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Population Ageing and Social Protection in Malaysia

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Abstract: The New Economic Model for Malaysia (NEM) 2010 defines inclusiveness as one of the three pillars of a developed society in the next decade and beyond. The underlying principle of the inclusiveness objective of the plan is to enable every Malaysian to have access to opportunities in order to contribute to the economy and to ensure that essential needs of the people are met. The question is to what extent does the present scenario support this objective of equalising opportunities? Also, in ensuring that essential needs of the people are met without marginalising any group, are the existing social safety nets policies adequate to support every Malaysian to sustain a decent living standard? This is of particular concern to the old age group that is getting bigger due to a very low population growth and an increasing average life span of 71.7 years for males and 75 years for females. Hence, this paper attempts to answer these questions and other related issues. It is divided into three parts: the first part defines the key concepts and framework employed in this paper; the second part examines the existing social protection schemes in Malaysia and analyses some case studies of NGOs working with the elderly and the final part offers some policy recommendations as a way forward.

Keywords: Ageing population, multi-pillar, public assistance, social insurance, social protection
JEL classification: H55, J14, I38

1. Introduction

The growing number of the elderly in many countries of the world poses new challenges to these governments. Rapid demographic changes in population due to a decline in birth rate and an increase in life expectancy in many countries have had a huge impact on national development economically and socially, all the more acute and prominent during an economic crisis. Against the realisation that this group can easily fall into the poor and hard core poor group, in recent years many countries have initiated policies on employment for the elderly, formalised the pension system and have improved social protection and safety nets for the aged.

Malaysia is one of the countries where the population is ageing and is forecasted to become an aged nation by 2030 when 15 per cent of the population will be classified as elderly. Currently, households headed by the elderly experience a high incidence of poverty, at 22.7 per cent (8th Malaysia Plan). Table 1 shows the percentage of 60 years and above in

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Table 1. Population by age group (elderly) 2006 – 2010 (‘000)

Age group	2006	2007	2008	2009	2010
60 – 64	927.4	989.1	1,053.6	1,116.5	1,174.9
65 – 69	655.2	687.0	723.0	764.4	811.5
70 – 74	465.8	479.8	494.4	511.0	530.7
Above 75	315.7	328.6	342.3	355.5	367.8
Total of elderly	2364.1	2484.5	2613.3	2747.4	2884.9
Total population (million)	26.64	27.17	27.73	27.90	28.25
% of elderly/Total population	8.87	9.14	9.42	9.85	10.21

Source: Economic Report, Ministry of Finance (2001-2011)

Malaysia. This alarming fact has prompted the Malaysian government to search for better solutions to overcome the challenge of providing social security for the aged poor in the years ahead. This paper examines the adequacy of existing social protection instruments to support elderly Malaysians to sustain a decent living standard in line with the inclusiveness goal of the national development blueprint, the New Economic Model (NEAC, 2010-2012).

The rest of the paper is divided into three parts: the first part defines the key concepts and the framework employed in this paper; the second part assesses existing social protection instruments in Malaysia and analyses some case studies of NGOs working with the aged group; and the final section offers some policy recommendations as a way forward.

2. Definition and Framework

The World Assembly on Ageing in Vienna (1992) defined old age as a person aged 60 years and above. This definition has been used as a guide in determining the category of people or the target group to qualify for benefits for the aged group. Malaysia has a specific policy for the elderly namely the National Policy for the Elderly that aims “to establish a society of the elderly who are contented, dignified, possess a high sense of self-worth, and who optimise their potential, while ensuring that they enjoy all opportunities beside being given the care and protection as members of a family, society and nation” (Ministry of Women, Family and Community Development 2000). One of the important strategies under this policy is to ensure that the elderly are independent in terms of basic needs, income, and employability.

The main challenge faced by aged Malaysians is the inadequacy of their savings upon retirement. Generally Malaysians have very limited savings, especially the 40 per cent with a very low average household income of RM 1,440 in 2009 (10th Malaysian Plan: 149). Added to this challenge is the fact that Malaysians currently live longer, 71.7 years for males and 75 years for females, which is ten years longer than four decades ago (65 years in 1973). Therefore, it is important to prepare them for a sustainable quality of life, and to ensure that they are financially and economically independent. This would include being able to afford healthcare cost, an obvious important requirement given their age. Some of the public policy issues are adequacy of benefits for the aged poor provided by the government under social assistance programmes; they need to be targeted and the right beneficiaries and benefits disbursed effectively.

The situation needs serious attention from all sectors because it will have a significant impact on the economy and society. The more vulnerable this group during their old age, the higher the risk of poverty among the elderly.

