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Protect, Promote and Prevent

Spearheading Social Protection Initiatives for All

UNIVERSITI MALAYA
Pusat Penyelidikan Kesejahteraan Sosial
Social Wellbeing Research Centre
(SWRC)

The Perspective

Wealth-Income Paradox among Senior Citizens

Old age is the most vulnerable period for many people in their lifetime. Yet, many Malaysians are not covered by any formal income protection plan. This may expose them to old-age poverty.

Presently, only 39% of the working-age population in Malaysia has retirement income plans, comprising of 33% EPF and 6% civil servants pension scheme. This coverage is lower than the global average, which is 50% of the working-age population.

Adequate retirement savings will ensure that everyone can maintain the same lifestyle, if not a better one, throughout their lifetime. At the same time, having a continuous income during the old-age period minimises the burden of protection on their family members.

From the macroeconomic perspective, retirement savings provide a continuous source of domestic savings, which are crucial for domestic investments. Minimising the dependency on foreign funds for domestic investment is also good for the economy.

Despite lower savings in retirement income plans, many older Malaysians own assets. According to the Malaysia Ageing and Retirement Survey (MARS) 2022, a major research undertaking by the Social Wellbeing Research Centre (SWRC), to produce nationwide longitudinal micro-level data relating to ageing and retirement involving personal interviews of individuals aged 40 years and older in Malaysia, 57% of older people in Malaysia own some form of assets.

Almost three-quarters of those above 40 years of age are homeowners. This is followed by a large percentage being owners of assets like vehicles, lands and luxury goods (Figure 1).

The same survey revealed that more than half of senior citizens do not have any income. Senior citizens who own significant assets may find themselves in a predicament where they possess valuable assets but struggle to liquidate them. Consequently these individuals may face the painful reality of possessing wealth on paper while lacking the means to access its monetary value, emphasising the importance of careful old-age financial planning.

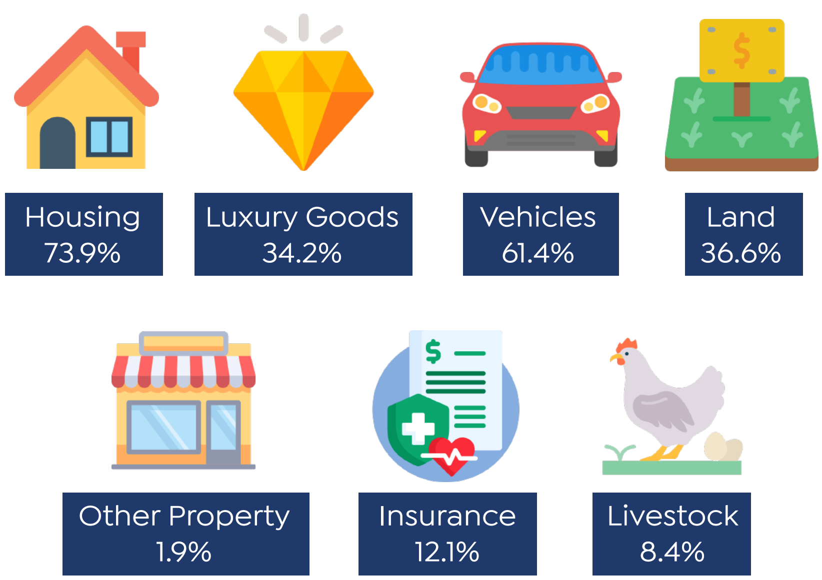
It is quite common in the Malaysian society to target to own a house during their lifetime. Renting is widely viewed as a temporary arrangement until the purchase of their own property. This is one of the reasons why the percentage of home ownership among older people is high, as revealed by the MARS data.

In a traditional society, many generations would live in one ancestral home, scraping the need for homeownership for most. Land or home purchase would just be a one-off expenditure at the beginning of the head of the family's married life. For most of their productive life period they would focus on feeding their family members. While the elders are being taken care of by their children.

The concept of home ownership has significantly changed congruence with the socio-economic development of today's society. Homeownership is a lifestyle. People spend quite a large proportion of their income to own a dream home. The spirit of compelling family network is overshadowed by individuality. In the end, many senior citizens spend their retirement years alone in their own home while their children live in theirs.

