

Building resilience through inclusive social protection in Malaysia

Khazanah Research Institute's latest report proposes key policy considerations, including:

- ***Investing in universal child benefit***
- ***Expanding mandatory coverage of social insurance schemes for working-age population***
- ***Establishing social insurance pension for old-age***

23 September 2021, Kuala Lumpur — The Covid-19 pandemic has exposed pre-existing gaps in Malaysia's social protection system and it is now an opportune time for reforms, according to Khazanah Research Institute's (KRI) latest report, Building Resilience: Towards Inclusive Social Protection in Malaysia.

Most social assistance programmes such as cash transfers continue to be short-term buffers, lacking legal and sustainable financial commitments. This has resulted in unsustainable programmes, of which many are small and fragmented, often with irregular and inadequate benefits. While social insurance schemes provide some protection for workers, their reach is limited to formal sector workers.

Amid fiscal constraints, social assistance strived to aid only the “deserving” poor, but the poverty line that determines eligibility for assistance could be defined minimally and fall behind reasonable standards. In recent years, policies have shifted to target the bottom 40% (B40) households and not just the poor, but this requirement remains arbitrary. Previous study by KRI showed that social protection policies will matter to at least 70% of households, as they are vulnerable to fall into poverty due to unexpected shocks and many face trade-offs in their consumption.

Life cycle approach to social protection

Malaysia should move from the charity-model of poverty targeting to a more inclusive life cycle approach that is forward looking in preventing poverty and addressing vulnerability. In this model, policies are designed to provide a social protection floor throughout one's life span.

The report expounds the major risks experienced at three key stages of life. During childhood, a child faces higher risks of poverty and malnutrition that may lead to long-term consequences for their development. During working age, an adult might be unable to work due to disability or care responsibilities, or face challenges during school-to-work transition. They might also face unemployment or work in non-standard or informal jobs with limited access to social insurance schemes. During old age, an elderly may have inadequate old-age savings and most do not have basic income security that allow for a dignified life during retirement.

"It is an opportune time for the current model to be reconfigured in preparing for a more volatile and challenging future, due to emerging trends such as rapid population aging and weak labour markets. These challenges, if not addressed, will limit the nation's ability to ensure the welfare of Malaysians in the future. Thus, it is important that we identify and address the key issues in Malaysia's social protection system now," said Tan Sri Nor Mohamed Yakcop, Chairman of KRI, at the launch of KRI's latest report today.

Investments to build an inclusive social protection floor is necessary

In their call for a social protection floor based on the life cycle approach, the report proposed several policy considerations that require higher but necessary investment from the government. With progressive implementation strategies, these policies are feasible and will contribute to building a resilient and fairer society.

Policies proposed by the report include:

- **Investing in a universal child benefit so that no child is left behind during this important stage of cognitive, physical and social development.**
- **Expanding the mandatory coverage of existing social insurance schemes for the working-age population to self-employed, non-standard and/or informal workers and those outside the official workforce such as homemakers.**
- **Establishing a social insurance pension for old-age to provide basic income security for the elderly, given coverage and adequacy challenges of old age savings.**
- **Progressive realisation of proposed policies to build institutional capacity, introduce or amend the relevant legislations, and broadening revenue base through tax reforms.**
- **Building a national social security institution and a unified registry to administer and implement the recommended social protection floor initiatives.**

These recommendations are complementary to existing social services such as public healthcare and education, as well as social housing. While essential, they are insufficient without improvement in social services and other economic empowerment initiatives.

Protect, prevent and promote

Tan Sri Nor Mohamed Yakcop further noted, “As the country progresses, social protection should go beyond poverty relief and the provision of basic needs. The system must also be preventive in nature and enable the building of resilience, so that Malaysians can overcome any difficulties that may affect their wellbeing.”

KRI will be organising a series of public webinars throughout October until December to further discuss the findings of Building Resilience: Towards Inclusive Social Protection in Malaysia. The report can be downloaded at www.krinstitute.org.