Social protection carries the broadest meaning, signifying a full range of transfers (in-kind and in-cash) for protective objectives, services and also institutional safeguards to protect the population at risk of being in need (Standing 2007). Conceptually, as Devereux and Sabates-Wheeler (2004) wrote, social protection has to include "the set of all initiatives, both formal and informal, that provide social assistance to extremely poor individuals and households; social services to groups who need special care or would otherwise be denied access to basic services; social insurance to protect people against the risks and consequences of livelihood shocks; and social equity to protect people against social risks such as discrimination or abuse."

International agencies such as the Asian Development Bank and the World Bank, however, have come up with a working definition to guide them to formulate mechanisms and programmes in social protection. The World Bank defines social protection as "public interventions to assist individuals, households and communities to manage risk better and that provide support to the critically poor." The Asian Development Bank regards social protection "as the set of policies and programmes designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing peoples' exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income." The definition was further detailed to include five main components:

(i) Labour market policies and programmes designed to facilitate employment and promote the efficient operation of labour markets;
(ii) Social insurance programmes to cushion the risks associated with unemployment, health, disability, work injury, and old age;
(iii) Social assistance and welfare service programmes to provide subsistence to the most vulnerable groups with no other means of adequate support;
(iv) Micro and area-based schemes to address risk and vulnerability at the community level; and
(v) Child protection to secure a healthy and productive development of the future workforce of the Asian and the Pacific region (Ortiz 2001).

Whilst the ADB's framework has the mechanisms and the instruments to cover the poor and vulnerable, the World Bank offers a matrix of social protection to cover the elderly. It is very comprehensive, all-encompassing and yet typifies the different mechanisms to study social protection for the aged. The World Bank's multi-pillar pension taxonomy is a systematic way of planning and analysing social protection schemes.

The framework has 5 pillars namely: Pillar 0 – Social Assistance to provide a minimum level of protection; Pillar I – mandatory Public Pension Plan; Pillar II – mandatory Occupational or Personal Pension Plan; Pillar III – Voluntary Pension Plan; Pillar IV – Non-financial Support – NGO, family, home ownership.

Table 2 illustrates the objectives, the groups targeted by the pillars and the main criteria underlining the the implementation approach as in voluntary or mandatory and types of funding: public, individuals, company or NGO provided. The underlying principle of the framework is inclusiveness.

Table 2. Multi-pillar pension taxonomy

Pillar	Objective	Target group			Main criteria		
		Life-time poor	In-formal sector	Formal sector	Characteristics	Participation	Funding/ collateral
0	Elderly poverty protection	**X**	X	X	'Basic' or 'social pension', at least social assistance, universal or means-tested	Universal or residual	Budget/ general revenues
I	Elderly poverty protection and consumption smoothing			**X**	Public pension plan, publicly managed, defined benefit or notional defined contribution	Mandated	Contributions, perhaps with some financial reserves
II	Consumption smoothing and elderly poverty protection through minimum pension			**X**	Occupational or personal pension plan, fully funded defined benefit or fully funded defined contribution	Mandated	Financial assets
III	Consumption smoothing	X	**X**	**X**	Occupational or personal pension plans, partially or fully funded defined benefit or funded defined contribution	Voluntary	Financial assets
IV	Elderly poverty protection and consumption smoothing	**X**	**X**	X	Access to informal (e.g. family support), other formal social programmes (e.g. health care) and other individual financial and non-financial assets (e.g. home ownership)	Voluntary	Financial and non-financial assets

Note: The size of X or **X,** normal or bold, characterises the importance of each pillar for each target group.
Source: Holzmann and Hinz (2004: Table1, p.10)

3. Types of Social Protection for the Elderly in Malaysia

Employing the World Bank's multi-pillar framework, this section provides an analysis of social protection for the elderly in Malaysia.

3.1 Pillar 0 – Social Assistance to Provide a Minimum Level of Protection

The Malaysian government provides benefits, both in kind and in cash, for the elderly. The ministries and departments responsible for providing social protection for the aged in Malaysia are led by the Department of Social Welfare, under the Ministry of Women, Family and Community Development (Mansor and Awang 2002).

There are three main schemes available under the Department of Social Welfare. The first scheme is cash benefits (*Bantuan Orang Tua)*. RM300 old age assistance is given as financial aid to support them to enjoy a minimum standard of living in the community. The qualifying criteria are that they must be very poor and without a family and have no source of income support. This category also includes those with family members who are unable to provide support for the elderly. It is, however, subject to review every six months to a year.

In granting the financial assistance of RM300, the issue of exclusion often arises. While the guidelines are very clear, the method adopted to generate the data for the group has led to errors in identifying the right beneficiaries. A district level committee together with the state development office are responsible for identifying the vulnerable groups. The group is also responsible for verifying the accuracy of the information given. There is no third party check against bias and subjectivity. Thus, the role of the enumerator and members in the group is very important in providing accurate and reliable data on eligible beneficiaries. A lack of objectivity would lead to error in targeting individuals.