This changing lifestyle impacted senior citizens to an old-age vulnerability in two perspectives, particularly for those without any retirement income plan. First, they may

Figure 1: Assets Ownership among People above 40 Years of Age (%)



be wealthy as 'property owners' but do not enjoy a steady income. Income spent on their hard-earned property during their productive life might have been in lieu of savings for retirement.

Second, the bonding through family networks weakened compared to the then-traditional society. The younger generations are overwhelmed with their commitments. Among other things, they have to spend a significant portion of their income to own a house. The government policy of encouraging home ownership draws them deeper into this predicament.

Continuous strong demand for homeownership keeps upward pressure on prices. Meanwhile, a large portion of retirement savings for the current generations goes towards paying for higher house prices.

Notwithstanding the issue of escalating house prices and limiting retirement savings for the current generation; the liquidation of properties for retirement income for retirees should be given due consideration. Avenues for retirees to liquidate properties easily should be considered especially for those without pension benefits.

In the effort of increasing retirement incomes while continuing to live in their homes, the concept of reverse mortgage is fitting. Reverse mortgaging their properties empowers senior citizens with stream of monthly cash inflows. They will automatically become less vulnerable and no longer depending on their relatives or their children for income support.

Similar to the concept of reverse mortgage, in the traditional society, a property would be pledged or pawned for cash for a specific usage, for instance, for the purpose of going to Mecca for *hajj* for the Muslims.

The advantage of this concept is that the intention is deliberately made known to the immediate family members (as *hibah* in Islam), especially to their heirs. Consequently, their heirs might want to take over the mortgage from the financial institution to avoid the property from being foreclosed. This will automatically secure senior citizens with a clear income plan, otherwise vague if depending on their heirs for income support.

The idea of liquidating one's property for cash is not farfetched. Owning a house is a lifestyle and for many it is a symbol of upward social mobility. Many middle-class families ended up with every child owning a house of their liking. They no longer need to inherit their parent's property. This trend is much different from the perspective of the traditional society, where generations live in one ancestral home.

Reverse Mortgage for Old-Age Income Supplement

Owning a house that one can call home has become everyone's dream. Shelter is a necessity for humans as it provides protection and comfort. Nevertheless, the discourse surrounding house ownership in Malaysia has always been clouded by the issue of rising prices.

Buying a house is often regarded as one of the most important purchases of a lifetime, as it involves a substantial amount of money. According to the Department of Statistics Malaysia (DOSM), in 2019, a household allocates about 24% of their monthly expenditure for housing. Meanwhile, the Belanjawanku 2022/2023 expenditure guide recommended a minimum monthly budget of RM1,000 for housing for a married couple with one child, or about 17% of the monthly budget.

The lack of affordable housing, coupled with stagnant wages, has reduced the capability of the working-age population to buy a house, particularly for the younger generation.

To make matters worse, house prices are rising over the years, outpacing income growth. According to the National Property Information Centre (NAPIC), the average house price in Malaysia increased by 7.3% a year between 2009-2020. The average house price was only RM197,722 in 2009 before increasing significantly to RM429,877 in 2020. At the same time, the compounded annual growth rate (CAGR) for household income in Malaysia was 5.3% within the same period.

A house is considered affordable if the median multiple (median house price divided by the annual median household income) is less than three. Unfortunately, the median multiple stood at 4.7 (seriously unaffordable) in 2020, which translates to the severity of the house affordability issue in Malaysia.

The maximum price of affordable housing in Malaysia is RM300,000, as outlined in the National Affordable Housing Policy 2019. However, as reported in the 2021 Property Market Report by the NAPIC, only 36% of the newly launched residential units are priced below RM300,000.

From the demand side, some segments of people faced difficulties securing an affordable house due to insufficient income and high indebtedness; while from the supply side, the housing market failed to provide enough affordable housing to cater to the rising demand.

The House Ownership Campaign (HOC) that began in 2019 is one of the initiatives taken by the Government to encourage house ownership among Malaysians. Among others, house buyers are given a full stamp duty exemption up to the house value of RM1 million and 10% house price discounts.

The campaign, a collaboration between Housing and Local Government Ministry (KPKT) and the Real Estate and Housing Developers' Association (REHDA) Malaysia, is open to all Malaysian homebuyers with no limit to the number of purchases. A total of 82,201 units worth more than RM38.29 billion were sold between 2019 to August 2021 due to this campaign.

