



Preparing for Tomorrow Today

SOCIAL PROTECTION INSIGHT

Vol.2 | 2017



KWSP | EPF

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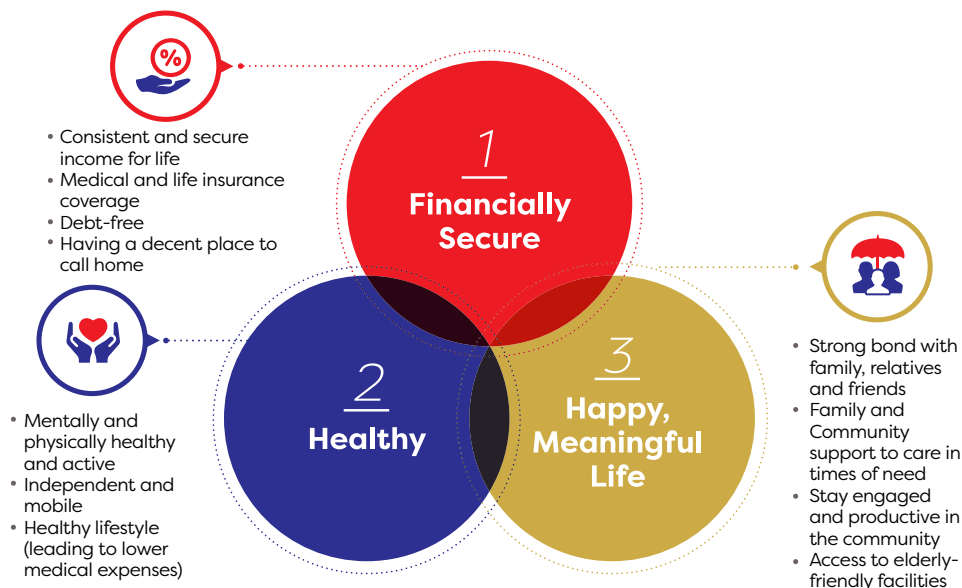
*It is time that Malaysia
promotes Active Ageing or at
a larger scope, Active Living
for all ages.*



VISION OF A COMFORTABLE RETIREMENT

The three main components of a comfortable retirement are Financial Security, Good Health and a Happy Meaningful Life.

Adapted from : EPF Annual Report 2016



The aspiration for a Comfortable Retirement is aligned with the EPF's Vision of "Helping Members Achieve a Better Future" and its Mission to "Safeguard Members' Savings and Deliver Excellent Services".

EPF's aspirations in the next five years

Aiming to create a better retirement future

At least half of our members meeting the minimum Basic Savings according to age band.	Members are empowered to make informed financial decisions and choices that are aligned to their lifestyle and values .
Members can rely on multiple income sources and protection , to mitigate against longevity risks , to supplement EPF's retirement savings, resulting in a sustainable retirement for life	Strong and sustainable social protection for the elderly in place, for members to achieve retirement wellbeing

Understanding and determining our Desires, Wants and Needs form the foundation towards achieving a robust and healthy financial standing.



WHAT DOES IT MEAN TO BE FINANCIALLY HEALTHY?

Percentage of **income** going into savings

30%

Sustainability of 'Rainy Day' Funds

6 months

Replacement **Rate** of Last Drawn Salary*

>60%

*Dependent on lifestyle, affordability and goals

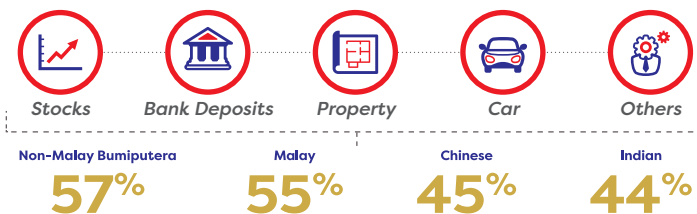
Current Retirement Scenario in Malaysia

More than half of Malaysian households have no financial assets; one in three Malaysians do not have a savings account.

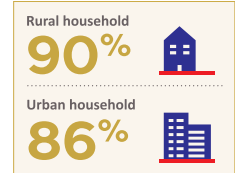
FINANCIAL REALITY OF AN AVERAGE MALAYSIAN

No Financial Assets

(A Financial Asset is an intangible asset where value is derived from a contractual claim, such as bank deposits, bonds and stocks)

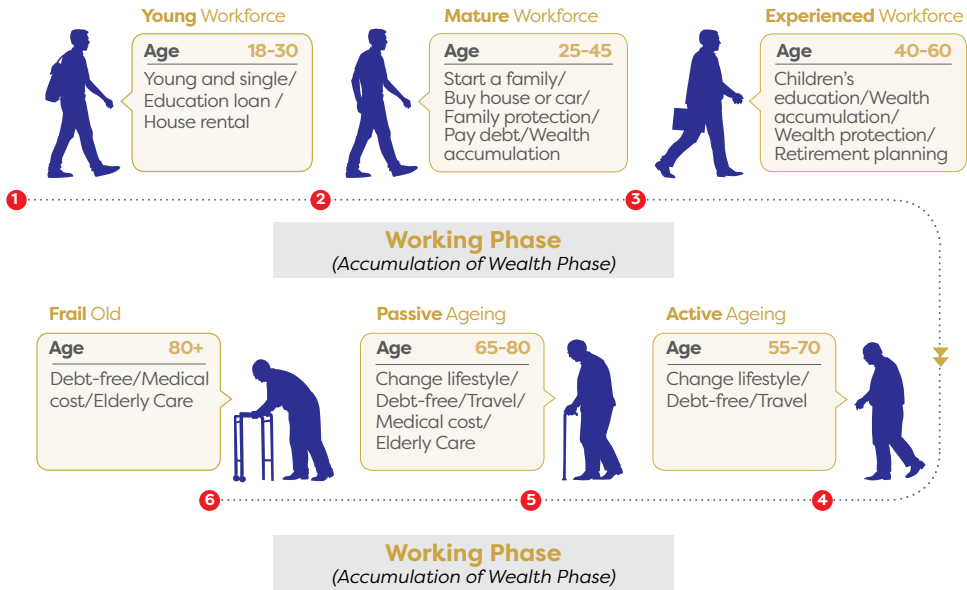
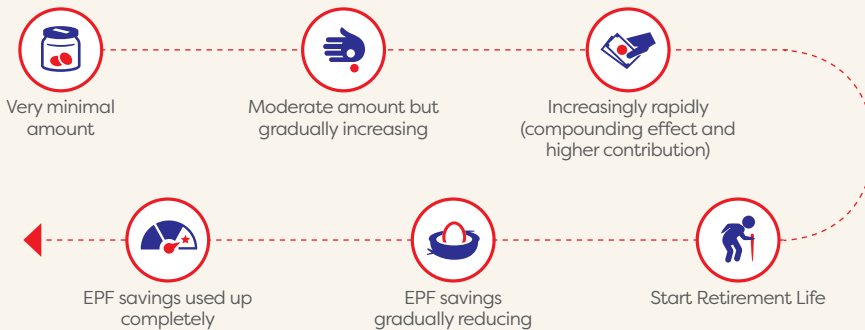


Households with Zero Savings



Source: The Malaysia Human Development Report 2013, United Nations Development Programme (UNDP).

Malaysians need to be empowered and take charge of their own financial decisions according to their life stages.

FINANCIAL LIFE CYCLE**Growth of EPF Savings****OPTIONS TO DIVERSIFY YOUR NEST EGG****Savings**

- EPF Savings
- Private Retirement Scheme
- Personal Savings
- Fixed Deposits
- Others

Protection

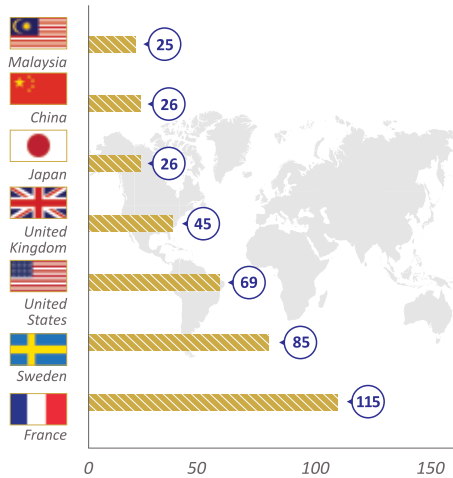
- Life
- General
- Medical
- Annuity
- Education
- Estate Planning

Investment

- Unit Trust
- Securities
- Bonds
- Commodities
- Real Estate

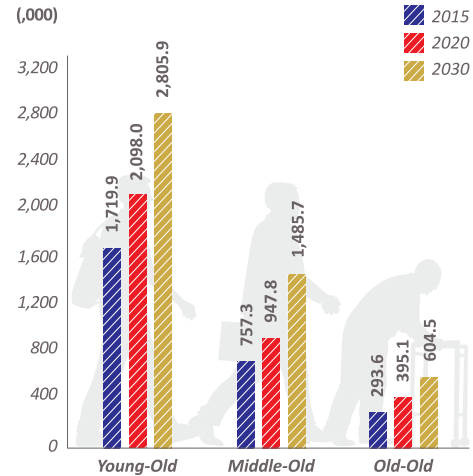
- Phase withdrawals (EPF and personal savings)
- Annuity payments
- Protected by healthcare/other insurance
- Bequests

Malaysia is fast heading towards becoming an Aged Nation by 2030, whereby 14 percent of the population will be aged 60 and above.

LONGEVITY RISK**Ageing rate in Malaysia against other countries**

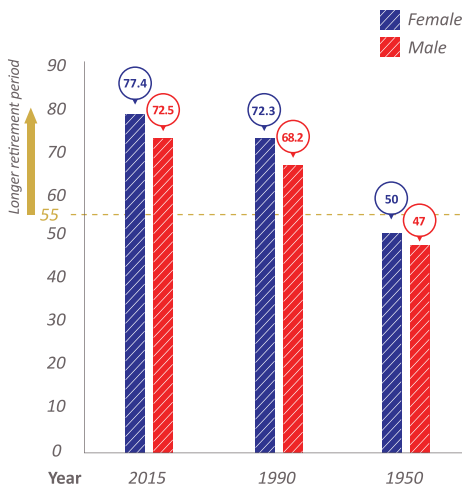
- The interval in which the percentage of population aged 65 and above doubles from 7 to 14 percent
- Malaysia is ageing faster than other countries

Source: National Institute of Aging, USA, "Why Population Aging Matters: A Global Perspective" (2011)

Projection of the elderly population in Malaysia

- The elderly group will double/triple within 15 years (2015-2030)

Source: Department of Statistics, Malaysia, "Population Projection 2010-2040" (2012)

Malaysians are living longer

- Average life expectancy is approximately 75 years old
- Retirement savings withdrawal is still at age 55 since 1952

Source: United Nations Population Division

There is an urgent need to establish a holistic social protection framework and infrastructure to streamline all the social protection programmes in Malaysia.