The second type of assistance provided by the Department of Social Welfare is shelter called *Seri Kenangan* Home (RSK). RSK provides care, treatment and shelter to those aged 60 years and above who are not suffering from infectious diseases, have no relatives and are unable to care for themselves (Social Statistics Bulletin Malaysia 2010). As at 2009, there were nine RSKs in Malaysia, located all over Malaysia with 1,947 inmates, an increase of 7 per cent within four years, as shown in Table 3. There is certainly a need to have more of such homes.

Table 3. Numbers of aged in Old Folks Homes (RSK) in Malaysia

Year	Number of inmates in Seri Kenangan Home
2005	1827
2006	1953
2007	1843
2008	1855
2009	1947

Source: Social Statistics Bulletin Malaysia (2010)

Table 4. Assistance allocated for old-age benefits – Department of Social Welfare

Year	2005		2006		2007	
Case / RM	No of cases	RM	No of cases	RM	No of cases	RM
Amount allocated	23,256	31,342,805	25,524	47,396,400	27,636	51,632,890

Source: Department of Social Welfare

The Department of Social Welfare also provides benefits in kind for the elderly such as wheelchair and prosthetic body parts for those in need. The assistance is usually based on need as referred to by the head of the community.

However, these benefits can only be applied if the aged are registered with e-*Kasih*. *e-Kasih* is an electronic database established by the Implementation and Coordination Unit(ICU) of the Prime Minister's Department, and is meant to integrate data of applicants and recipients of welfare/social assistance programmes provided by the government. Such a database was established to avoid overlaps and redundancies. As part of an effort to reduce the financial burden of the elderly, the government, other than providing services such as shelter, also made available subsidy programmes and benefits like discounted prices for transportation, hospitalisation, medical supplies etc.

Statistics from the Department of Social Welfare have shown that the amount of assistance/benefits for aged have been increasing over the years. Table 4 shows the amount allocated to the Department of Social Welfare, which increased from RM31,342,805 in 2005 to RM47,396,400 in 2006 and RM51,632,890 in 2007, an increase of 51.2 per cent in 2006 and 8.9 per cent in 2007.

3.2 Pillar I: Mandatory Public Pension Plan

At the moment, no programme under this pillar is available in Malaysia.

3.3 Pillar II:Mandatory Occupational or Personal Pension Plan

There are three occupational pension plans and one social insurance programme in Malaysia. These programmes are not specifically for the aged, but the main objective of these programmes is to sustain life after retirement. It provides protection in the form of forced savings through the deduction of employees' salary and contribution from the employers.

3.3.1 Pension Scheme – Government Pension Scheme

One of the largest and the earliest protection schemes for old age in Malaysia is the pension scheme provided by the government under the Public Service Department (PSD). The coverage is only for civil servants or government employees who opted for the pension scheme (Mansor and Awang 2002). There are several types of benefits like service pension (monthly payment), service gratuity (lump-sum payment), cash award in lieu of leave – when applicable (lump-sum payment), medical benefits, disability pension, dependent's pension and derivative pension (pension benefits to a deceased pensioner's dependants who died either while still in the Government service or after retirement).

The retirement age for Malaysian employees varies between the public and private sectors. In line with the proposals in the New Economic Model, the retirement age for public sector employees has been revised to 60 since 2012 while for the private sector employees the new retirement age of 60 will commence in July 2013. The private sector has resisted this extension and most private sector employers prefer the 55 retirement age. The increase in retirement age has a direct bearing on retirement savings and could indirectly raise the income level for the aged population.

Table 5 shows the number of pensioners and the number of pension recipients over the years. Table 6 indicates the different types of payment made while Table 7 shows the increased public expenditure incurred and which now accounts for 5-6 per cent of the federal government's annual operating budget.

The pension paid to a public sector retiree is equivalent to about one-third of his/her last drawn net income. Much of the pay package includes allowances which are excluded in the calculation of the monthly pension. Wages are relatively low for the lower income category which has resulted in them having to work for the rest of their lives or risk living in poverty.

The government, in preparing soon-to-be-pensioners, conducts a short pre-retirement programme focusing on savings awareness. There are many variables that will affect expenses of pensioners upon retirement such as high cost of living, unsettled housing loan, education of school going children, etc.

3.3.2 Employees Provident Fund (EPF)

The EPF is established under the Ministry of Finance and provides social protection coverage for all private sector employees regardless of their status, as well as for government employees who opt for the EPF scheme. This is regulated forced savings under the EPF Act 1991. Both the employees and employers are required to make monthly contributions, made up of a deduction from the monthly salary for the employees and contribution by the employers (Mansor and Awang 2002). The percentage of deduction and contribution is currently 11 per cent for employees and 13 per cent for employers. Table 10 shows the contribution rates over the years since its establishment in 1952.