Although the campaign managed to increase homeownership among Malaysians, it gives a better advantage to high-income individuals since it is not exclusive to first-time house buyers. The high-income individuals accumulate residential properties for rental investment, which may lead to a shortage of affordable housing supply for first-time buyers. The DOSM's statistics revealed that 1.9 million out of 9.6 million residential units purchased in Malaysia were left unoccupied in 2020. One of the main reasons is that the houses are being used for rental or as temporary accommodations or homestays.

Despite rising house prices, homeownership is high in Malaysia, with 76.9% of Malaysian households living in their own houses. The HOC, coupled with other affordable housing initiatives by the government, particularly helped the middle-income classes in Malaysia to purchase their properties. In this modern society, children are inclined to have their own house to suit their lifestyle. The HOC is somewhat encouraging this trend. Eventually, most people will live in their own property. House bequest from parents is more for money than to live in.

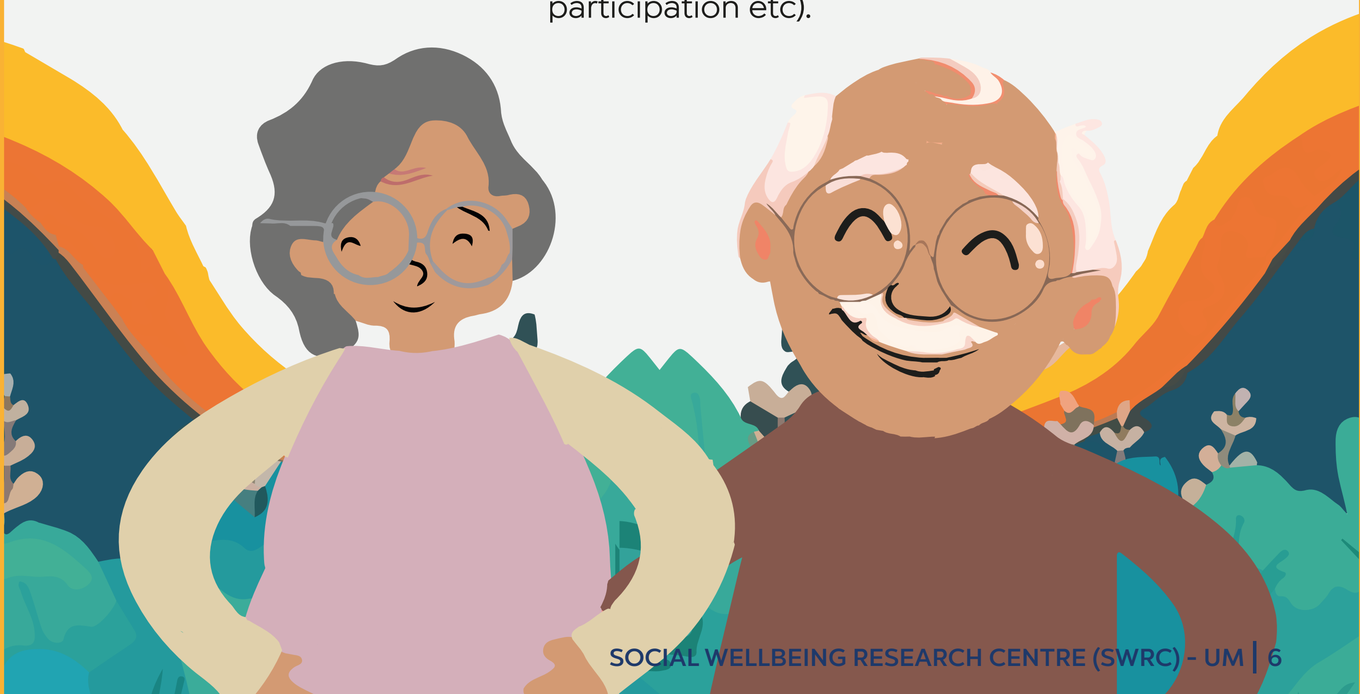
Therefore, it makes sense for retired people to receive a flow of income from their property through a reverse mortgage plan, if they desire, for income support. The increasing prices of houses are poised to attract more interest from senior citizens in Malaysia to participate in the reverse mortgage scheme. Such initiatives will also help to reduce the price pressure on residential properties in Malaysia in the long run.