FRAGMENTED MALAYSIAN SOCIAL PROTECTION INFRASTRUCTURE

A holistic approach is urgently required

World Bank's Pension Conceptual Framework

State	Mandatory	Mandatory	Voluntary	Voluntary
Base or social pension	Public pension plans that are publicly managed	Occupational/ personal pension plans	Voluntary personal pension schemes	Non-financial arrangements/ informal support
<ul style="list-style-type: none"> • Bantuan Rakyat 1Malaysia (1Malaysia People's Aid) • Bantuan Orang Tua (Old Age Allowance) 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Public Service Pension • Social Security Organisation (SOCSO) • Employees Provident Fund (EPF) • Armed Forces Fund Board (LTAT) 	<ul style="list-style-type: none"> • Private Retirement Schemes (PRS) 	<ul style="list-style-type: none"> • Ministry of Education Malaysia • Klinik 1Malaysia

SOCIAL-ECONOMIC INCLUSION

TOWARDS NEW ECONOMIC VALUES

© Harry Smorenberg

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Founder, World Pension Summit

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Everyone Self-Employed?

Globally, the self-employed are true catalysts of economic growth. While in some countries “informal workers” now form the majority of the labour force, other countries’ labour markets are more traditional and still based on “social contracts” between employers and employees. The conditions of these contracts vary considerably, both from one employer to another, and depending on the relevant sector and country. But even countries with traditional labour markets are seeing increasing numbers of people wanting to be self-employed. While a key driver is often a wish for greater flexibility, the financial incentive of being self-employed seems also to be a trigger for some people. However, many in the “gig economy” lack financial discipline and “live by the day”, while ignoring their medium and long-term financial needs.

If we don't educate and support the rapidly rising numbers of self-employed to take control of their financial destiny, society will eventually have to bear the cost. We therefore need to take action to guide workers and to meet their basic social needs both in developing nations, with their large informal economies, and in developed nations, where more and more people in the labour force are self-employed.

On the one hand we need to act fast to create social structures to safeguard these workers' positive contribution to the economy, while on the other hand we need to protect their financial continuity by making provision for basic support during periods of unemployment or occupational disability, as well as provision for healthcare and retirement.



Future Working

The contours of life after traditional employer-employee contracts disappear are already becoming visible. The gig economy is having an increasingly significant impact, with McKinsey estimating that some 72 million people of working age in the US and Europe already earn their primary income as independent workers, while a further 90 million work independently on the side.

There is, however, another aspect to consider, and that is the need to embrace a more flexible attitude towards work. What if, at some point, the vast majority of jobs are replaced by robots and data crunching? And many people will then be unable to rely on steady and sufficient flows of income from “traditional work”? Although automation and robotisation can certainly create jobs, many workers are unable to change their skill sets and will see the end of employment looming, with no alternative on the horizon. Of course, labour, too, can shift, just as it did when the

steam engine and computer were invented. We proved able to adapt and redistribute work. And we have also got used to shorter working weeks and more vacation.

Now, however, we need to rethink the meaning of “work” and to adapt to more multi-tasking and more flexible employment. And also to use our time to perform “social tasks”, like doing something for the community, helping young people or taking care of the elderly. These social tasks should also be valued as work!

The key question will be how to deal with the financial component. How do we value the fact that jobs will vanish as automation and robotisation replace labour? What value do we assign to what we replace work by? And how should we share efficiency gains and income from “new work” across society? All these questions point to the start of a new era with new economic values!

Redesigning Pensions

Pension plans around the world are facing huge funding deficits. The current prolonged period of low interest rates and low growth since the financial crisis is not helping secure sustainable pensions. This is having a major impact on pension arrangements, as well as on life insurers’ products and business models. Another big game changer is demographic development. We’re living longer. That has changed key pension plan parameters, while the fast pace of developments in healthcare and technology means the end of this process is not yet in sight. The current retirement ages of 60 to 65 will rapidly move towards 70 to 75.



Alongside these changes, we also face lower levels of intergenerational solidarity, with most Defined Benefit pension plans now migrating towards individual Defined Contribution schemes, sometimes organised collectively. The international trend is for pensions to become more like personal, long-term savings plans and part of individuals’ personal financial planning. If savings (and returns) are to be sufficient to ensure adequate retirement provisions and cover periods without paid work, the “pension pot” needs to stay largely untouched. One way would be to invest individual “pension pots” collectively so as to secure the best returns. Such a system

would align well with the rapidly growing numbers of the self-employed and could also be structured to allow certain amounts of savings to be released for flexible use, such as for buying a home or funding periods of job transition training or being “between jobs”.

Pension plans need to become more flexible to meet society’s needs, both today and tomorrow. Living longer also means working longer. The idea of fixed retirement dates has become outdated. Employers and governments should encourage us to assess our present jobs and careers and to focus on maximising our meaningful employment opportunities, especially as we get older.

We need to accept that the idea of life-long employment in the same or a similar field is becoming extinct. Those whose work is physically hard should be educated and trained at a sufficiently early stage to allow them to switch to less physically challenging work and so stay active and continue participating meaningfully in the economy.

Concluding Remarks

In my view, we will all eventually be self-employed to some extent. So we need to be in control of our financial destinies and make sure we stay included. And that means finding a way to make us build up savings that are sufficient to cover periods without paid work, both during our active working lives and retirement. We need a form of social security that supports those who miss out and cannot participate fully in the economy. Work patterns are changing and society will have to redesign “work” in the (increasingly) near future. This means devising new financing scenarios and rethinking the value of “machine work” and who should benefit.

Anticipation is vital. We should see the starting points for adjusting to this new era and its different economic values as ensuring financial inclusion and education, harmonising basic budgeting, promoting financial planning for all citizens and aggregating financial data from all relevant stakeholders. And the next scenario in redistributing the nation’s wealth and securing basic standards of living could be to provide a basic minimum income for all citizens.

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THE WELFARE OF THE ELDERLY: YESTERDAY, TODAY & TOMORROW

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Similar with many other developed and developing countries around the globe, Malaysia is experiencing a change in demographic profile with numbers of the elderly on the rise. Such a situation poses a great challenge to Malaysia in designing effective social policies to ensure the wellbeing of the elderly is enhanced. The composition of the elderly population based on a number of indicators such as strata, ethnicity, education, household status and employment opportunities indicate diversity in the elderly population with many of them facing various social and economic difficulties, while making the elderly and their families vulnerable to many social issues, particularly poverty.

The 2009 Household and Income Expenditure Survey (HIES) data indicate 9 percent of the elderly, 12 percent with an elderly head of household and 17 percent of the members of such households living below the national poverty line income (PLI). Data further indicate significant differences between the elderly living in rural and urban areas, education attainment, and employment opportunities.

We propose the following directions essential in formulating appropriate policy measures in light of emerging issues related to the elderly population.



Poverty Risk For The Elderly

The elderly at an advanced age and elderly as head of household are more vulnerable to poverty. In Malaysia's eagerness to become a developed nation by the year 2020, development measures could easily neglect these groups of elderly who need special attention to ensure their wellbeing are well taken cared of. These groups of elderly are the priorities in any social welfare policy.

The elderly in rural areas are at a disadvantage in many aspects, especially in relation to poverty. Findings from the 2009 HIES data indicate that the poverty incidence among the elderly in rural areas are at least three times higher than the poverty incidence among the elderly in urban areas. Given the similar characteristics of the rural-urban elderly, a particular policy needs to be developed to strengthen rural areas by diversifying the rural economy, funding new and exciting agricultural projects, and improving infrastructure as well as improving rural-urban connections. The Government should also consider investing more in rural tourism. Investing more in rural development that attracts tourists such as agricultural festivals, and reconstruct and renovate historical sites. All these must be complemented by developing an effective rural transportation system that is linked to major cities in order to promote greater demand for rural tourism.

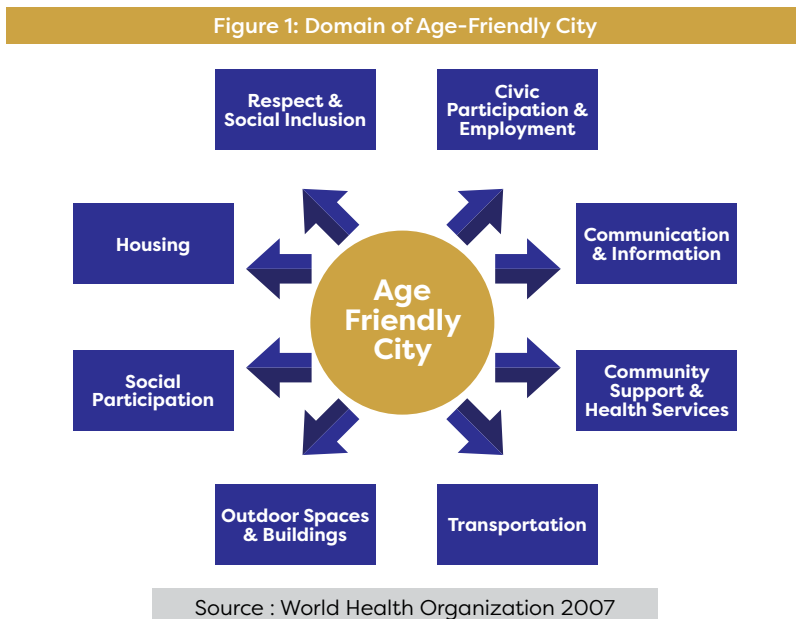
Of the three ethnic groups, the Bumiputera elderly are a group with a high poverty incidence. Government support has proven successful in assisting the Bumiputera to escape poverty. It would be more rewarding should the support be in a more productive form instead of providing pure cash transfers. Among the support that could be channelled to the poor include social, human, physical, natural and financial capital. These productive assistances, however, need to be provided for those of working age to ensure that vulnerability to poverty is not an issue at old age. Similar supports can also be extended to other ethnic groups. It is important to emphasise that strategies need to be designed on an asset-based approach, and not an income-based approach. An asset-based approach is more appropriate when linked to causes of poverty.

Active Aging

It is time that Malaysia promotes Active Ageing or at a larger scope, Active Living for all ages. 'Active' refers to the elderly's continuous participation in social, economic, cultural, spiritual and civic affairs and activities, not just participating in the labour force or being physically active (World Health Organization, 2002).




The World Health Organization (2007) suggests eight domains for the active ageing framework towards age-friendly cities as shown in Figure 1:



A broad range of characteristics, which impact older people's quality of life and wellbeing, is further characterised in the age-friendly feature checklist published by the WHO as guidance for the establishment of a more age-friendly city.

The first domain is outdoor spaces and buildings. A city's physical environment has a major impact on older people's mobility, independence and quality of life, which emphasises the element of accessibility and safety with improved age-friendly city features, incorporated in the architecture and design of the city. Among suggested features are clean and pleasant environments, well-maintained public facilities, safe green spaces, pavements and roads, all free from any obstructions and easily accessible for people with varying abilities. As mobility declines in old age, public transport helps older people to move around independently to desired destinations. A well-developed, age-friendly and affordable public transport provides greater incentives to older people by eliminating existing barriers to travel. Cost incentives such as free and subsidised public transport should be extended to older people. Having frequent, safe, reliable and well-integrated public transport services are equally important. Aspects of housing structure, design, location and choice are among the main factors influencing the independence and quality of life of older people by allowing for increasing community engagement and increasing social participation thus increasing life satisfaction. Affordable and subsidised housing (free or low cost public housing) should be made available for older people. Housing design should facilitate layouts that do not impede mobility, age-friendly designs modified for older people's needs, designs that facilitate community interaction and located in close proximity to public, commercial, religious services and facilities.