The EPF fund is maintained in two accounts termed Account I and Account II. Contributors can make full withdrawal upon retirement at the age of 55 (there is no change despite the extension of the retirement age to 60). The funds can also be withdrawn whenever

Table 5. Number of pensioners & pension recipients from 2005 – 2010 (cumulative)

Retirement year	No. of pensioners	No. of pension recipients	Total
2005(1)	316,257	135,681	451,938
2006(2)	334,228	136,655	470,883
2007(3)	351,568	144,712	496,280
2008(4)	372,228	139,655	511,883
2009(5)	371,812	156,771	528,583
2010(6)	383,989	144,071	528,060

Source: Public Service Department (PSD)

Table 6. Allocation and expenditure for gratuity, pensions & cash *in lieu* of leave from 2001 to 2010 (RM Million)

Year	Pension	% increase for pension	Benefit	% Increase in benefit	In Lieu of Leave	% Increase in (In Lieu of Leave)	Total Cost	% increase in total cost	Allocation	% increase in allocation
2001	2,846.70		877.70		32.60		3,757.00		3,969.00	
2002	3,266.20	14.7	758.90	-13.5	32.70	0.31	4,057.80	8.0	4,083.00	2.9
2003	3,551.40	8.73	1,164.20	53.4	49.80	52.3	4,765.40	17.4	4,786.00	17.2
2004	3,820.00	7.5	1,074.30	-7.7	62.80	26.1	4,957.10	4.0	5,090.00	6.4
2005	4,098.90	7.3	1,514.70	40.9	91.60	45.8	5,705.20	15.1	5,804.00	14.0
2006	4,339.40	5.8	1,411.80	-6.8	111.10	21.3	5,862.30	2.8	5,866.40	1.1
2007	5,216.20	20.2	1,687.70	19.5	135.90	22.3	7,039.80	20.1	7,040.00	20.0
2008	6,254.00	19.8	1,923.00	13.9	161.00	18.5	8,338.00	18.4	6,731.00	-4.4
2009	7,643.00	22.2	1,073.00	-44.2	111.00	-31.1	8,827.00	5.9	8,830.00	31.2
2010	8,004.04	4.7	1,706.74	59.1	170.27	53.2	9,881.05	11.9	9,883.00	11.9

Source: Public Service Department, PSD

Table7. Share of pensions and gratuities of the Federal government's operating expenditure 2001-2010 (current prices)

Year	Federal government Operating expenditure	Total Cost of pensions and gratuities	Share of pensions and gratuities (%)
2001	63,757	3,757.00	5.89
2002	68,699	4,057.80	5.91
2003	75,224	4,765.40	6.33
2004	91,298	4,957.10	5.43
2005	97,744	5,705.20	5.84
2006	107,694	5,862.30	5.44
2007	123,084	7,039.80	5.72
2008	153,499	8,338.00	5.43
2009	157,067	8,827.00	5.62
2010	151,633	9,881.05	6.52

Source: Public Service Department, PSD and Economic Reports, Ministry of Finance (2001-2011)

Table 8. EPF Dividend rate (selected years)

Year	Dividend rate
1952 – 1959 (1)	2.50
1960 – 1962 (2)	4.00
1972 – 1973 (3)	5.85
1980 – 1982 (4)	8.00
1983 – 1987 (5)	8.50
1988 – 1994 (6)	8.00
2002 (7)	6.00
2011(8)	6.00

Source: Employees Provident Fund (EPF)

a contributor is incapacitated, decides to leave the country, makes an investment or is deceased (Mansor *et al.* 2001).

The second account (Account II) is in preparation of a comfortable retirement after attaining the age of 50 years. Money can be withdrawn to purchase or build a house, to reduce / redeem a housing loan, flexible housing withdrawal, finance the education of a contributor or that of their children, to pay for medical expenses of a contributor and that of their children, and to perform the hajj.

The EPF has undergone many changes since its establishment in 1951. One of the main issues relating to the effectiveness of the EPF is whether the dividend quantum provides adequate returns to contributors. The rate fluctuates according to the financial status of EPF. However, it is generally felt that EPF should generate income more effectively through careful and cautious investment management and strategy (Bakar and Yunus 2000), that is, pay a higher dividend and thereby enhance savings of contributors. Table 8 shows the EPF dividend rate from 1952 – 2011.