What is MARS?

Malaysia Ageing and Retirement Survey (MARS) is a major research undertaking by the Social Wellbeing Research Centre (SWRC) to produce nationwide longitudinal micro-level data relating to ageing and retirement involving personal interviews of individuals aged 40 years and older in Malaysia.

MARS is carried out every two years and is part of the harmonised database parallel with leading international family studies, namely, Health and Retirement Survey, USA; Survey of Health, Ageing and Retirement Europe (SHARE); and Japanese Study of Ageing and Retirement.

MARS collects information on vital issues impacting people's lives which include personal (background characteristics etc), family (relationship with spouse, parents, children, siblings, transfers etc), health (health status, diagnosed illness, healthcare utilisation, physical measurement etc), economic (work, employment, retirement, income etc) and other social factors (friends, social participation etc).



The main objective of MARS is to produce comprehensive micro-level data on various aspects of ageing and retirement impacting the lives of middle aged and older persons. This will provide useful input for policy making and the formulation of a national framework for active and healthy ageing and towards strengthening social protection for the country.

Specific objectives of MARS:

1. To produce comprehensive data on an individual, family, social, economic and health of middle aged and older persons;
2. To collect longitudinal data on life histories and experiences of middle aged and older persons over time so as to gain a deeper understanding of the issues and challenges related to retirement and ageing;
3. To offer evidence-based recommendations on opportunities and policies to address the trends that emerge in the midst of population ageing in Malaysia;
4. To be part of the global platform on retirement and ageing research comparable to similar longitudinal studies that can provide the basis for policymaking and academic studies.

Interested in MARS dataset?

For data dissemination, Wave 1 harmonised dataset is currently available upon request through SWRC website (swrc.um.edu.my/mars) and through the Gateway to Global Aging Data (https:/g2aging.org/).

MARS Wave 2 data would soon be available, subject to the completion of data clean-up, data transformation and data harmonisation.

FEATURED PUBLICATIONS

Increasing Employers' EPF Contribution Should be Gradual

Revised, as featured in NST on 14 May 2023

There was a proposal to Prime Minister Datuk Seri Anwar Ibrahim during the launch of the Labour Day celebration requesting for the employers' contribution to the Employees Provident Fund (EPF) to be increased to 20% from the current 13% for those earning RM5,000 and below.

From the employees' perspective, this move could not have come at a better time, as the Covid-19 pandemic had rendered the level of savings of EPF members to a worrisome level, especially for those who were affected and had no options other than to tap into their retirement savings. EPF had reported that the total withdrawal amount was at RM145 billion from the four withdrawal programmes launched during the pandemic.

With the increase of employer contribution rate, members' retirement savings will be boosted, thereby increasing their accumulated savings. This is certainly welcomed for the low-income contributors since this group formed the majority of the four allowable withdrawals mentioned above.

Furthermore, a higher saving rate would lead to a strong capital accumulation for the country that would be translated into investments and future growth of the country.

Regrettably, from the employers' perspective, the proposal immediately poses a major financial burden specifically for the micro, small and medium enterprises (MSME). The increase in the employer's contribution rate will generate a higher operational cost which will be passed on to consumers in the form of a price increase.

This proposal can also cause the issue of compliance where some employers may resort to salary reduction. Others may opt to minimize the hiring of employees to mitigate a surge in operation costs. Furthermore, this may incentivise firms to invest in more capital instead of labour to sustain their business as the cost of labour become more expensive.

A higher cost may also encourage employers to stay informal and this will further hinder the government's effort in formalising the business activities in the country. It doesn't help when there has been an increase in informality in the economy due to various reasons during the Covid-19 pandemic. Start-up businesses or small businesses will resort to not registering their business to avoid making contributions.

Whilst mandating higher EPF contributions will benefit the employees, it could be detrimental to the economy in the short run. Widespread concern has been expressed that high employer contribution relative to the ASEAN neighbours would make Malaysia less competitive.

A reduction in labour in a business operation resulting from the hike in wage will lower the marginal product of capital and hence, disincentivising investment. Firms will experience declining in cash flow, tightening liquidity constraints and limiting investment capacity. Thus, it could impact the overall innovation and growth potential of the industry.