A photograph of a man, a woman, and a young girl smiling and looking over a white vertical bar. The man is at the top, wearing a blue striped shirt. The woman is in the middle, wearing a light blue shirt. The girl is at the bottom, wearing a white shirt with a red and white striped bow. They are all looking towards the camera with happy expressions. The background is a blurred green outdoor setting.

Social participation fosters social support, good health and wellbeing. Accessibility and affordability of events and activities can be ensured by providing a broader range of opportunities that interest a broad range of older people for active participation. For example, reducing the cost of activities, participation in formal and informal social events, involvement in activities that foster integration within the community and with other age groups and culture, and a variety of both targeted and integrated activities. Better integration of generations is seen as a way to counter ageism in society. The clash of intergenerational behavioural norms, lack of contact between generations and widespread ignorance about ageing and older people denote the importance of respect and social inclusion. The common negative images of age and ageing are often mentioned to explain disrespectful behaviour, inconsideration for older people's needs resulting from ignorance of good manners and the lack of interactions between generations.

An age-friendly community provides options for older people to continue to contribute to their communities, through paid employment or voluntary work. Civic participation and employment promote active ageing, feeling of self-worth and maintaining the elderly's health and social connections.

Strengthening and improving volunteering calls by providing a greater range of options such as establishing an elderly volunteer corps and reimbursing volunteers for expenses related to work are among the incentives suggested. Older people are discouraged to work because of the lack of flexibility and opportunities in employment.

Staying connected and informed are vital for active ageing. Communication and information should be made widely available: systematic, effective public distribution services are valued as an age-friendly feature. To have relevant information that is readily accessible to older people with varying capacities and resources and affordable access to communication channels and information is essential. Effective communication is perceived as getting relevant and timely information at the right time with greater coverage of issues related to the interest of an older adult audience. Community support and health service issues dominate the focus of group discussions, reflecting their importance for active ageing.

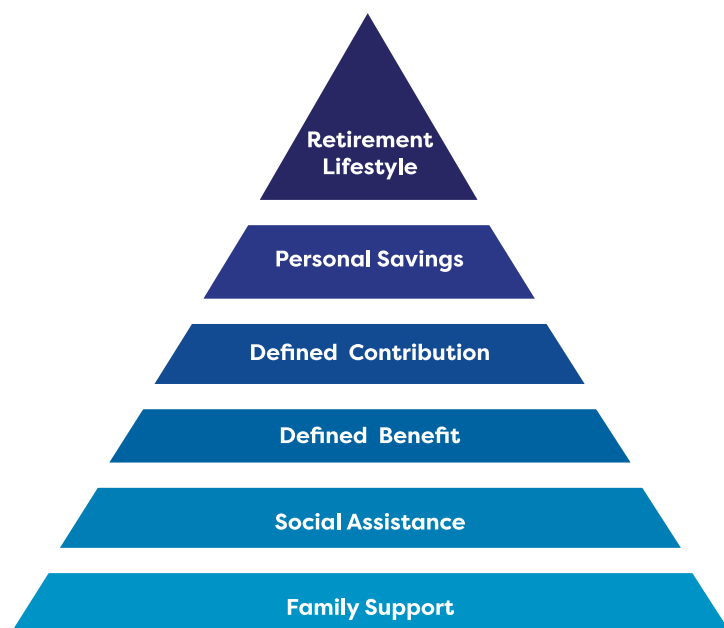
Having well-located, easily accessible health services is fundamentally important for older people. Services that are far away or difficult to reach and insufficient are often seen as barriers. An adequate and wider range of health services for older people and a greater supply of health services and equipment are recommended such as home care services, health care education, preventive screening, physical activity, nutritional guidance and mental health counselling.

Family Support

Family support remains fundamental in a multi-pillar retirement system. The 2009 HIES data indicate that quite a big percentage of the elderly co-resides with an adult child. As pointed out by De Vos and Sandefur (2002), even if old age income is sufficient to finance the elderly's expenditure and even if medical services are available to meet the elderly's health situation, they would still have social, emotional and physical needs that cannot be met by a bureaucracy.

As such, an alternative would be to gain support from close friends or family members. However, our approach may not be necessary for a traditional family based on dominance-subservience or biological relatedness. As asserted by Tallman (1986) there is no reason to suppose that the family institution cannot change to incorporate a new model of elderly parent-adult child (or other relatives) relationships. Figure 2 shows the incorporation of family support in a multi-pillar pyramid of retirement. Family support is at the bottom of the pyramid to emphasise its major importance in caring for elderly.

Figure 2: Multi-Pillar Pyramid of Retirement



Nevertheless, with urbanisation and the high cost of living, the current generation is now re-thinking this concept as proven in a study by Saidatulakmal et al. (2010) who found that the current working population in Malaysia do not wish to co-reside with their children in old age. The elderly are perceived more as a dependent rather than as an active household member.



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THE IMPLEMENTATION OF THE SUSTAINABLE DEVELOPMENT GOALS AND SOCIAL PROTECTION AGENDA IN MALAYSIA

Nor Iskandar Md Nor
Employees Provident Fund

On 1 January 2016, the Sustainable Development Goals (SDGs) agenda officially came into force. The SDGs was launched by the United Nations on 25 September 2015 to replace the Millennium Development Goals (MDGs). The United Nations has identified 17 goals and 169 targets to be met by countries that have ratified the agenda. They will guide global development until the year 2030. The goals are as the following:

Goal 1 End poverty in all its forms everywhere.

Goal 2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

Goal 3 Ensure healthy lives and promote wellbeing for all at all ages.

Goal 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Goal 5 Achieve gender equality and empower all women and girls.

Goal 6 Ensure availability and sustainable management of water and sanitation for all.

Goal 7 Ensure access to affordable, reliable, sustainable and modern energy for all.

Goal 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Goal 10 Reduce inequality within and among countries.

Goal 11 Make cities and human settlements inclusive, safe, resilient and sustainable.

Goal 12	Ensure sustainable consumption and production patterns.		halt and reverse land degradation and halt biodiversity loss.
Goal 13	Take urgent action to combat climate change and its impacts.		
Goal 14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.		
Goal 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and		
		Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
		Goal 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development.

The SDGs are a global vision for humanity and its purpose is to transform the world, protect the planet and ensure that all people enjoy peace and prosperity. The goals are interconnected – often the key to success in one will involve tackling issues more commonly associated with another.

The SDGs are an inclusive agenda. They provide clear guidelines and targets for all countries to adopt in accordance with their own priorities and the environmental challenges of the world at large.

The Relationship between Social Protection and the SDGs

The SDGs have a close relationship with social protection programmes. The International Labour Organisation (ILO) has identified 10 SDGs that have a direct linkage with the social protection agenda i.e. goals no. 1, 2, 3, 4, 6, 7, 8, 9, 11, and 12. The ten goals, together with 28 relevant targets, make up the social protection agenda under the SDGs.

The Relationship between the SDGs and the 11th Malaysia Plan

The Economic Planning Unit (EPU) of the Prime Minister Department has incorporated the SDGs and their respective targets into the 11th Malaysia Plan (2016-2020). For example, five objectives under the SDGs i.e. (1) No poverty, (2) No hunger, (5) Gender equality, (6) Clean water & sanitation, (10) Reduced inequalities, and (11) Sustainable cities and communities, are mapped into the first strategic thrust of the 11th Malaysia Plan i.e. Enhancing inclusiveness towards an equitable society.

The EPU has developed 13 strategies and 28 initiatives under the 11th Malaysia Plan in order to eradicate poverty. One of those 13 strategies is developing a comprehensive and integrated social protection system. The planning and the implementation of programmes to meet that objective is done through the Malaysia Social Protection Council (MySPC). The Council is chaired by the Prime Minister while its Working Committee consists of representatives from ministries and government agencies involved in social security services delivery such as the Ministry of Women, Family, and Community Development, the Ministry of Finance, the Ministry of Human Resources, and the EPU.

Malaysia in the SDG Global Index

The Bertelsmann Foundation (the largest private operating non-profit foundation in Germany) and Sustainable Development Solutions Network (SDSN) of New York have published the SDG Index and Dashboards-Global Report. The report is unofficial and independent of the United Nations Development Programme (UNDP). Singapore and Thailand are ranked higher than Malaysia at 19 (74.6 points) and 61 (62.2 points) respectively. Three other ASEAN countries in the ranking are Vietnam (57.6 points, ranked 88), the Philippines (55.5 points, 95), and Indonesia (54.4 points, 98). Scandinavian countries such as Sweden, Denmark, Norway and Finland lead the index from first to fourth place. Details of points gained by Malaysia are displayed in the table:

	Items	Points
Goal 1	No poverty	99.59
Goal 2	No hunger	64.16
Goal 3	Good health	69.68
Goal 4	Quality education	78.04
Goal 5	Gender equality	53.68
Goal 6	Clean water & sanitation	97.10
Goal 7	Renewable energy	84.89
Goal 8	Good jobs & economic growth	63.90
Goal 9	Innovation & infrastructure	46.66
Goal 10	Reduced inequalities	44.82
Goal 11	Sustainable cities	85.11
Goal 12	Responsible consumption	41.31
Goal 13	Climate action	71.89
Goal 14	Life below water	44.96
Goal 15	Life on land	18.53
Goal 16	Peace & justice	57.92
Goal 17	Partnerships for the goals	25.91

No doubt Malaysia has made great strides in terms of implementing poverty eradication programmes in both the rural and urban sectors. Poverty incidence in Malaysia fell from 52.4 percent in 1970 to 0.6 percent in 2014. Despite this success in poverty reduction, there still remains a vulnerable group of people in the country experiencing poverty. The EPU of the Prime Minister's Department has identified pockets of poverty in rural areas and amongst households in certain states, amongst certain ethnic groups, genders and age groups (EPU, 2015).

Moving Forward

The EPU has identified four initial initiatives for implementation in developing a comprehensive and integrated social protection system:

- 1 Establish a high level platform to develop social protection policy guidelines and implementation of social protection programmes;
- 2 Improve the targeting mechanism for all social protection programmes;
- 3 Develop a comprehensive social protection benefits recipients' profile; and
- 4 Review the efficiency and effectiveness of all social protection programmes.

Other than the above initiatives, there are many more social protection initiatives that the high level council could consider for implementation such as:

- 1 Expand the financial literacy agenda through a collaborative multi-agency National Financial Literacy Strategy (NFLS). The NFLS would help families and individuals to manage their income wisely, raise the level of household savings, avoid unproductive expenditure & withdrawals, and plan for their retirement;
- 2 Enhance tax incentives particularly for manufacturers to improve productivity through mechanisation and automation. Skilled labour with higher productivity may earn higher wages which leads to higher pension contributions and finally higher retirement savings;
- 3 Extend social security coverage to the self employed;
- 4 Develop a comprehensive policy to encourage employment of mature workers (age 60 and above).

