



Policies and Protections for Ageing Society In Malaysia

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Abstract

The 4th Malaysian Population and Family Study by the National Population and Family Development Board (1), which was matched with the result of the population and housing census in 2010, found that about 23%, or 538,000 of the 2.4 million senior citizens in Malaysia suffered from the 'empty nest' syndrome. A report issued by the UN Development Programme (UNDP) stated that 90% of the contributors towards the Employees Provident Fund (EPF) in Malaysia did not even have enough money to live a simple lifestyle for a period of five years after retirement. United Nation projected that the country will achieve the status (ageing country) in year 2030. Malaysia in an upper middle-income country and as of 1 January 2016, the population of Malaysia was estimated to be 31,127,247 people. This is an increase of 1.58 % (482,954 people) compared to 30,644,293 people the year before. In 2015, the natural increase was positive, as the number of births exceeded the number of deaths by 494,905. Due to external migration, the population declined by 11,951. The sex ratio of the total population was 1.029 (1,029 males per 1,000 females), which is higher than the global sex ratio. The global sex ratio in the world was approximately 1,016 males to 1,000 females as of 2015. (2) This paper analyses the Malaysia government's and people social responsibilities in overcoming ageing society and preparing to support and assist the ageing population by 2035. The researcher uses doctrinal research methodology and secondary statistic from the authorities for this research to gather the data and examine the policies. Interestingly, despite the social responsibilities and challenges encountered and policies implemented by the government, there is still much more the government needs to do to overcome the challenges faced by the ageing society in Malaysia.

Keywords: Ageing Society, Social Responsibilities, Challenges

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Introduction

Department of Statistic (DOS)(3) Malaysia estimates that in 2015 the proportion of the Malaysian population aged 60 years and

older is 9.1% outnumbering the proportion of children younger than five years old by 0.6%. Even though this may seem like a small difference, the gap between the two age groups is set to increase continuously and dramatically over the next three decades. This is a reflection of the phenomenon known as population ageing, defined by the United Nations (UN) as “the process by which older individuals become a proportionally larger share of the total population.” According to the National Population and Family Development Board (LPPKN), based on projections made by DOS, Malaysia is expected to reach ageing population status by the year 2035, at which point 15% of the total population will be 60 years and older.

The key challenge for Malaysia is managing and planning for the ageing society. By 2030, 15% of the Malaysian population will be above 60 years of age. This indicates that Malaysia’s government has to ensure decent employment as well as awareness programmes and services for the young, while at the same time, providing necessary assistance of life options for the elderly. The changes and increasing life expectancy, the economic development and the challenging of family relationships pose a number of challenges, especially in financial sustainability, adequacy of retirement incomes, healthcare financing, care and support and social security for the elderly population.

Average Age of Malaysia Population from 2016 (4)

As of the beginning of 2016 according to our estimates Malaysia had the following population age distribution:

29.6	65.4	5
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29.6 –percentage of population under 15
 65.4- percentage of population between 15 and 64 years old
 5%- percentage of population 65+

As we can see the Malaysia population percentage has an expanding type. This type of percentage is common for developing countries with high birth and death rates. Relatively short life expectancy, as well as low level of education and poor health care also describe such kind of population age distribution model. A country is said to have become an ageing nation when 15% of the population falls into this group.

Source: The estimation data for section "Malaysia age structure" is based on the latest demographic and social statistics by United Nations Statistics Division.

An increasingly large proportion of global elderly, especially in developing nations, added pressure to these developing nations in limiting fertility and decreasing family size. Traditionally, elderly care has been the responsibility of family members and provided within the extended family home. Currently, modern societies, state or charitable institutions are now providing elderly care. These changes are due to decreasing family size, the greater life expectancy of elderly people, the geographical dispersion of families, and the tendency for women to further their education and work. Malaysia is facing the same challenges and obstacles like any other aging society. Such as in the case for Japan, their life expectancy is about 83 years. In many ways, the requirements of senior citizens are similar to what disabled people need. Disability experts mention that accessible public facilities in developed countries such as Japan and Singapore were established for the ageing population rather than for disabled people. With that in mind, and observing that disabled people are facing great difficulty in society, Malaysia is currently not ready to cater for the needs of senior citizens by any measure. Notwithstanding that, it is not insolent to cast doubts on the determination of the government in preparing the country for an aged population. Like disabled people, senior citizens needing the convenience of accessible facilities are facing difficulties

now. If the situation remains unchanged, many more will experience exclusion 20 years down the road.