Therefore, this initiative should be implemented with a broad objective to boost productivity for the economy in the long run, in addition to addressing the issue of retirement savings.

Employers' contribution, in essence, is a part of the wage paid to employees. The amount paid to the workers must commensurate with the values contributed by them. Therefore, the increase in employers' EPF contribution should correspond with the rise in workers' productivity. In other words, this will encourage employers to hire more productive workers.

This is also in line with the common practice by many organizations to reward good workers based on their performance, which is widely known as performance-based rewards.

Employers' EPF contribution can be an alternative to bonuses, salary increments and so forth to reward productive workers. Collectively, this will benefit the whole economy in the long run through the increase in productivity. To go along with this initiative, the government may also consider relevant policies to encourage employers to reward productive workers by rising their EPF contribution through suitable incentives.

While increasing the employers' EPF contribution would help improve the retirement income adequacy for retirees, it is far more crucial to expand the coverage of retirement income for senior citizens.

At the moment, the total coverage of retirement income stood at 39% of the working-age population, with 33% being EPF contributors and six per cent being the civil servant pension scheme. That is, only 39% of the current working-age population is covered by any form of retirement income plan. The coverage is lower than the global average coverage of 50% of the working-age population.

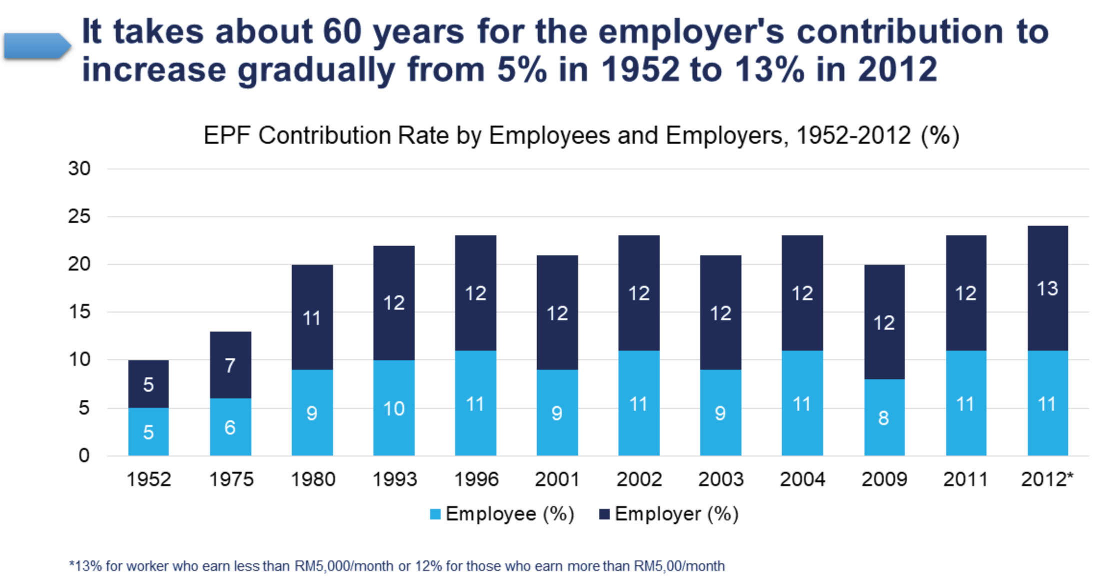
Currently, upon reaching the age of 55, members can either make a full

withdrawal or flexible withdrawal of their retirement fund. As the retirement age had been increased to 60 years old, EPF withdrawal should only be allowed at 60 years old too. Deferring the withdrawal age will allow retirees to have more savings as the number of years of accumulation is extended.

Together with the implementation of the minimum wage of RM1500 per month and the current aggressive measures pursued by the government in promoting productivity, should push wages up and this will translate into higher retirement savings.

Another option would be for EPF to ensure that members retain a portion of their accumulated savings, or a minimum amount in their account upon reaching the withdrawal eligibility age. The retained portion can then be the retirement income where withdrawals can be made on a monthly basis to cover their monthly living expenses for the next 20 years after their retirement.

A drastic increase in the employer's contribution from 13% to 20% would burden the employers. To put into perspective, it takes about 60 years for the employer's contribution to increase gradually from 5% in 1952 to 13% in 2012. Therefore, it is very important to avoid a sudden large increase in contribution. A gradual increase over a number of years will be very much easier for the economy to absorb than a single large increase.