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CLOSING THE COVERAGE GAP FOR OLD AGE PROTECTION IN MALAYSIA: THE CASE FOR A UNIVERSAL SOCIAL PENSION

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As an individual enters the golden age of retirement, deteriorating health and declining income threaten their wellbeing. If social security coverage is unable to safeguard an individual's wellbeing, quite a number of the elderly would be living in poverty at old age. A commonly accepted alternative to tackling this issue is a minimum universal social pension. A universal pension acts as a safety net or a floor below which individuals cannot fall further. A universal pension provides the basis for a more comprehensive pension system, which may consist of a mixture of public and private initiatives adapted in accordance with existing country practices, financial circumstances and equity considerations (UN DESA, 2007).

While civil servants and private sector workers are covered by the government pension scheme and the Employees Provident Fund



(EPF) respectively, quite a large number of Malaysians, particularly those in the informal sector, are not covered by any old age program. Holzmann (2014) stated that the percentage of workers without formal coverage is 37 percent including own account workers, unpaid family workers and others (as cited in World Bank, 2012).

Social security systems are important for the survival of all the vulnerable elderly. Targeting and protecting the elderly is critical and it can be done through the introduction of a universal pension. The cost of a universal pension could be kept low and just enough to ensure that the elderly stay out of poverty. Sensitivity analysis done based on the projected number of the elderly shows that the cost of a universal pension of MYR400 and MYR800 would be 1.17 percent of GDP in 2010 and 2.34 percent in 2020. Benefits are allowed to increase with GDP. Malaysia's current average cost of pension and gratuities as a percentage of GDP is at 1.30 percent. A properly targeted universal pension can not only solve the issue of elderly poverty but also maintain the cost at a minimum level.

The Government could explore the design and implementation of a pilot universal pension scheme to benefit the elderly of a particular group. A targeted universal pension to replace the current old age allowance could be an alternative in ensuring a guaranteed minimum income for the elderly. This design is aligned with the concept of human rights and social protection.

“A universal pension provides the basis for a more comprehensive pension system, which may consist of a mixture of public and private initiatives adapted in accordance with existing country practices, financial circumstances and equity considerations.”
UN DESA, 2007

As stipulated by the United Nations (2012), Article 22 states that “Everyone as a member of society has a right to social security as stated in the Universal Declaration of Human Rights”. The implementation steps of a targeted universal pension could be as follows:

- a** All in the working population have to contribute to a Universal Pension Fund (UPF) at a flat rate to be determined later.
- b** The accumulated contribution (AC) to the UPF cannot be withdrawn and a certain amount of pension benefits will be provided upon retirement on a monthly basis.
- c** The UPF will be responsible for investing the accumulated contributions into appropriate assets.
- d** Since the UPF would replace the old age allowance, government still has to finance a portion of the AC at a ratio of 30:70.
- e** Pensionable civil servants and armed forces are excluded from contributing to the UPF given that they will receive a monthly pension from the government upon retirement. However, they are given a choice to contribute should they want extra pensionable income upon retirement.
- f** The payment of benefits will be determined based on the following:

	Benefit
Full contribution of 30 years	Full
Partial contribution between 11-29 years	75 percent
Partial contribution between 6-10 years	50 percent
Partial contribution between 1-5 years	25 percent
No contribution	MYR300

- g** The benefits are indexed to inflation and will be reviewed every year.

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POLICY OPTIONS TO REVERSE A DECLINING BIRTH RATE

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Malaysia's fertility rate has hit its lowest level. The total fertility rate among women aged 15-49 years has decreased from 6.0 children in 1960 to 2.1 children in 2014 to 2.0 children in 2015 (Department of Statistics Malaysia, 2016).

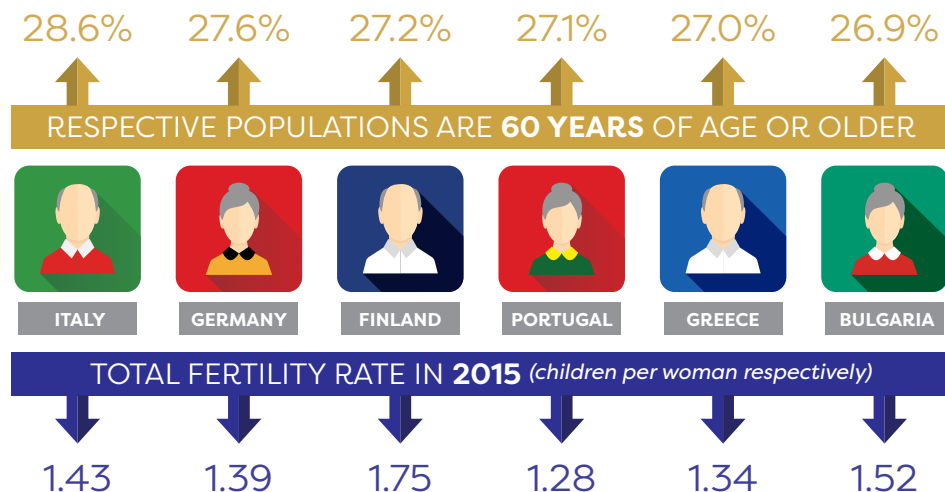
Furthermore, the age-group fertility pattern has also changed over time. In 1960, the biggest contribution to the fertility rate came from women aged 25 to 29 with 312 births per 1,000 women (United Nation, 2015). However, in 2015 the most fertile age group were women aged 30 to 34 with 118 births per 1,000 women. Without doubt not a good sign for a developing economy facing a demographic transition.

Japan is home to the oldest citizenry in the world, with 33.1 percent of its population being 60 years of age or older. In the year 2000, the percentage was about 23.3 percent, which shows that the number is steadily rising each year. It is predicted that nearly a third of the Japanese people (32.2 percent) will be senior citizens by 2030. At the present moment, more than one in four people in the country are over the age of 65, whereas the country's population aged between 15 and 64 fell by 4 percent between 2000 and 2010.

Fewer people are opting to wed, and those who do are getting married later in life. And even for those who do start families, the rising cost of child-rearing often imposes a de facto one or two children limit. Aside from economic factors, people simply feel differently about marriage as an institution today.



There are other countries that have a high percentage of their citizens aged 60 years and over. Some of these are:



The main reason for the dearth of births is the decline of marriage. Fewer people are opting to wed, and those who do are getting married later in life. And even for those who do start families, the rising cost of child-rearing often imposes a de facto one or two children limit. Aside from economic factors, people simply feel differently about marriage as an institution today. A notable decline in religiousness could be responsible for this attitude shift (Pew Research Centre, 2010).

There is good news however from the land of the rising sun. Japan's nationwide fertility rate just hit its highest level in **21 years**. The total rate increased to **1.46** in **2015**, slightly up from the previous rate of **1.42** in **2014**.

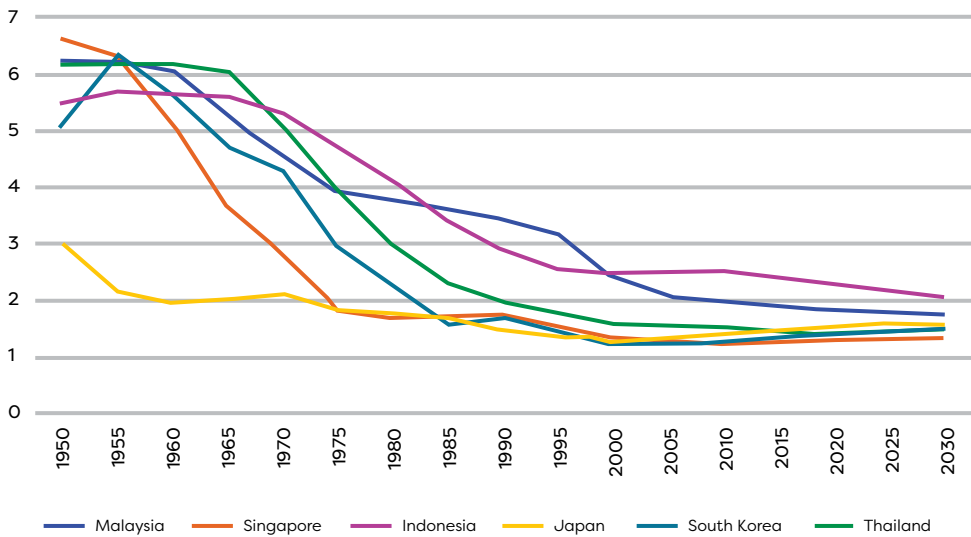
The **biggest** contribution to the **increase** came from women aged **30 to 34**.



The Ministry of Health, Labour and Welfare credited the change to an improvement in economic conditions in 2013 and 2014. Apart from Prime Minister Shinzo Abe's economic programme, the success may be attributed to incentives for new parents.

Countries across the globe have introduced several initiatives including cash grants, tax breaks, maternity/paternity leave, and grants or tax reductions for opening up nurseries and childcare centres, in encouraging people to start a family early and help them to raise more children.

Figure 1: Total Fertility Rate of Malaysia and selected countries (1950-2030)



Source: Author, adapted from United Nations (2015).

a) Monetary/material incentives



JAPAN: In Minato precinct in Tokyo, parents get a one-time cash payout of up to JPY180,000 a birth. Parents in Ama town in the island of Nakanoshima, Japan get JPY100,000 for the first baby, but get JPY1 million for a fourth child. The town's fertility rate bumped up to 1.80 from 1.66 between 2014 and 2015.

SINGAPORE: There is a cash gift of SGD6,000 for a first and second child, rising to SGD8,000 for a third and fourth child, for children born on or after 26 August 2012. For children born on or after 1 January 2015, the cash gift was increased to SGD8,000 for a first child, and SGD10,000 for a second and any subsequent children (i.e. unlimited).

RUSSIA: In 2006, Russian authorities offered a bonus of RUB250,000 to women who would have a second child. In 2007, they made September 12 the country's National Day of Conception

and offered women who gave birth nine months later, around the country's National Day, a chance to win SUVs, refrigerators, or cash.

b) Matching savings scheme

SINGAPORE: The government has introduced a dollar to dollar co-matching savings scheme or better known as the Child Development Account (CDA) which took effect from 1 August 2001. This is a savings account managed by various banks. To obtain this baby bonus through the CDA account, parents will need to contribute cash into this account. The CDA account can be used for childcare, kindergartens, medical care and payment of private integrated shield plans (IPs).

