

Malaysia: Our aging population needs a retirement safety net

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When workers were enticed to withdraw their Employees' Provident Fund (EPF) savings to sustain themselves during the COVID-19 pandemic, it resulted in only about 3% of them having adequate savings to afford retirement. Thus, the indisputable fact is that our working population is stranded with inadequate savings or none whatsoever, post-retirement. Seeing as older individuals are a growing demographic group in Malaysia, our nation may very well be heading towards a future with staggering amounts of poverty, as the majority of them would have insufficient post-retirement savings.

Without a sustainable plan for post-retirement savings, our "warga emas" are forced to choose between continuing work at their old age or to become dependent on the goodwill of society for survival - unless the government initiates an appropriate social safety system to address the situation.

We, in the MTUC (Malaysian Trades Union Congress), believe that it is possible to implement a comprehensive post-retirement safety net if the government takes the necessary steps to:-

1. Merge the EPF and SOCSO (Social Security Organization) entities to consolidate their resources in order to introduce a retirement safety scheme. According to our understanding, the EPF investment assets are about a trillion ringgit and SOCSO's assets are in the billions. With such massive financial assets and through prudent return on investments, we are convinced that a post-retirement safety system is achievable.
2. Set aside an estimate of 1% of taxes collected. With the consolidation of EPF and SOCSO, along with an annual allocation of a portion of taxes collected from the merged entity, we are confident that a retirement safety scheme may very well be possible.
3. Enhance EPF contributions. Enhancing existing statutory EPF contributions would increase savings with our proposed consolidated EPF. In turn, SOCSO would enable the sustainability of our suggested old age support scheme.
4. Build towards a living wage. Whilst progressive improvements to the minimum wage is welcomed, it does not meet the threshold living wage module - as expounded by Bank Negara Malaysia. According to them, an individual requires a living wage of RM 2,700 to sustain themselves. By moving towards a living wage, it would consequently translate into higher savings with our proposed consolidated entity as mentioned above.

Taking cognizance of a fast approaching aging society, we strongly urge the government to take our proposals into consideration and ought to keep our suggestions in mind while formulating their 2023 budget.

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