The other issue is low wages among a large segment of Malaysians. The household income surveys over the years, and more so since 1990, show that the income growth of the top 20 per cent of the population is in tandem with the national GDP growth. However, the bottom 40 per cent of households had the slowest growth with a mean income of RM 1,440 in 2009. The low salary contributes to a small amount being deducted for savings under the EPF scheme (NEAC 2010).The government has introduced a monthly minimum wage of RM900 for Peninsular Malaysia and RM800 for Sabah and Sarawak as proposed in NEM and the new legislation came into effect in January 2013.

In recent years, several EPF withdrawal proposals have been put forward. These include withdrawals to purchase a computer, pay for education, and to purchase cars, viewed as a part of a plan to retire comfortably. However, it defeats the purpose of savings for old age as it reduces the amount of contribution/savings (Samad and Kaslam 2008).

Inclusiveness is one of the objectives in the New Economic Model. It is important to ensure all Malaysians are covered by social protection and are able to sustain an acceptable standard of living throughout their life. Social protection is an important platform during an economic crisis and for vulnerable groups (NEAC 2010). However, only certain groups of people are covered under the social protection programme and these include all private sector employees regardless of their status, public sector employees who opted for the EPF

Table 9. EPF contribution rate (selected years)(%)

Year	Employee (%)	Employer (%)	Total (%)
1952 - June 1975	5	5	10
July 1975 –November 1980	6	7	13
December 1980 –December 1992	9	11	20
January 1993 –December 1995	10	12	22
January 1996 –March 2001	11	12	23
April 2001 –March 2002	9	12	21
April 2002 –May 2003	11	12	23
June 2003 –May 2004	9	12	21
June 2004 –May 2005	11	12	23
June 2005 –December 2008	11	12	23
January 2009 –December 2010	8	12	20
January 2011 –December 2011	11	12	23
January 2012 –Till now			
Income RM5,000 and less	11	13	24
Income more than RM5,000	11	12	23

Table 10. EPF contributors 56 years and above

Year	2005	2006	2007	2008	2009
% from all contributors / contribution	5.7	5.9	7.0	7.1	8.1

Sources: Social Statistics Bulletin Malaysia (2010)

scheme (instead of pension scheme) and those who are yet to be confirmed in the service and also formally employed employees. In 2008, there was an initiative by the EPF to allow self-employed persons to contribute to the EPF scheme. However, the response to this initiative was weak as the income of the self-employed is uncertain and unstable. The informal sector hence is still excluded from this scheme.

A study by the EPF in 2003 found that the majority of the retirees surveyed spent their entire EPF savings upon retirement within 3-5 years. This phenomenon begs a question of whether the savings is too low for the aged to sustain a living over a longer period, or whether it is due to poor financial management. For whatever reasons, the EPF schemes need to be reviewed or reformed to avoid the aged from falling into poverty. In fact,over the years, more people have remained in the labour market beyond the mandatory retirement age. Table 10 below shows the percentage of contributors aged 56 years and above.

3.3.3 LTAT (*Lembaga Tabung Angkatan Tentera*) / Armed Forces Fund Board

Similarly, the LTAT requires monthly contributions by the employees and employers of the the armed forces (Mansor and Awang 2002). The LTAT has two schemes for its members. It is compulsory for serving members of the Armed Forces to contribute 10 per cent of their monthly income while the government contributes 15 per cent monthly. The second scheme is on a voluntary basis for the officers in the Armed Forces including commissioned officers and mobilised members to contribute a minimum deduction of RM25, up to a maximum of RM750 per month with no contribution from the government. Among the benefits are a Lump Sum Withdrawal Inclusive of Dividends and Bonuses, Death and Disablement Benefits Scheme and Partial Withdrawal to Purchase a House and a Retraining Programme for the Retiring and Retired Members.

Issues with LTAT are more or less similar to the EPF in terms of coverage and in terms of creating awareness among the contributors to spend their savings wisely.

3.3.4 Social Security Organisation (SOCSO)

SOCSO is responsible for the safety and welfare of all workers in the private sector regardless of their employment status, that is, whether temporary, probation or contract. The available protection schemes cover health and premature death or death. However, the coverage is limited to private sector employees excluding civil servants, domestic workers, the self-employed and foreign workers.

There are two schemes under SOCSO: first the employment injury scheme (EIS); and second the invalidity pension scheme (IPS) that covers all eventualities and accidents of workers. The objective of both schemes is to ensure cash benefits for all workers and contributors in the eventuality of injuries and accidents (Mansor and Awang 2002).

EIS provides protection for workers in terms of commuting accidents, occupational disease, accidents while in employment and emergency accidents. Essentially, EIS covers accidents that occur in the workplace or in relation to the job. There are several schemes under EIS such as temporary disablement benefits, permanent disablement benefits, dependents benefits, constant attendance allowance, funeral benefits and education loan.