Order of Child	Parents contribution (SGD)	Government contribution (SGD)
First	6,000	6,000
Second	6,000	6,000
Third	12,000	12,000
Fourth	12,000	12,000
Fifth & above	18,000	18,000



c) Medical savings account



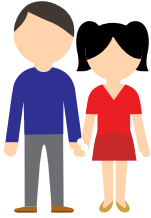
SINGAPORE: Children born between 26 August 2012 and before 1 January 2015 qualify for a SGD3,000 Medisave Grant. For children born on and after 1 January 2015, the Medisave Grant is SGD4,000. The Medisave Grant is deposited into the child's CPF Medisave account and can be used for medical care and payment of Medishield and as well as Private Integrated Shield Plans.

d) Maternity/paternity leave (or cash equivalent for self-employed)

SINGAPORE: Working mothers enjoy 16 weeks of maternity leave while working fathers enjoy two weeks of government-paid paternity leave. It is mandatory for employers to provide this leave. For the first two confinements, the government pays for the eight weeks of the confinement. For third and subsequent confinements, the government pays the entire 16 weeks. The self-employed can claim their maternity leave capped at SGD10,000 per four weeks and is calculated based on their Notice of Assessment from Singapore's Inland Revenue Authority.



e) Childcare Leave and Extended Childcare Leave (or cash equivalent for self-employed)



SINGAPORE: A working parent whose child is a Singapore citizen below seven years old, and has worked continuously for three months, is entitled to six days per year of childcare leave. Three of these days of childcare leave is paid for by the government. A working parent is also entitled to two days extended childcare leave if the child is a Singapore citizen between seven and 12 years old, and the parent has worked continuously for three months. The entire two days are paid for by the government.

f) Subsidies for Centre-based Infant Care and Childcare

SINGAPORE: Parents who are Singapore citizens get SGD600 and SGD300 a month in subsidy for infant and childcare respectively. For working mothers, there is also an additional subsidy for infant and childcare. The lower the household income and per capita income, the more the subsidy - up to SGD540 and SGD440 for infant care and childcare respectively.

g) Tax allowance

SINGAPORE: Working parents are able to claim Parenthood Tax Rebates to offset their tax liabilities. The rebate amounts are SGD5,000, SGD10,000, SGD20,000 for the first, second and third and subsequent child respectively. There is also the Qualifying Child Relief (QCR), which provides tax relief of SGD4,000 per child. In addition, there is the Working Mother's Child Relief (WMCR) which provides tax relief of 15 percent of the mother's earned income, rising to 20 percent and 25 percent, for the first, second and third and subsequent child respectively. The QCR + WMCR is capped at SGD50,000 per child. The WMCR can be very large. For example, for a working mother who has three children and assuming she does not claim the QCR, the total WMCR is $15+20+25 = 60$ percent.



h) Domestic helper allowance



SINGAPORE: Foreign Maid Levy (FML) Relief is a tax relief intended for a working woman or her husband who hires a domestic foreign worker. The tax relief is twice that of the foreign worker's levy. A male tax payer cannot claim this relief. The normal levy rate to employ a foreign domestic worker is SGD265 a month. But for those with children or grandchildren below 16 years old living with them who are Singapore citizens, the levy is only SGD60 a month.

Conclusion

Incentives and tax breaks to encourage people to have more children have had varying degrees of success — and some unintended side effects. While Japan's nationwide fertility rate just hit its highest level in 21 years, Australia which introduced monetary incentives in the early 2000s, has seen the country's birth rate remaining stable at between 12 and 13 births per 1,000 since 2000. Singapore's birth rate has remained below 10 per 1,000 population for more than a decade despite the generous tax advantages and other incentives available.

From a potential parents' perspective, they have to weigh the tightly defined incentives against a responsibility that is open-ended. For many, of course, having children has nothing to do with financial calculations. Having children fulfils powerful psychological, human, and religious needs. There are some people willing to have another child whom the authorities wouldn't have to pay anything, while there are some people who are satisfied with the two wonderful children they already have.



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ABILITY IS AGELESS: SINGAPORE'S BEST PRACTICE ON RE-EMPLOYMENT POLICY

Wong Theen Chuan

Employees Provident Fund

The global ageing phenomenon is pervasive, affecting every country, be it developed or developing. But the challenge for Asian countries, and especially ASEAN, are far greater as the pace of change is faster than that experienced by many other developed countries. For instance, Singapore is transitioning from an ageing to an aged society in a span of 19 years, faster than Japan, the world's most aged country, which took about 26 years whereas France took more than 115 years. By 2024, Singapore will become a "super-aged" nation with more than 20 percent of its population aged 65 years and above.

Chart 1: Pace of Ageing - From Ageing to Aged

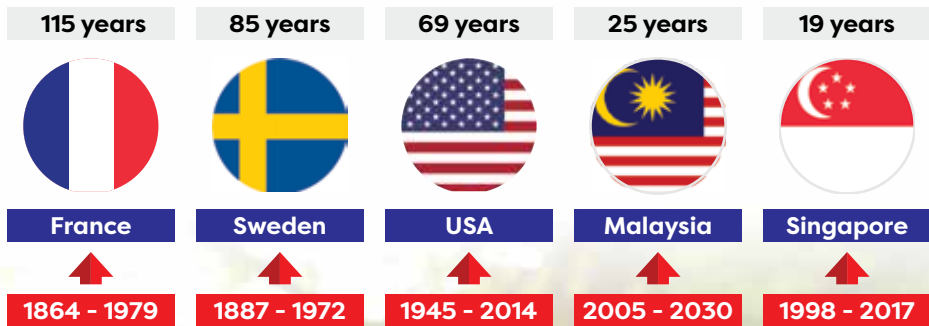
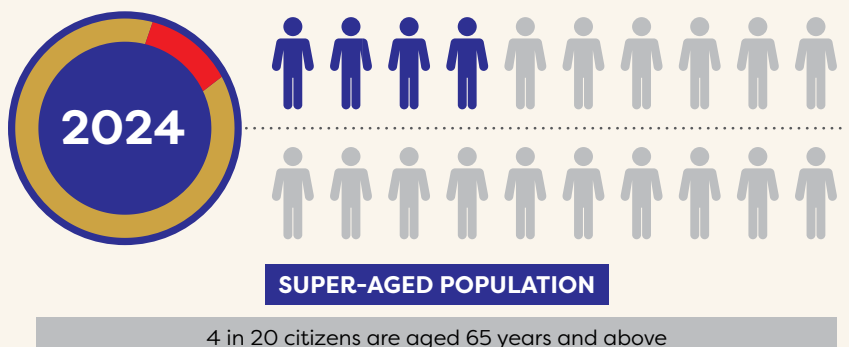
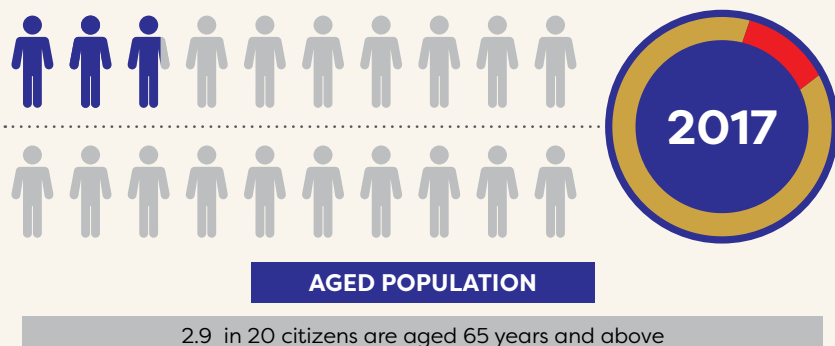
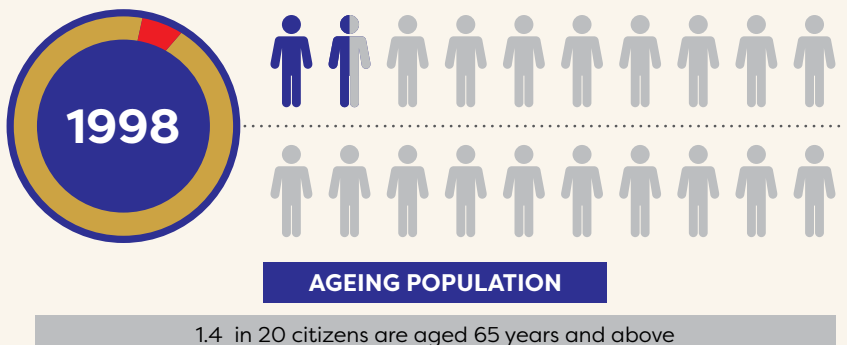


Chart 2: Proportions of senior citizens in Singapore's population



Public Consultation

As a result of the rapidly ageing population, the Ministerial Committee on Ageing conducted a massive public consultation programme to engage Singaporeans through focus groups, “listening points” at public spaces and online channels to hear their aspirations and ideas on how to help Singaporeans age gracefully, between June 2014 and May 2015.

The result shows a greater push towards active ageing as many seniors want to work beyond the official retirement age to remain financially independent and active in the workplace. Most of the suggestions provided were geared towards having an “ageless” workplace which will then lead to more job opportunities for seniors without affecting the career progression of the younger workforce.



Re-employment Policy in Singapore

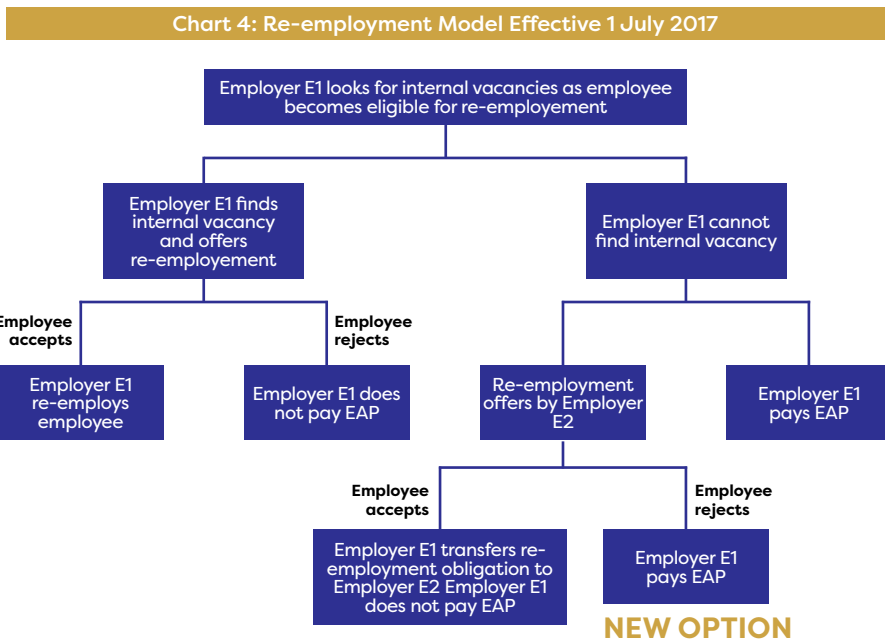
Pursuant to the results of the public consultation, the Government of Singapore recognised the urgent need to address the issue of the ageing workforce and took the initiative to review its current re-employment legislation and model.