Activities and Gallery

BELANJAWANKU 2022/2023

The Launching of Expenditure Guide & Mobile Application

13 June 2023 @ Menara KWSP Kwasa Damansara

On 13th June 2023, The Employees Provident Fund (EPF) in collaboration with the Social Wellbeing Research Centre of Universiti Malaya (SWRC), launched the Belanjawanku Expenditure Guide for Malaysian Individuals and Families 2022/2023; and Belanjawanku Mobile Application, to provide estimations of minimum monthly expenditures on various types of goods and services for different households.

The event was graced by the presence of Minister of Economy, Yang Berhormat Rafizi Ramli, EPF Chairman Tan Sri Ahmad Badri Mohd Zahir, EPF Chief Executive Officer Datuk Seri Amir Hamzah Azizan, Deputy Vice Chancellor (Research & Innovation) Universiti Malaya Professor Ir Dr Shaliza Ibrahim, SWRC Director Professor Datuk Norma Mansor, members of the EPF Board, senior management and EPF staff at Menara KWSP in Kwasa Damansara.

First introduced in 2019 for Klang Valley residents, the Belanjawanku Guide has been expanded to cover another 11 major cities across the country. The guide details out minimum expenses by household category (single, family or seniors) and provides recommendations on expenses allocation for necessities, optional spendings, and personal savings.

The EPF's inhouse team had also developed the Belanjawanku App for mobile devices and uploaded on all app stores in August 2022. The app contains interactive features for users to track their expenses online. App users can opt to use the Belanjawanku Guide or the "Rule of Thumb" to monitor monthly expenses.

During the event, a special briefing was conducted by Professor Datuk Norma Mansor, where she explained the detailed research that went into the development of Belanjawanku Guide. She also cited several issues, such as low financial literacy and rising cost of living as central to Malaysians having low savings, over-indebtedness and youth bankruptcy.

"This is where Belanjawanku comes into the picture as it serves as a guide for individual's financial planning and debt management, in addition to recommending the amount of savings for future use and/or unprecedented events," said Professor Datuk Norma Mansor, adding that policymakers can also use Belanjawanku as an indicator or a benchmark in addressing the issues of cost of living, purchasing power parity and poverty alleviation to ensure social inclusion among Malaysians.

The Belanjawanku project was commissioned by the EPF as part of its financial literacy programme and the detailed research was done by the team at SWRC. The research involved a survey and focus group discussions comprising of researchers from local universities, representatives from the EPF, AKPK, EPU, the National Wage Council, NGOs, Bank Negara Malaysia and the experts from the industries.

Pension and Retirement Professional Programme **(PRPP)**

Certified Social Protection Analyst **(CSPA)**

13–15 June 2023 @ Connexion Conference & Event Centre KL

Certified Social Protection Analyst is the second level of the Pension and Retirement Professional Programme (PRPP).

This year, CCSPA took place on 13-15 June 2023 at Connexion Conference & Event Centre Kuala Lumpur, involving 34 participants from SOCSO, EPF, PPA and KWAP.

CSPA Experts

- Dr Amjad Rabi (ILO)
- Dr Kejal Hasmuk (UM)
- Dr Matthew Dornan (World Bank)
- Mr Mark O'Dell (LIAM)
- Dr Muhammed Abdul Khalid (UKM)
- Prof Dr Noran Naqiah Mohd Hairi (UM)
- Prof Madya Dr Nurul Shahnaz (UM)
- Mr Simon Brimblecombe (ILO)

CSPA Modules

- The Social Protection System
- The Pension System
- Ageing Issues and Policies
- Investment Planning for Retirement
- Personal Wealth and Portfolio Management

Townhall Session

The Health White Paper (East Coast Region)

16 May 2023 @ Kuala Nerus, Terengganu

As a Committee Member of the Health White Paper (HWP), the Director of SWRC, Professor Datuk Norma Mansor attended the townhall session of the HWP (East Coast Region).

HWP by the Ministry of Health, is a national healthcare reform plan that details the main challenges faced by the healthcare system. The paper seeks solutions to create a high-quality, sustainable and resilient healthcare system. HWP was recently tabled in the Parliament.