Meanwhile IPS is a 24-hour coverage scheme that caters for injuries, accidents and death or disease that occur at the workplace but need not be work related. Among the benefits include invalidity pension benefits, invalidity benefits, survivor’s pension scheme, constant attendance allowance, funeral benefits, rehabilitation benefits and education loan.

3.4 Pillar III – Voluntary Pension Plan

Malaysia’s slower economic growth following the world economic crisis in 2008 has worsened the economic well-being of the middle and low income Malaysians. The unprecedented loss of a two-thirds majority in Parliament by the ruling party was a clear indication of the people’s unhappiness due to rising cost of living and stagnated wages in the country. Grievances related to economic difficulties are among the issues highlighted by the media. The same issues were also highlighted during the government’s consultation with the public. These concerns of the public have prompted the government to take a closer look at the socio-economic condition of the poorer segment of the population especially of those in the low income bracket, the self-employed and the elderly. As a result, two new programmes were introduced namely the (i) 1Malaysia Retirement Savings Scheme and (ii) the Private Retirement Scheme.

3.4.1 The 1Malaysia Retirement Savings Scheme

In 2010, the government through the EPF introduced the 1Malaysia Retirement Savings Scheme for the self-employed and the informal sector employees. The scheme is to cater for those that are self-employed and for those without a fixed monthly income. To date, 54,000 individuals have participated in this scheme and have contributed a total of RM144.60 million. Malaysians below 55 years of age from various occupations such as taxi drivers, petty traders, farmers, workers, entertainment artistes and musicians, fisherman and even housewives can contribute to the scheme. For workers of the informal sector, the contribution is voluntary. It is a flexible scheme based on affordability where contributors can contribute a minimum of RM50 every month.The government matches contributions of 5 per cent of the total contribution, subject to a maximum amount or RM60 per year until 2014. The scheme is managed by the EPF and contributors will receive dividends based on their savings just in the case of the formal sector contributors.

3.4.2 Private Retirement Scheme (PRS)

In July 2012, the government introduced a Private Retirement Scheme (PRS) to complement small EPF savings among the low income group.This is a voluntary long-term investment scheme designed to help salaried workers who are also EPF contributors and the self-employed to accumulate savings for retirement.

Set to enable contributors to save beyond the EPF savings, the scheme was approved by the Securities Commission and the Private Pension Administrator Act, the governing one-stop centre. Twenty-four funds are being offered by eight Private Retirement Scheme providers comprising local and international financial institutions in Malaysia (AM Investment Management, American International Assurance, CIMB-Principal Asset management, Hwang Investment Management, ING Funds, Manulife Unit Trust, Public Mutual, & RHB Investment Management). Contributors are free to choose any fund and are allowed to contribute to more than one fund on the basis of affordability.

The PRS operates based on the EPF principle, that is, relying on contributions made by employees and employers. Two separate accounts, Account A and Account B, are maintained; 70 per cent of the savings will be in Account A while the remaining 30 per cent will be in Account B. Withdrawal from Account A is upon retirement while withdrawal from Account B is allowed once a year.

As an incentive to encourage participation in the PRS scheme, there is an income tax relief of up to RM3,000.00 for the first 10 years for the contributors and tax deduction for employers on contribution of up to 19 per cent of employer's remuneration for a period of 10 years.

3.5 Pillar IV – Non-financial Support – NGO, Family, Home Ownership

The last pillar is the social protection available for the elderly in the form of non-financial support given by the family, neighbours, or non-government organisations and the community. Holzman and Hinz (2004) defined the fourth pillar as informal support; other formal social programmes like health care or housing and other individual assets such as home ownership and reverse mortgages serve as a source of income for the elderly.

Early research has proposed the fourth pillar as applicable to retirees/elderly who are able to work on a part-time basis (Reday-Mulvey 1993) and therefore still capable of performing and participating in the labour market. Such a scenario is seen in Malaysia where retired public servants may continue to offer their services on a short-term contract basis. The private sector also provides post-retirement job opportunities in certain sectors of employment based on capability to serve.

Table 11. Allocation for elderly under the Department of Social Welfare

Year	2005		2006		2007	
Case / RM	No of cases	RM	No of cases	RM	No of cases	RM
Amount allocated	23,256	31,342,805	25,524	47,396,400	27,636	51,632,890

Given the Asian culture that emphasises and values family relationships, the informal intra- and inter-family remittance transfers are in many cases still providing strong protection for the aged in Malaysia. These include both financial and non-financial inter-generational support to the elderly such as affording them access to health care and shelter (housing).

Personal savings also forms part of the fourth pillar in social protection for the elderly. However, the issue of adequacy of their savings requires further study and there is an urgent need to draw a comprehensive social protection plan for the elderly.