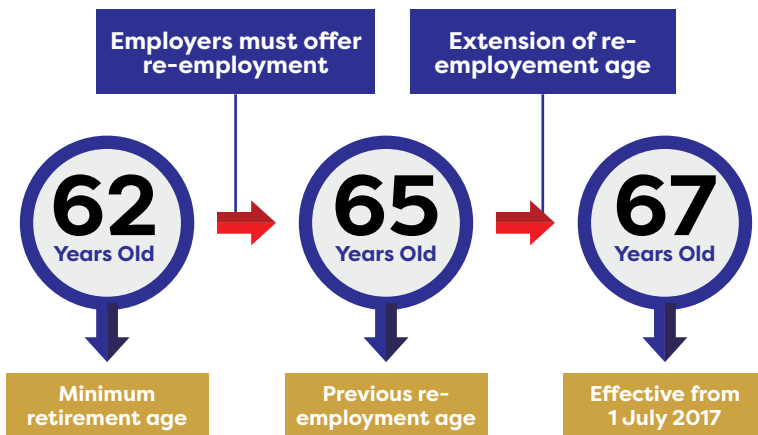
Governed under the Retirement and Re-employment Act as well as the Tripartite Guidelines on the Re-employment of Older Employees, the law mandates employers to offer re-employment to eligible employees who turn 62 (the minimum retirement age), up to the age of 67 (a 2-year extension from the previous re-employment age of 65), to continue their employment in the organisation effective 1 July 2017.

Nevertheless, if an employer has considered all available re-employment options within the organisation and is still unable to identify a suitable job for the employee, the employee may receive an Employment Assistance Payment (EAP). EAP is a one-off payment offered by the employer which is equivalent to 3 months' salary, subject to a minimum of SGD4,500 and maximum of SGD10,000.

The enhanced re-employment framework also includes an option to allow eligible employees to be re-employed by another employer to increase labour market flexibility. The enhanced re-employment model can be referred to in Chart 4 :



Source: Ministry of Manpower Singapore



Promoting the employment of older workers

The newly enhanced re-employment framework in Singapore adopts a comprehensive approach, with the support of government incentives, public education, capacity building and awareness programmes to improve the quality of employment for older workers.



a) Government Incentives

Various incentives are provided by the Singapore government to encourage employers to re-employ their older workers with the aim to reduce their business costs, particularly on the wage structure. This will help the employers to be better prepared in managing the obligation of re-employing workers from the age of 62 up to the age of 67.

For instance, the Special Employment Credit (SEC) was introduced as a Budget Initiative to assist employers by providing a wage offset ranging from 8 percent to 11 percent for employees aged above 55.

On top of that, employers can also receive funding support of up to SGD480,000 under WorkPro to encourage employers to implement age management practices at the workplace, redesign jobs, and implement flexible work arrangements.

b) Capacity Building

Jobs redesigning with the right skill sets are needed to ensure successful implementation on re-employment. Hence, the Ministry of Manpower, Singapore is collaborating with the Singapore Institute of Management (SIM) to provide courses on age management practices by industry experts.

Besides that, a job redesign toolkit is provided to all companies as a guideline for employers to redesign jobs at different levels for a more age-friendly workplace. This will help companies to identify cost effective job redesign solutions within their organisation.

Career support and professional conversion programme through SkillsFuture also provides the opportunity for Singaporeans to reskill and acquire the necessary knowledge and competencies to become job-ready and take on new careers in growth sectors.

c) Public Education and Awareness

Through the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP), employers and the general public are educated about the value that experienced workers bring and dispel myths about older workers. TAFEP also communicates norms on acceptable and progressive HR practices related to older workers, and catalyses ground-up participation.

Media Campaign by TAFEP



Outcomes

The implementation of the re-employment policy in Singapore has been successful, as evidenced by the higher employment rates for older workers from 56.2 percent in 2007 to 67.3 percent in 2016 for the population within the age group of 55-64. As for the age group of 65-69 years old, the employment rate has also recorded a phenomenal increase from 25.7 percent in 2007 to 41.5 percent in 2016. With the comprehensive approach, the employment rate for older workers is projected to continue to increase in the future.

Chart 5: Employment rate of older workers in Singapore (65 to 69 years old)



Successful implementation of ageing policies in Singapore provide a clear example of how the right infrastructure and communication could change the country's culture and mindset in redefining the traditional definition of old age.

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THE PROS AND CONS OF UNIVERSAL BASIC INCOME

Azri Azhar

Employees Provident Fund

What if the government hands you a certain amount of cash each month, and you are allowed to do anything you want with the money. The money is yours, and you are free to spend on anything you want.

That is the basic idea of a universal basic income (or UBI).

The idea of universal basic income was introduced back in the 17th century. In Thomas Paine's *Agrarian Justice*, he proposed a system where everyone would receive an equal capital grant (or basic income) given by the state to everyone.

“It is proposed that the payments, as already stated, be made to every person, rich or poor. It is best to make it so, to prevent invidious distinctions. It is also right it should be so, because it is in lieu of the natural inheritance, which, as a right, belongs to every man, over and above the property he may have created, or inherited from those who did.” Thomas Paine's *Agrarian Justice*, 1797.



Why UBI Might Be Necessary

We believe there are two reasons why a UBI might be necessary: automation and poverty. According to McGahey (2016), the increasing interest on UBI was due to jobs being taken over by robots. Quoting from his article, he wrote *“the belief that technology is rapidly eliminating jobs faster than new ones can be created, and future growth will be much lower.”*

Straubhaar (2017) elaborated further, questioning how people in the future will be able to cope when they are out of work. He wrote *“jobs will be lost and it remains uncertain how many new jobs will be created to replace them. Thus, concerns are rising about the future of employment, the viability of social welfare and the financial stability of social security systems.”*

Another reason why UBI might be necessary is that it will reduce poverty. In addition to that, it will also provide a better and more stable standard of living. When cash is given to an individual, he or she will be able to escape from living under poverty. Also, if someone loses his or her job, they are still able to support themselves through UBI while seeking other employment.

The Pros of UBI

Better social economic welfare

When Namibia ran a pilot test between 2008 and 2009, the villages of Otjivero and Omitara saw basic income bringing benefits to their social welfare. Those benefits included a drop in the number of malnourished children, a decreased poverty rate, increased income, and a lower crime rate.

Substitute or complement existing welfare programs

UBI could supplement, or replace the current welfare state policies, with the cash from a UBI awarded alongside most of the existing range of housing, medical, food, or other welfare state programs. (McGahey, 2016).

Eradicate poverty and inequality

According to the Basic Income Earth Network (BIEN), they agree that UBI could supplement other existing programs, and argued that basic income would sharply reduce or eliminate the need for other social protections and welfare spending. For a developing country like India, UBI might be a quicker way to combat poverty, where it can be pegged at relatively low levels of income but still yield substantial welfare gains.

To prove the points mentioned above, when a UBI was introduced in Namibia, the poverty rate dropped from 86 percent to 68 percent. The same proved to be the case for citizens in Dauphin (in Manitoba in Canada), where evidence showed there was a causal link between extra cash and better health, and indirectly reduced economic inequality. (Painter, 2016).



Better at managing employment

Another supporting idea for a UBI is it provides a safety net for a worker if he or she loses their job. For example, while unemployment insurance is better at responding to employment shocks, it suffers from moral hazard and can be very costly to manage. A universal basic income policy has no such social costs and is simpler to manage. (Fabre et al, 2014).

The Cons of UBI



Incentive to work

The question arises when free money is given out, that the person who receives it might have less incentive to work. McGahey (2016) wrote, providing income that is not linked to work is seen to reduce work effort, leading to fewer work hours and possibly lower productivity. Plus, a proportion of the population might replace work with idleness, which would reduce the supply of labour. (Mercinger, 2015). Targeting those who deserve to be part of an income supplement program is often the proposed method of those who oppose the idea of a UBI. Nevertheless, even with perfect information and a well-designed transfer program, evidence suggests that targeting is not able to effectively eliminate poverty. (Brown et al. 2016).

Too expensive

Those who oppose UBI argue that any UBI with a meaningful income level will be very expensive, and raise the question of how a UBI will be funded. This was the main reason why the Swiss voted against a proposed UBI back in 2016. McGahey (2016) was also concerned about the impact on public debt and increased taxation when it comes to funding the program. The implementation of UBI implies additional tax and redistribution. With the additional taxation and redistribution depending on the size of the UBI and the structure of additional taxes, there will be no doubt that UBI would require much higher taxation to fund the program. (Mercinger, 2015).

Despite criticism that a UBI will be too expensive, most poor countries already spend substantial public money on poverty reduction. If the same resources would be better spent fighting poverty through basic income (Ravallion, 2017), then UBI should be seriously considered.

Evidence of Successful UBI Experiments

There have been three countries that have experimented with a UBI program. Those countries are Namibia, Canada and India.

Cities	Time	Program	Result
Dauphin, Manitoba, Canada (also known as Mincome)	1974 to 1978	CAD16,000 in today's dollars for a single person	<ul style="list-style-type: none"> Working hours dropped by 1 percent for men, and 2 percent for women Hospitalisation rate fell, mental health diagnosis and injuries dropped More teenagers stayed in school
Villages of Otjivero and Omitara, Namibia	January 2008 to December 2009	USD12 was given as basic income	<ul style="list-style-type: none"> Malnourished children dropped from 42 percent to 10 percent Poverty rate dropped from 86 percent to 68 percent Average income beyond UBI increased 29 percent Crime rate fell 36.5 percent
Madhya Pradesh, India	2010	Initially, INR200 for each adult and INR100 for each child paid to the mother or guardian. These were later raised to INR300 and INR150 respectively.	<ul style="list-style-type: none"> Many used the money to improve housing, latrines, walls and roofs, and to take precautions against malaria. Nutrition improved, particularly in scheduled caste (SC) and scheduled tribe (ST) households. Improved school attendance and performance, which was also the result of families being able to buy basic necessities such as shoes and pay for transport to school.

image source: google

Which cities or countries are planning to test the program?

In addition to past experiments, there are eight countries that are experimenting with a UBI program this year. These countries are the United States, Canada, Finland, the Netherlands, Italy, Kenya and Uganda.

Cities	Time	Proposed Program
Oakland, California	Jan 2017 – Present	<ul style="list-style-type: none"> Y-Combinator, a Silicon Valley based company will fund the program. They will pay a monthly salary to 100 families in Oakland. If the pilot is a success, another 5-year trial will follow
Ontario, Canada	Early 2017 Jan 2017 –	<ul style="list-style-type: none"> This will be a 3-year pilot project involving 4,000 households in three provinces (Hamilton, Thunder Bay, and Lindsay) A single person will receive USD17,000 per year, a couple will receive USD24,000 per year, and people with disability will receive USD6,000 per year. One of the motives for this pilot is to help those who lost their jobs in the auto industry. It is estimated that 4,000 jobs were lost in the last 15 years.
Finland	Present (for the next 2 years)	<ul style="list-style-type: none"> This will be a 2-year experiment. Income will be given to 2,000 unemployed citizens, about USD600 per month The goals for this experiment are to provide a new structure for social security, and to measure productivity considering unemployed citizens receive basic income
Utrecht, the Netherlands	Early 2017	<ul style="list-style-type: none"> 250 Dutch citizens will receive USD1,100 per month for 2 years. And these 250 citizens will be separated into 6 groups. For example, one group will receive an extra USD161 if they volunteer for public service. Another group will be given the money upfront, but must return the amount if they do not volunteer



Cities	Time	Proposed Program
Livorno, Italy	June 2016 - Present	<ul style="list-style-type: none"> Initially, this was a 6-month program, with the mayor of Livorno giving the 100 poorest families in the city USD537 In 2017, he expanded it to 100 more families
Kenya (GiveDirectly)	October 2016 - Present (for the next 12 years)	<ul style="list-style-type: none"> 40 villages will receive USD22.50 per month for 12 years Another 80 villages will receive the same amount for 2 years Another 80 will receive a lump-sum amount for 2 years Another 100 villages will receive nothing
Uganda	January 2017 - present	<ul style="list-style-type: none"> This will be a 2-year pilot test The amount of basic income that will be distributed is approximately 30 percent of Uganda's average income for low-income families, which will amount to USD18.25 per month for adults and USD9.13 for children.
Madhya Pradesh, India	2017	<ul style="list-style-type: none"> This is a follow up to the two experiments back in 2010 in Madhya Pradesh

Conclusion



So the question is, is a UBI necessary to address the rise of automation and to decrease poverty?