The townhall session took place in Kuala Nerus, Terengganu, on 16 May 2023 and was attended by the Minister of Health, Yang Berhormat Dr Zaliha Mustafa.

2nd AMRO-MEA Roundtable Discussion on the Malaysian Economy

23 May 2023 @ Sasana Kijang, Bank Negara Malaysia

As the President of Malaysian Economic Association (MEA), the Director of SWRC Professor Datuk Norma Mansor was invited as one of the panellists in a panel discussion "Pension Reform in the Face of Ageing Population" in the 2nd AMRO-MEA Roundtable Discussion on the Malaysian Economy.

The roundtable discussion was a joint collaboration between ASEAN+3 Macroeconomic Research Office (AMRO) and Malaysian Economic Association (MEA). It took place in Sasana Kijang, Bank Negara Malaysia, on 23 May 2023. The roundtable discussion brings together various experts to discuss pertinent issues confronting the Malaysian economy. The roundtable forms part of the 2023 AMRO Annual Consultation Visit to Malaysia between 15-26 May 2023.

Program Kesejahteraan UM-Inderaloka

Pengurusan Kewangan

17th June 2023 @ Pangsapuri Inderaloka, KL

On 17th June 2023, a community outreach programme was held by UM Community Engagement Centre (UMCares), in collaboration with SWRC, Faculty of Education, Faculty of Medicine, Department of Development & Estate Maintenance (JPPHB) and Security Division of UM. The programme saw the participation of local communities residing in Inderaloka Apartment, KL.

The main objective of the community outreach programme is to spread awareness on the importance of sound financial management. The programme was officiated by UM Cares Deputy Director, Assoc Prof Dr Noraini Ahmad.

SWRC Director Professor Datuk Norma Mansor delivered the opening remarks on the “Introduction to Belanjawanku”. The programme continued with a sharing session by SWRC Deputy Director Puan Nik Ainoon Nik Osman, entitled “Let’s Plan Your Finance!”.

Belanjawan*ku* App

Belanjawan*ku* application provides a medium for users to track their expenses and plan their budget smartly to achieve a dignified standard of living.

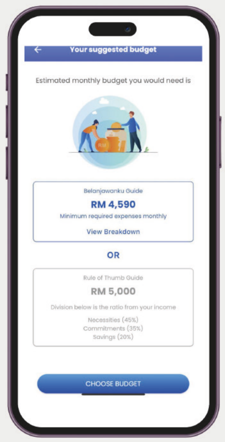
With an inclusivity approach in mind, this application is designed to be used by various household categories in Malaysia, from single individuals to married couples, single parents and seniors.

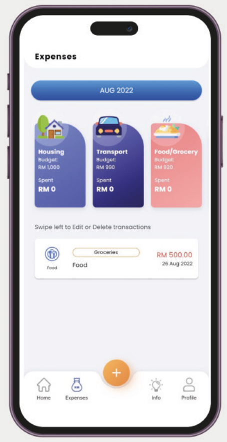
This app was developed based on the expenditure guide for 11 primary baskets that a household typically spends on including food/grocery, housing, transportation, utility, personal care, health care, child care, discretionary expenses, ad-hoc expenses, social participation expenses and savings.

For Android

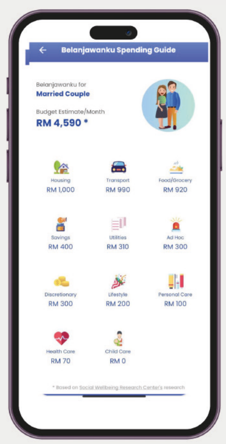
For iOS

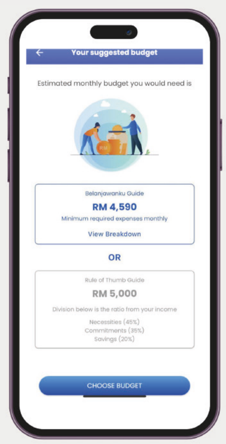
Track and Monitor Daily Expenses Based on Recommended Budget



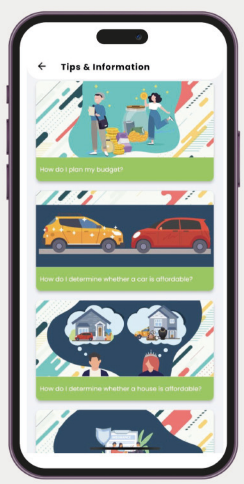


Recommended Budget Based on Different Household Categories and Cities





Financial Tips and Advice for Users



Do You Want to Know More About BELANJAWANKU?