4. Case Study of Selected NGOs Serving the Elderly

4.1 Background to Study and Methodology

To gain some insight into social support for the elderly in Malaysia, six NGOs have been selected from four states in Malaysia namely Melaka, Penang, Selangor and Perak. These states were selected to represent the more developed states in Malaysia. They are the Penang Buddhist Association, Silver Jubilee Home, *Pintu Harapan* Eldercare Center, *Rumah Al-Ikhlas* (Al-Ikhlas Home), National Council of Senior Citizens Organisations Malaysia (NASCOM) and *Rumah Sejahtera* (Sejahtera Home). The background of the six NGOs is described in Table 12.

Table 12. Background to the case study

NGO	Years of establishment	Location of members	Activities of NGO	Sources of fund
The Penang Buddhist Association	1 – 5 years	Country	Provides services, shelter	Donation
Silver Jubilee Home – Penang	15 years and above	State	Services, shelter	Government Donation Private Fund raising
Pintu Harapan Eldercare Centre	6 – 10 years	State	Services Day care with minimum payment	Church Fund raising Fees
Rumah Al-Ikhlas (Al-Ikhlas Home)	1 – 5 years	State	Services Shelter	Private sector Donation
NASCOM	15 years above	Country	Champion right	Government Donation
Rumah Sejahtera (Sejahtera Home)	15 years and above	State	Services Shelter	Government Private Donation

Data were collected through interviews using semi-structured questions. Patrons/ owners or carers of the NGOs were selected to participate in interview sessions of about 40 – 60 minutes at the centres. Our presence at the premises enabled us to understand the condition and the caring routines undertaken by these centres.

4.2 Role and Major Activities of the NGOs

All the six NGOs were established basically for one common objective: to provide assistance for the elderly in various forms like providing shelter, nursing care, and advice and to organise programmes and activities for the residents. Of the six NGOs only *Pintu Harapan* Eldercare Centre imposes a fee for participants for enrolment into into the day care services. The rest of the NGOs provide free services for the residents. NASCOM, however, was established with the main aim of championing the rights of the elderly through lobbying the government on old age policy and creating awareness among the elderly about the available protection. In meeting these objectives and performing the services, most of these NGOs rely on donations and philanthropy. Only three NGOs received some financial aid from the government, that is, from the Department of Social Welfare, and one received the backing of a church.

4.3 Issues and Challenges

A common problem shared by all NGOs is finance. It is costly to provide good services for the elderly. Nevertheless, the government under the National Welfare Department has allocated some funds to assist the NGOs in delivering the services. However, not all the NGOs received the allocation because they failed to meet the criteria imposed by the Department of Social Welfare. To be sustainable as a voluntary body, all of the NGOs surveyed mentioned the need for adequate and ample funding. The high cost of living and increasing prices of goods, services and utilities pose a challenge to the survival of the NGOs.

Several of them also believe the financial burden can be reduced through provision of tax exemption. They commented that*"what we are doing is actually helping the government in taking care of the elderly, but why is the government not helping us..."*

Funds available to NGOs are not sufficient to provide appropriate and necessary facilities. Nursing the aged with health and physical limitations and disabilities requires the old folk's homes to have adequate and better facilities to enhance their functions and roles. However, the cost of electronic equipment, devices and facilities is expensive and given the inadequate funding, the NGOs find it difficult to afford this equipment.

Besides equipment, they also believe they can boost the health and morale of the elderly through having them participate in social activities. Social gatherings, playing games in teams or groups; and small social events are among the social activities mentioned by the respondents. Such social activities need the support of adequate and proper setting, place and adequate facilities to be run effectively. It was observed during the interviews that most of the residents in the old folk's homes were not participating in many activities. Some of them spent most of their time in bed or sitting around chatting.

The NGOs also believe there is still a lack of community participation in social work for the elderly. The programmes organised for the old folks homes usually involve only the elderly centres backed by the government. An example is the RSK established under the

Department of Social Welfare. The NGOs claimed that the RSKs have appropriate and adequate assistance from the government and receive a lot of attention from the private sector, while the shelters run by NGOs or those which are privately owned are always neglected. Programmes for the latter are also limited and usually done in conjunction with special events or festivals. The NGOs mentioned that continuous programmes should be held to facilitate better assistance for NGOs and other non-profit organisations.

Programmes organised by the community under corporate social responsibility too are normally implemented on an *ad-hoc* basis and lack continuity to have an impact on the life and the emotional state of the elderly. The lack of continuity of such programmes does little to help the well-being of the elderly and NGOs are not in a position to provide adequate activities given their many constraints.