Those who support a UBI will argue that providing a UBI is an excellent method to combat inequality and poverty, and is better than providing other social welfare or cash transfer programs due to its simplicity. Especially for developed countries when more jobs are being replaced by robots, UBI is able to provide a safety net for those who lose their jobs.

Those who oppose this idea will argue that UBI will make people substitute work for leisure, and is too expensive to be funded.

There are two reasons why we believe UBI should be considered. First, for developing countries such as Namibia and India where the GDP per capita was USD4,068 and USD1,346 respectively when the respective pilot tests were introduced, a UBI provided

a guaranteed stable income and helped the people receiving the benefit to get out of poverty, have a better standard of living, and invest in the future of their children. Such outcomes might more than offset the costs involved, and tend to disprove the disincentive to work argument.

Second, a UBI will be able to provide a safety net for people if and when jobs are taken away by robots. In developing countries, the demand for labour is still fundamentally strong due to its low cost. Automation is more likely to be used in developed countries where labour costs are higher. This implies a greater risk of job loss, and a greater need for a UBI as a social safety net. Moreover, a UBI is not a one way street and the demand side of the equation also needs to be considered. A UBI helps provide the means for absorbing the output that robots and software efficiently provide, the income from which will flow mainly to owners of capital. Sustaining economic growth in a fully automated world may thus require substantially more redistribution of income and wealth than has ever been attempted before.

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RETURN ON EQUALITY: INVESTMENT OPPORTUNITIES THAT HELP CLOSE THE GLOBAL GENDER GAP

Achieving gender equality is essential as a matter of justice and human rights—and it also unleashes a range of positive economic and development outcomes. While women and girls have made significant gains in the past decade in terms of education, health, economic participation, and political leadership, gender equality has yet to be attained in many critical areas, and at the cost of substantial and unrealised social and market benefits. In fact, the McKinsey Global Institute estimates that narrowing the global gender gap could add USD12 trillion in annual gross domestic product. (Woetzel et al, 2015)

The urgent need to close the gender gap was underscored in September 2015 with the establishment of the 17 Sustainable Development Goals (SDGs), which were adopted by 193 Member States of the United Nations and defined an ambitious global and universal sustainable development agenda. SDG 5 is dedicated exclusively to achieving gender equality and empowering all women and girls.

Bridging the global gender gap will require leadership and investment by the public and private sectors. In particular, institutional and individual investors have both a significant market opportunity to realise and a unique role to play in accelerating the advancement of women and girls.

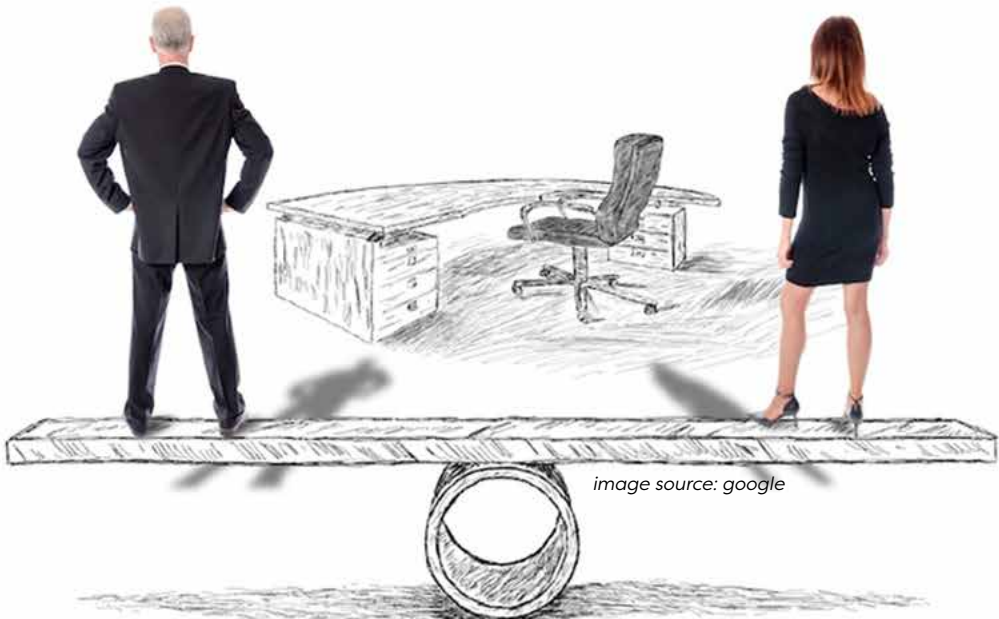


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To date, private investment for financial return that simultaneously supports gender equality goals (commonly known as “gender-lens investing”) has typically taken the form of investing in women-led businesses and investing in companies that promote gender diversity in their workplaces. Increased focus is needed on a third, less-common type of gender-lens investing: investing in companies that advance gender equality through their product and service offerings.

The need for such offerings is clear, both in developing and developed markets. Globally, 1.7 billion women still do not own a mobile phone (GSMA, 2015.) and 1.1 billion women are unbanked (Demirguc-Kunt et al., 2015)—both major barriers to pursuing and benefiting from economic opportunities. Every day, women around the world spend 200 million hours collecting water to sustain their families due to inadequate infrastructure (United Nations, 2015)—hours they could otherwise invest in education, gainful work, or leisure. Approximately 225 million women have an unmet need for modern contraception, preventing them from determining the number, spacing, and timing of births that best align with their aspirations for themselves and their families (Guttmacher, 2014). Of course, these are not simply supply-side issues. Women’s access to and usage of products and services is shaped by prevailing social and gender norms, as well as constraints on women’s mobility and control over assets—obstacles that must be addressed to ensure women realize the full benefit of product and service offerings.

Many of these challenges are disproportionately faced by women in low- and middle-income countries, but women in high-income countries are also disadvantaged by product and service offerings that fail to reach them or meet their needs, often due to deeply rooted gender biases in product design, market segmentation, and marketing. For instance, among women who have financial advisers, 67 percent stated in a recent survey that their financial adviser does not understand them or is not interested in their needs or

goals (Hewlett et al., 2014).

In addition to the moral imperative of closing the gender gap, the potential market impact is likewise substantial, creating significant opportunities for investors. In fact, achieving parity across products and services in just five sectors—water, contraception, telecommunications, energy, and childcare—could unlock a market of more than USD300 billion in incremental annual spending by 2025. Investors, asset managers, and companies can seize the opportunity to advance gender equality and drive financial returns by taking these initial steps:

Institutional investors

Incorporate a products-and-services approach into existing gender-lens investing and environmental, social, and governance (ESG) investing strategies.

Individual investors

Shift investments toward companies that offer products and services that support gender equality, focusing on companies that have committed to quantifiable goals or measures.

Asset managers

Create new funds and financial instruments for institutional and individual investors focused on companies offering products and services that support gender equality.

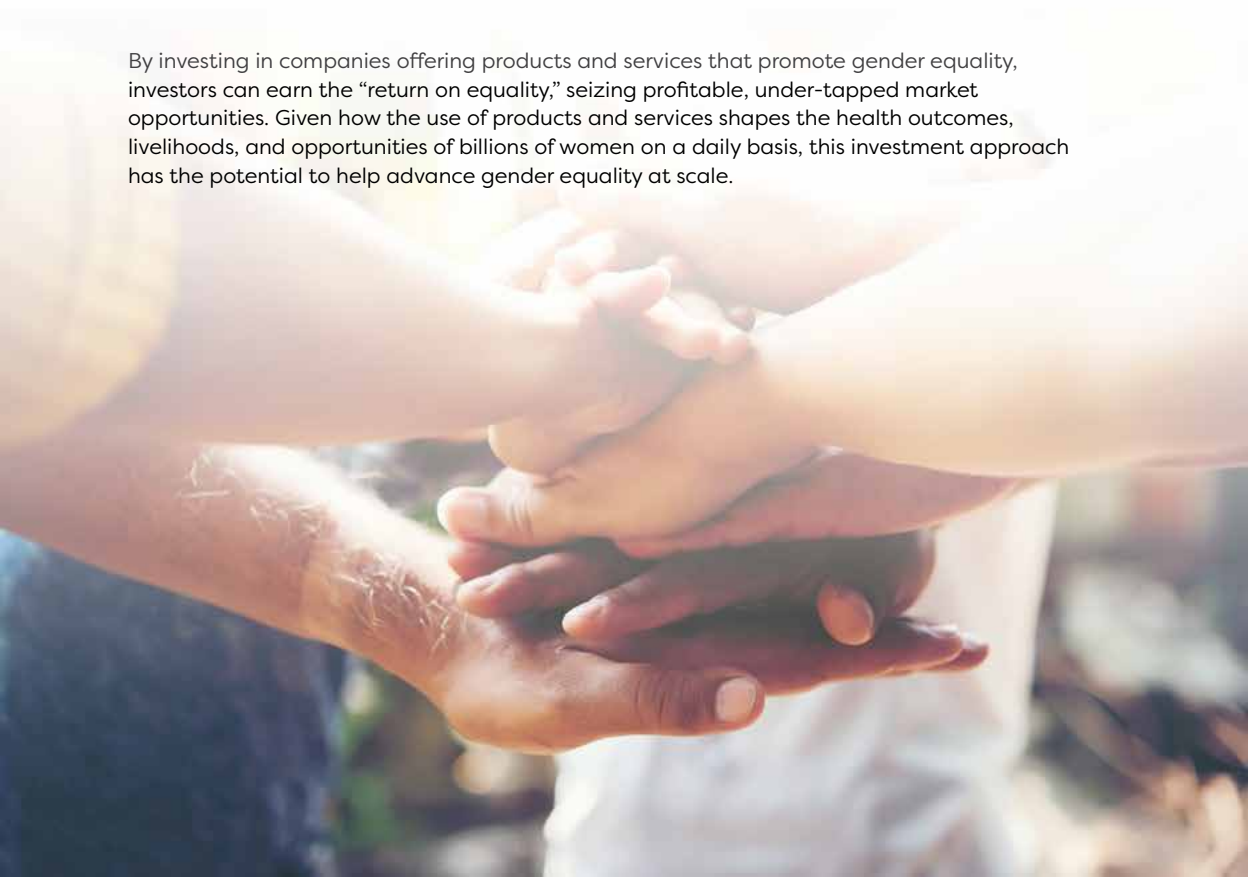
Companies

Assess the gender equality impact of the company’s business strategy and current operations, such as the gender mix of the customer base. Assess whether and how the company’s products and services can evolve in new ways that promote gender equality, and measure and report progress against targets to help communicate the company’s potential social impact to investors and consumers alike.