National Policy for Older Persons

- The revised National Policy for Older Persons (2010-2015) outlines 6 strategies (5) to empower the individual, family and the community towards improving the well being of the older Malaysian through improving the efficiency and effectiveness of the programmes.
- The UNFPA (United Nations Population Fund) Country Programme for 2013-2017 is consistent both with the national priorities of Malaysia as delineated in the 11th Malaysia Plan. (6) The Government of Malaysia began the first cost-sharing arrangement with UNFPA in July 2003. The four specific outcome areas within the 11th Malaysia Plan are, namely:
 - a. The five-year plan reaffirms the government's commitment to the people, and the belief that growth cannot be measured by economic success alone.
 - b. The plan reckons that the well-being of the rakyat and a commitment inclusive and sustainable growth are necessary hallmarks of an advance nation.
 - c. The Malaysian Well-being Index to increase by 17% per annum, an indicator of improvement in the well-being of the rakyat.
 - d. Poverty rate dropped to 0.6% in 2014, from 49.3% in 1970.
- A five year Country Programme is proposed in January 2013 to be implemented under a continuing cost-sharing arrangement between the Government of Malaysia and the United Nations Population Fund. The

cooperation will be based on a systematic situational analysis and country programme assessment and the joint development of a response strategy through this Country Programme Action Plan. Given this context, the Country Programme has addressed the improvement of services of cohesive approach to population dynamics, including the management of the interaction of multidimensional factors in meeting the needs of a country that has both a very young as well as an increasingly aged society/nation.

Labour Contribution

The Unemployment rate in Apr 2015(7) stayed at 3.0% as the number of the jobless fell slightly to 429,000 from 430,800 in Mar 2015, although this was up 5.4% from a year ago when the jobless rate was 2.9%. However, the seasonally adjusted unemployment rate edged up to 3.1% versus 3.0% in Mar 2015. The jobless rate was relatively stable. Despite the fact that the unemployment rate is relatively stable at the moment in Malaysia, the government should still monitor the aging factors of the society, whereby it may affect the contribution to the economy by 2035. Hence, the National Policy for the Elderly (8) is a great step forward in preparing the Malaysian society for a transition into an ageing society. One major issue that affects the welfare of the elderly is conspicuously absent from the social security, which is included as a sub-program. Although health care receives substantial attention, the financing aspect is not covered. The emphasis of the Policy appears to be on social aspects, not denying that these too contribute toward the well being of the elderly.

The author Ong Fong Sim stated in his article, (9) that "in Malaysia, insufficient retirement savings is a cause of concern. Individuals with no savings or insufficient pension funds will find it financially demanding to get through their old age, especially with the current cost of accommodation, food, medical expenses and other basic items. Dealing with financial problems at an old age will increase stress among those in the age group and prevent them

from enjoying their retirement or living in a comfortable life. Challenges that arises as a result of ageing is not limited to senior citizens, rather, it also has consequences to the people surrounding them”. A report published by the United Nations Development Programme (UNDP) (10) mentioned that 90% of retirement fund contributors did not have sufficient funds to sustain even a simple lifestyle for five years after retiring. In Malaysia (11), formal social protection systems include: the Employees Provident Fund (EPF), 1951, the Social Security Organization (SOCSO) established in 1969, Government pension scheme for Civil servants, Old Age Benefit Scheme for the Armed Forces, and private sector provident and pension funds. These different schemes provide protection for different contingencies such as disability as in the case of SOCSO, old age (pension and EPF) and deaths. “While these schemes provide coverage for the formal sector, the provision is not mandatory for those in the informal sector, which is substantially large in Malaysia. Although EPF is extended to the self-employed on a voluntary contribution basis, the participation rate is low. Those in the informal sector have to rely on savings, drawing down on past wealth and financial support from children to provide them with income security in their old age” (Ong Fong Sim, 2001).

As for Pension, Ong further stated, “it is a non-contributory social security scheme for government employees. Pensions expenditure is wholly borne by the Federal Government through annual allocation from the Federal Budget. It is a pay-as-you-go plan. An employee who has served at least 10 years is entitled to receive a life-long monthly pension upon retirement. The quantum receivable by an employee who has completed at least 25 years of service is half of the last drawn salary. This scheme serves not only as a security for old age, it is designed to provide financial assistance to the dependents of those in the Government service in the event that the government employee passes away while in service or after retirement. The pension also provides compensation to officers who are forced to retire or pass away due to injuries or sickness in the course of performing their official duties. These kind of retirement benefits offered in the pension scheme include service pension and

service gratuity which is a lump sum payment granted to a pensionable officer upon retirement. The other type of benefit is in the form of derivative pension, which is granted to the widow/widower/child of a permanent and confirmed officer who dies in service. Derivative gratuity is payable to the widow/widower, child, and mother/dependant father of the deceased or legal personal representative of the deceased officer if the officer dies in service. It is a safety net for the widowed spouses and it is particularly beneficial in providing for the female spouses as they generally experience a higher incidence of widowhood. In terms of coverage, only less than one per cent of the people are protected. In view of the large pension pay out, the government has taken steps to ensure that pensions payment do not become a burden for the government in the future”.

“Apart from social security as the primary source of income for the aged, savings, personal life insurance and unit trust funds are alternative forms of sources of protection available to the elderly. The national investment schemes provide attractive returns with the aim to encourage wider participation, particularly, participation from the lower income group. All these are voluntary schemes and hence individual decision is critical in influencing participation.