A few NGOs also highlighted the issue of the aged being unaware of protection available to them. This scenario can result in the qualified beneficiaries not getting benefits as intended. In Malaysia, the elderly are eligible to receive the benefits provided they have made the necessary application and have registered with *e-Kasih*, as already indicated. Those who are not registered and are unaware of available programmes and benefits will be unable to avail themselves of these benefits.

There have been cases highlighted by the local mass media of abandoned elderly. Most of those interviewed believed that the protection currently available is inadequate as many elderly have being found abandoned. They are usually referred to these centres by family members, neighbours or the Department of Social Welfare. An overflow of cases from the RSK is referred to the NGOs supported by the Department of Social Welfare.

5. Recommendations and the Way Forward

5.1 The NEM

The goal of the NEM is for Malaysia to be a developed competitive nation that ensures a high quality of life for its people. This goal requires not only high growth but equally important, a growth that is inclusive and sustainable. Inclusiveness is the second goal where every Malaysian citizen is supported so as to actively participate in the economy and benefit from its growing wealth. The study noted that “a prolonged growth period will be pro-poor as it further eradicates poverty and narrows inequality” (NEAC,2010). It did not specifically mention the elderly but underscores the importance of a coherent and comprehensive needs-based social protection programme that will support vulnerable groups. It has made a pledge that no one is to be left behind. The Tenth Malaysia Plan and 2013 annual budget have adopted some of the initiatives proposed in the NEM.

The welfare of the elderly can be secured through the efforts of many parties in the community. What is needed is government assistance through effective public policy to protect the welfare of the elderly, involvement of private entities through corporate social responsibility, and above all, enhanced awareness and consciousness of every individual to ensure the elderly are protected financially, physically and emotionally in their golden years. Some recommendations for going forward follow:

5.1.1 Formulation of an Overarching Policy on Social Protection

There is no specific social protection policy in Malaysia. However it is manifested through national social policy for public assistance (Mohd, 2006). Protection for old age, the disabled, the poor, and vulnerable women are covered under this policy. The National Policy for the Elderly is limited with no clear mechanism and coordination for implementation.

The policy established by the Department of Social Welfare provides protection and assistance for the elderly which includes benefits in cash and kind. However, this policy needs to be re-assessed according to the index of benefits and socio-economic changes. Targeting is an issue at policy level. Both the definition and the mechanism to identify the eligible elderly have to be strengthened. The policy must also reflect the adequacy of in-cash or in-kind benefits provided for the elderly as well as the resiliency of the elderly in their golden years. It must also consider the role played by the private sector to enable capable pensioners to serve in the job market.

In terms of social insurance, social protection for the elderly is covered under the EPF Act and SOCSO Act. Both acts have undergone several amendments to meet the changing times and ensure relevance in the current situation.

Smart partnerships between government and the private sector, employees and employers, and insurance companies is also essential as any policy related to the elderly will affect every sector and party especially on matters pertaining to employment after retirement or extension of retirement age. It is therefore crucial to promote understanding and cooperation especially between trade unions and employers' federation.

5.1.2 Advocacy on Compulsory Savings

Compulsory savings is only applicable to those in the formal sector, with government servants or private sector employees with formal appointment covered under the National Pension Scheme, EPF and SOCSO. However those in the informal sector are still subject to voluntary savings and thus the challenge is of ensuring the adequacy of savings to support post-retirement living. EPF however has come up with many improvements and new approaches to cope with the challenges of the ageing population and economic changes. Different methods of withdrawal and the introduction of an investment approach to savings are among the initiatives undertaken by EPF for better old age protection for the contributors.

As mentioned earlier, in June 2009, the government initiated the 1Malaysia Retirement Plan to extend coverage to the informal sector.

5.1.3 Inculcating the Savings Habit for Old Age

The inadequacy of savings for old age can be addressed if people are made aware of the benefits of savings from young through early education in schools and parental guidance. Nurturing the habit of savings should be encouraged continuously irrespective of the age group. The importance of savings can also be disseminated to the public through the mass media. The approach in the media should be through interactive education sessions and commercials etc.

In Malaysia, the *Agensi Kaunseling dan Pengurusan Kredit* (AKPK) / Credit Counselling and Debt Management Agency has been established to advice people on how to manage their money, credit or debt. AKPK provides free services in response to the increased number of debtors and bankrupts among the members of society arising from unsettled debts particularly from high and irresponsible usage of credit cards.

5.1.4 Publicity on Benefits through Popular Media

One of the best approaches to disseminate information about available benefits to the public is through the electronic and printed media. Television and newspapers can be good channels of information as they are able to reach a larger audience. There should be regular sessions or columns at designated intervals providing information on how to apply for available benefits provided by the social protection agencies for target groups that qualify.

The private pension plan which has been introduced in June 2009 should also be advertised to the public frequently and not on an occasional basis to ensure information is available on a continuous basis.

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