Closing the gender gaps in access to products and services in the water, contraception, telecommunications, energy, and childcare sectors could unlock USD300 billion in incremental annual spending by 2025



By investing in companies offering products and services that promote gender equality, investors can earn the “return on equality,” seizing profitable, under-tapped market opportunities. Given how the use of products and services shapes the health outcomes, livelihoods, and opportunities of billions of women on a daily basis, this investment approach has the potential to help advance gender equality at scale.



The market potential of gender equality

Just five sectors represent a potential USD300 billion annual opportunity by 2025

Social impact

Impact on gender equality of closing unmet need

Consumer impact

Current total unmet need

Market impact

Potential incremental annual market opportunity in 2025

140 million

women could have more business or employment opportunities

Telecommunications

200 million

fewer women than men own mobile phones globally

USD20 billion

in incremental annual spending in the mobile industry

52 million

unintended pregnancies could be prevented annually

Contraception

225 million

women have an unmet need for contraception

USD5 billion

in incremental annual spending in the healthcare industry

1,750

hours could be saved annually that the average woman currently spends on unpaid work, including child care*

Child care

290 million

children under the age of three lack access to child care

USD140 billion

in incremental annual spending to increase child care enrollment of children under the age of three to 30 percent

73 billion

hours could be saved annually that women and children currently spend on water collection

Water

663 million

people do not have access to clean water

USD80 billion

in incremental annual capital and operating spending to achieve access in line with SDG goals

680

hours could be saved annually for each girl who collects wood, dung, or other polluting fuel for household use

Energy

1.2 billion

people lack electricity in their households

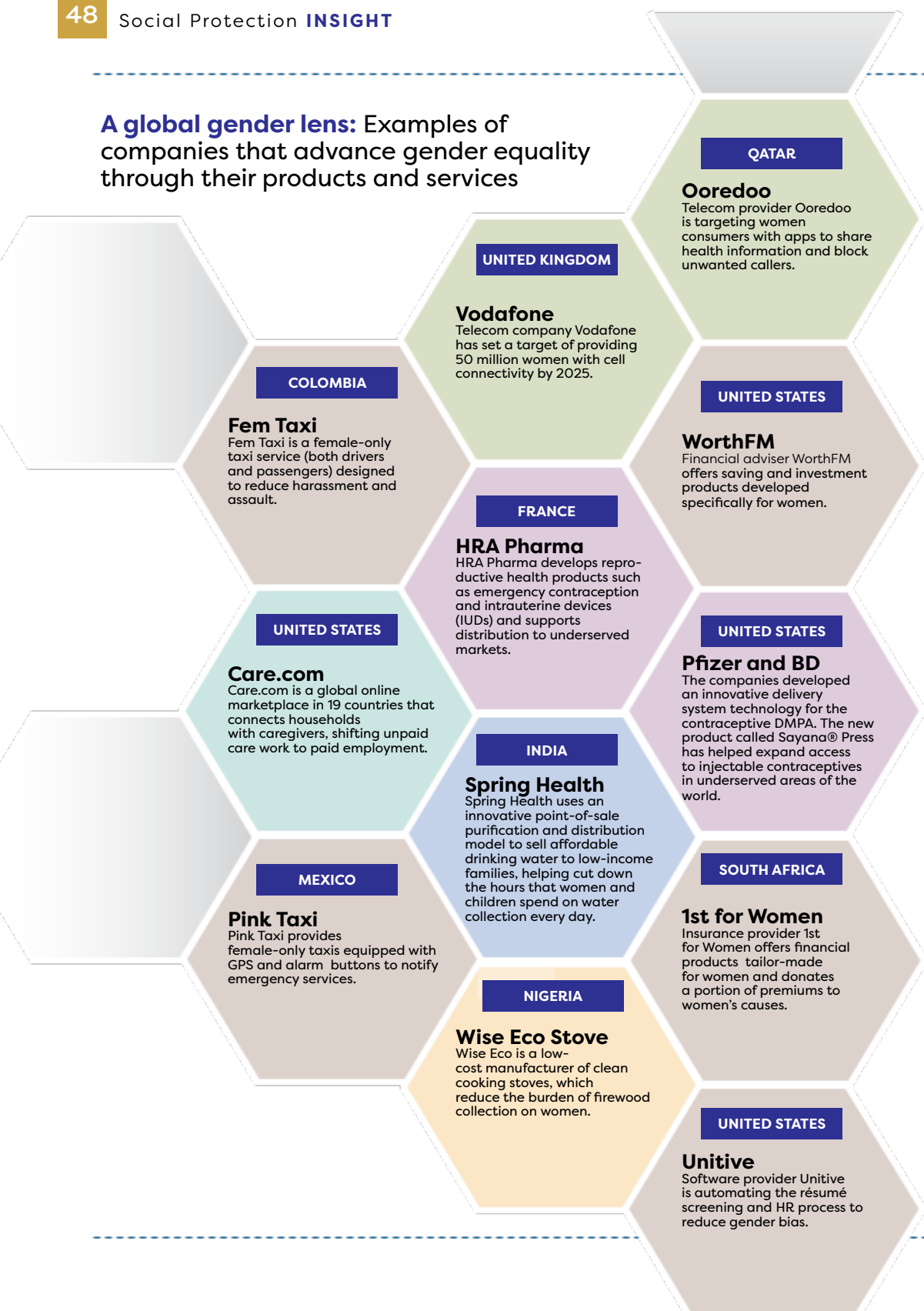
USD40 billion

in annual capital spending to ensure access to electricity in line with SDG goals

* 1,750 hours includes all unpaid work, covering childcare, routine housework (including water and firewood collection), shopping, household-related travel, etc. In addition to unpaid work dedicated to childcare, women often provide childcare while engaged in other household activities. With formal childcare, women could divert some of this time to economic, education, or leisure pursuits.

Source: Analysis by the McKinsey Global Institute

A global gender lens: Examples of companies that advance gender equality through their products and services





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Endnotes

Estimate reflects 15 indicators of gender equality across 95 countries that were used to assess how far the world needs to advance on a range of dimensions that are key to achieving the economic potential of women. Estimate assumes all countries would match the momentum of the fastest-improving country in their region. Jonathan Woetzel et al., *The Power of Parity: How Advancing Women's Equality Can Add \$12 Trillion to Global Growth*, McKinsey Global Institute, 2015.

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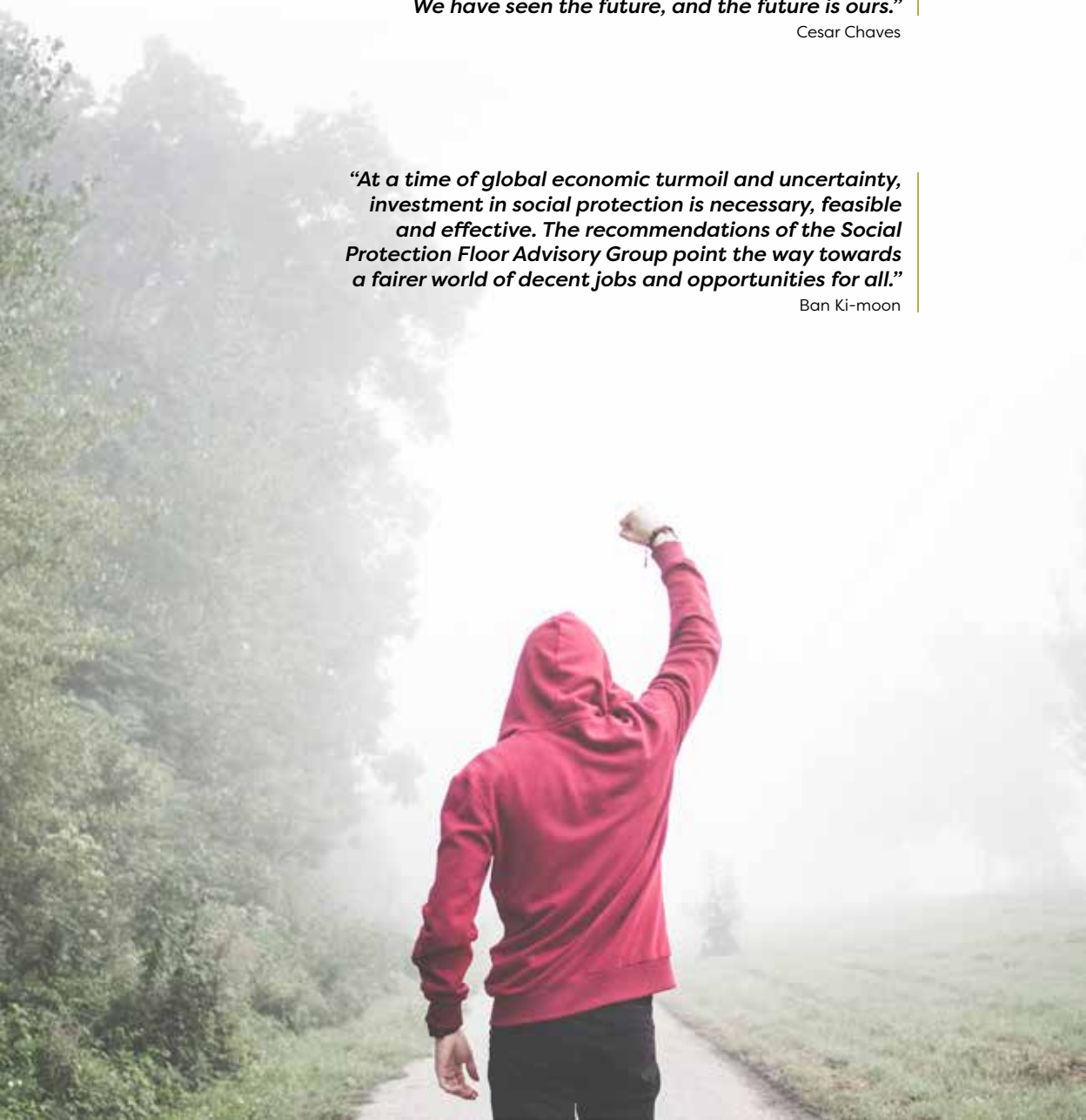
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“Once social change begins, it cannot be reversed. You cannot uneducate the person who has learned to read. You cannot humiliate the person who feels pride. You cannot oppress the people who are not afraid anymore. We have seen the future, and the future is ours.”

Cesar Chaves

“At a time of global economic turmoil and uncertainty, investment in social protection is necessary, feasible and effective. The recommendations of the Social Protection Floor Advisory Group point the way towards a fairer world of decent jobs and opportunities for all.”

Ban Ki-moon





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