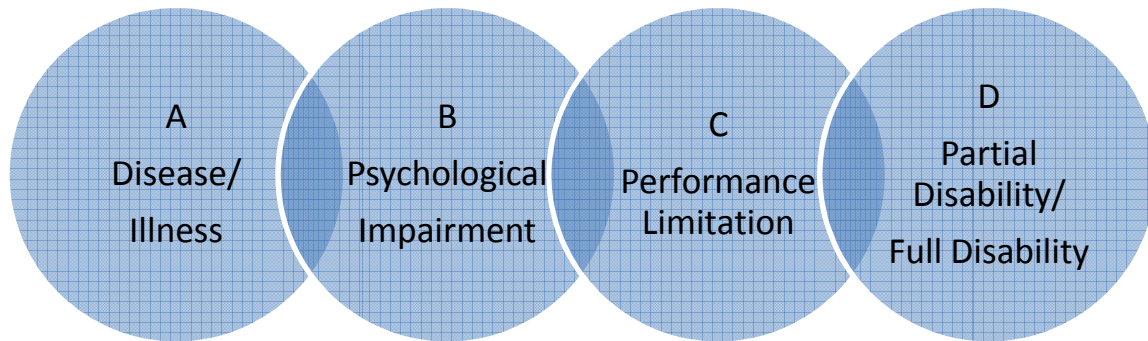
Purchasing an insurance policy is also another alternative toward saving for old age, although it provides protection to other sections of the population as well. Insurance is a way of protection against interruption or elimination of earning capacity of human capital and property resources. It is used as a shield against unexpected expenses that might diminish disposable income available for financial planning objectives including those for retirement. Possessing an insurance policy minimises and ensures against unnecessary economic hardships during one’s working life as well as during retirement. No specific insurance scheme is tailored for the elderly at the moment in Malaysia except trust funds recently offered by participating banks” (Ong Fong Sim, Ageing in Malaysia: National Policy and Future Plan, Faculty of Business and Accounting, Universiti Malaya, May 2001).

Findings and Recommendations

As stipulated earlier, a country is said to have become an ageing nation when 15% of the population falls into this group. Recent projections estimated Malaysia will achieve that status in the year 2035. With only 20 years to go, how prepared is Malaysia in handling issues related to growing old? Two decades may seem like a long time still, but going by past records, our complacency in the preceding years will come back to haunt us when we pass that threshold without having put the necessary measures in place. In many ways, the requirements of senior citizens are similar to what disabled people need. It was pointed out by disability experts that accessible public facilities in developed countries in Asia like Japan and Singapore were put in place because of the ageing population rather than for disabled people specifically. With that in mind and seeing that disabled people are facing great difficulty in society, we are currently not ready to cater for the needs of senior citizens by any measure. There are two laws that regulate facilities for disabled people, by-laws 34A and 34B. Senior citizens and the general public can benefit from them as well. What is good for disabled people is good for everyone else. By-law 34A and 34B of the Uniform Building By-laws cover all states in the

peninsula. It is a disappointment to see many new buildings and the majority of old buildings within the jurisdiction of the by-laws are still not in compliance with the requirements due to the lack of implementation and enforcement. Like disabled people, senior citizens needing the convenience of accessible facilities are facing difficulties currently. If the situation remains unchanged, many more will experience exclusion 20 years down the road. The rates for private nursing homes start from RM1,200 per month excluding medical treatments and other recurring expenses. The total monthly expenditure can amount to more than RM3,000. This is beyond the means of many senior citizens. There is an urgent need for a better support system that is affordable and one they can fall back on in times of need. Support extended to senior citizens must ensure that their dignity is preserved and a reasonable quality of life is assured. After all, they contributed to the nation in their prime, hence it is the social responsibility of the nation to provide adequate assistance for the elderly although currently the government has implemented numerous policies for the betterment of the aged society; however, there is much more to be achieved especially in healthcare and medical financing for the elderly as shown in Chart A- Progression of Ageing.

Chart A-Progression of Ageing (12)



Source: Researchers' Self Development Chart

Stages A-D indicate medical assistance, healthcare and public facilities and all these involve financial implications and the majority of the elderly in Malaysia needs such support upon reaching age 60 and above. Empty nest elders have considerable needs for daily living, health care, social support and public facilities support. The growing need for care of an aging population requires to be met through adequate policy decision making by the government.

Conclusion

A sound old age pension or employee provident fund (EPF) system is needed to guarantee sufficient financial support for the elderly. Looking into the future, positive steps towards an improved pension or employee provident fund contribution system are as follows:

(1) Expand the coverage of the pension/EPF system to bring more percentage of worker and employees into the social security system.

(2) Gradually increase the payment standards of the pension/EPF so that the participants of the system can get more benefits. It can make the system more attractive to those potential participants.

(3) Improve the management of the fund, especially increase the net value of the assets by investing them in a prudent manner.

(4) Create awareness on challenges and social responsibilities for ageing society.

Endnotes

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