barriers

Preferred actions for the private sector -OECD average
(respondents could select up to 4 actions)**

***The results refer only to respondents who believe that economic inequality should be lower and/or more should be done to promote equal opportunities.*

~2/3 of respondents believe that the private sector can make a meaningful impact by paying fair wages to their lowest-paid workforce.

>40% believe that it should address wage inequalities and create jobs.

~30% believe that it should invest in the workforce.

To gain further insight on the main findings of the collected data
visit website

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Malaysia Improves Overall Financial Inclusion According To Global Financial Inclusion Index From Principal®

Munirah Khairuddin
CEO Malaysia and Global Shariah, and Managing Director, Strategic distribution and institutional client relations, Principal

- The World Bank defines financial inclusion as 'individuals and businesses having access to useful and affordable financial products and services that meet their needs, delivered in a responsible and sustainable way.'[1]
- In line with the improved rankings, consumer data shows a significant increase in the positive perceptions of financial inclusion in the country.
- Financial inclusion improved globally over the last year, led by Southeast Asia and Latin America.
- Southeast Asia is one of the two regions where financial inclusion improved most markedly year-on-year.
- Singapore retains its position as the world's top market for financial inclusion.

Malaysia is the 18th most financially inclusive market out of 42 markets analysed globally, according to the 2023 Global Financial Inclusion Index from Principal Financial Group® and the Centre for Economics and Business Research (Cebr), rising two places year-on-year.

Annual research from Principal® that ranks the financial inclusivity of markets based on the support provided by employers, the government, and the financial system found that, overall, financial inclusion improved globally over the last 12 months. The largest advancements were in Latin America, Southeast Asia, and Southern Europe. Western and Northern Europe were broadly flat.

Following the increase in overall rankings for financial inclusion, consumer data shows a significant positive increase in perceptions of financial inclusion across Southeast Asia. Malaysia jumped into the top half of the rankings for public perception, rising from 20th to 15th.

The country saw improvement across two of the three pillars of financial inclusion, ranking 22nd (+two places from 24th) for government support, 17th for financial system support (+six places from 23rd), and maintaining its fifth-place ranking for employer support.

Significant improvements in Malaysia's digital economy contributed to its improved overall financial inclusion position, improved rankings for the 'volume of real-time transactions' (+13 places to 14th), and 'online connectivity' (+three places to 24th) indicators.

It's encouraging to see Malaysia not only rise in the rankings, but to also see an increase in the number of people who feel financially included in this country. The continued focus on digitisation and other initiatives that eliminate barriers to people's ability to save and invest will further improve financial inclusion across the country. Principal is proud to join in this effort through the embrace of e-wallet solutions and a partnership with Malaysia's largest e-wallet provider, which allows Malaysians to build optimal portfolios to achieve their financial goals. We will continue to work across sectors to help broaden awareness and access to the financial tools needed to reach financial security.

Key Global Findings

Raising awareness about community-based care is an important step in promoting its benefits and encouraging its adoption. Therefore, this study has also come up with a few strategies to help raise awareness:

Financial inclusion is advancing most rapidly in markets that are developing technology-enabled financial systems. The biggest risers include several emerging economies, such as Brazil, South Korea, Thailand, and Vietnam. The acceleration in the digital banking systems of Brazil, South Korea, and Thailand is reflected by these markets jointly ranking first for 'the volume of real-time transactions' indicator.

Hong Kong is ranked second overall, behind Singapore.
Switzerland follows next in third, U.S. at fourth, and Sweden rounds out the top five in fifth.

The bottom 10 countries are dominated by Latin America and sub-Saharan Africa, despite evidence of improvement in both regions. The bottom six countries have remained identical year over year (Argentina, Ghana, Nigeria, Colombia, Peru, and Italy).

Progress in financial inclusion is strongly and positively correlated to progress in other metrics of social and economic development, such as lower levels of corruption and greater economic freedom, resilience, and productivity.

Learn more about the Global Financial Inclusion Index at the following link:
https://www.principal.com/financial-inclusion/

About the Global Financial Inclusion Index

The Global Financial Inclusion Index is built around three pillars – government support, financial system support, and employer support. It examines the extent to which each of these pillars provides the relevant tools, services, and guidance to enable their populations to achieve greater levels of financial inclusivity.

The Index was conducted in partnership with the Centre for Economics and Business Research (Cebr). The methodology combines various data sources into one unified measure of financial inclusion at the market level.

Key terms

According to the World Bank, financial inclusion is defined as 'individuals and businesses having access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.'[1]

The broad-based and complex nature of financial inclusivity implies that there is no single, catch-all metric that can be employed to observe the state of financial inclusivity across countries.

As such, the Index models financial inclusion around three clearly defined 'pillars' – government support, financial system support, and employer support – each of which consists of multiple indicators that capture a certain element of financial inclusivity relevant to the pillar to which they have been assigned.

[1]**World Bank**

- **Government support** evaluates the degree to which governments promote financial inclusivity in each market.
- **Financial system support** examines the availability and uptake of various types of financial products and services that are central to financial inclusivity.
- **Employer support** relates to the level of support employers provide in each market to their employees.

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The GFII report was officially published in October 2023.

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