- Methodology and Data Collection
- Basis of Development of Belanjawanku
- Construction of Belanjawanku

Scan the QR Code to View the Report

Join us @ Pension and Retirement Professional Programme 2023

The Pension and Retirement Professional Programme (PRPP) is a three level course aimed to train social protection practitioners to become specialists in the retirement and pension industry.

Programme Objectives

The Social Wellbeing Research Centre aims to produce successful and certified professionals in the pension and retirement industry that are able to meet these criteria:

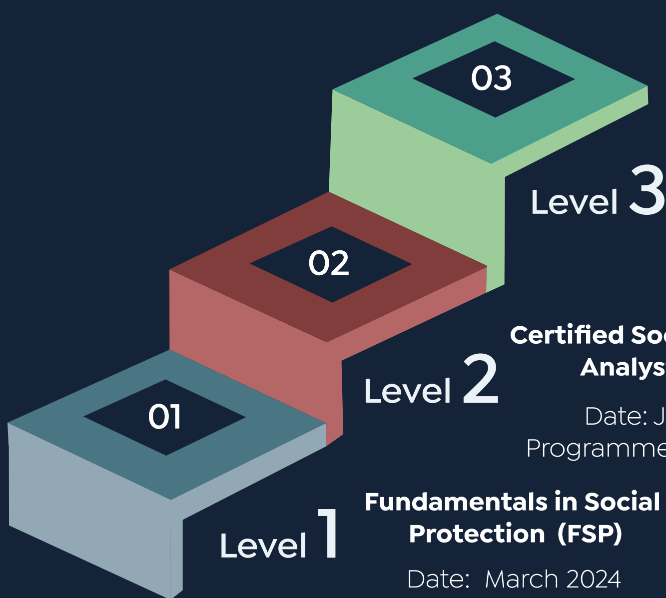
- Capable of contributing towards the improvement of institutional development
- Become the reference point for pensions management and retirement science in the region
- Competent in the practices of pension analysis and retirement

Programme Structure

The Pension and Retirement Professional Programme will be taught by a combination of lectures, hands-on, practical sessions, guided studies, and exercises. The course will be facilitated by academics and social protection industry experts from all around the world. All educational reading materials will be provided by SWRC prior to the start of each course.

Courses

To ensure a dynamic learning experience, SWRC has developed three progressive levels of certification, which are:



Certified International Pension and Retirement Professional (CIPRP)

Date: September 2023
Programme Fee: RM2,000
Examination Fee: RM300

Certified Social Protection Analyst (CSPA)

Date: June 2024
Programme Fee: RM1,800

Fundamentals in Social Protection (FSP)

Date: March 2024
Programme Fee: RM1,600

Scan for more info on **PRPP**

Prospective Applicants

SWRC's certifications on social protection are designed for practitioners and professionals in the finance and insurance industry, retirement planning, advisory services and other sectors to sharpen their knowledge and skills in social protection, pension system and long-term care.

Contact Information

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About SWRC

The Social Wellbeing Research Centre (SWRC) is an academic multi-disciplinary research entity, focusing on conceiving and implementing research in social security and old age financial protection. SWRC has been providing evidence-based expertise and consulting in the aforesaid domains to elevate economic development on social cohesion in Malaysia.

The Centre supports research in social protection in general and old-age financial protection, in particular. The Employees Provident Fund (EPF) of Malaysia has graciously provided an endowment fund to create the nation's first endowed Chair in Old Age Financial Protection (OAFPC), now known as Social Wellbeing Chair (SWC) at Universiti Malaya.

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Please scan the QR code to visit SWRC's website

FLAGSHIP PROJECTS

MARS
MALAYSIA AGEING AND RETIREMENT SURVEY

Malaysia Ageing and Retirement Survey (MARS)

Reference Budget for Malaysian (Belanjawanku)

STRATEGIC PARTNERS

KWSP EPF

PERKESO

ADB ASIAN DEVELOPMENT BANK

UNIVERSITY OF MICHIGAN

World Health Organization

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