

Malaysia's social protection system not ready for ageing-nation status

MALAYSIA'S social protection system will not be sufficient to financially support the vulnerable group especially when the nation is heading towards the ageing population.

At present, there are an estimated 3.5 million people or 7% of Malaysians who are above the age of 65, according to data from the Department of Statistics Malaysia (DoSM).

In May, the statistics department predicted that Malaysia may become an ageing nation by 2030 with people aged 60 years and over surpassing 15% of the working population.

Institute for Democracy and Economic Affairs social policy research manager Wan Ya Shin said the country's social protection system has been predominantly employment-based with the Employees Provident Fund (EPF) and Social Security Organisation (Socso) as the main support for old age.

However, with the change in employment trends coupled with the ageing-society factor, social protection will not be sufficient to support the people in their old age, she added.

"It is not a big surprise that Malaysia is heading towards an ageing population as the Revised Population Projection 2010-2040 reported by DoSM in 2016 already predicted that Malaysia will reach an estimated percentage of 7.2% of those aged 65 and above by 2020.

"The current population estimates for 2020 for those aged 65 and above is at 7%. Population ageing is happening in many countries in the world.

"The question is whether our social protection system is ready to support an ageing population," she told *The Malaysian Reserve*.

As a countermeasure to the Covid-19 pandemic, the government has eased access to EPF savings by contributors through the i-Sinar application to sustaining their livelihood during the pandemic.

"It is worrying that the poor would need to dip into the little savings that they have for retirement to survive the impact of Covid-19," she said.

Looking into portfolios of the current EPF contributors, only a minute percentage of contributors are expected to be able to retire comfortably, said Putra Business School associate Prof Dr Ahmed Razman Abdul Latiff.

“I don’t think we are ready for the ageing-population status. For example, according to the latest data in September 2020, active EPF contributors are only 7.54 million out of a total membership of 14.8 million.

“Of this number, as many as 54% of contributors aged 54 have less than RM50,000 set aside for retirement.

“The situation will even get worse in the next 10 to 20 years as the salaries and wages keep stagnating and income disparity gets wider,” he said.

Ahmed Razman said the setback is being exacerbated by the country’s trend of lower fertility and birth rates.

“I do see the data from DoSM worrying especially when we refer to Malaysia’s birth fertility rate of 1.8 in 2019.

“Since 2013, the national rate was well below the replacement level of 2.1 which indicates the average number of babies born per woman throughout her reproductive life has been insufficient to replace herself and her partner,” he said.

As a mitigation measure, Ahmed Razman said the healthcare systems and facilities for the elderly in the country should be improved, including having enough professionals and skilled manpower.

Meanwhile, Wan said there should be countermeasures after Covid-19 pandemic is contained to help contributors restore their EPF savings or provide support for people in their old age.

“We need to re-examine the social protection system to change it according to the new changes in employment and as Malaysia becomes an ageing nation.

“We need a more comprehensive social protection system to protect people during crises, pandemics and life-cycle vulnerabilities such as old age,” she said.

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