

## REVIEW

# APPROACHES AND FUTURE DIRECTION OF SOCIAL SECURITY SYSTEM: MALAYSIAN PERSPECTIVE

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## ABSTRACT

*Social security traditionally means a social insurance program providing social protection, or protection against socially recognized conditions, including poverty, old age, disability, unemployment and others. It also hovers around the subject of social insurance, where people receive benefits or services in recognition of contributions to an insurance scheme. Providing services for medical care, aspects of social work and even industrial relations may be included as part of social security services. Lately, the term is also used to refer to basic security, a term roughly equivalent to access to basic necessities. The 1 World Conference on Social Security organised by the Brazilian Government on 1st to 5th of December 2010 stimulates the countries to adopt universal, comprehensive and equitable social security systems as a valid, ethical and feasible option in the process of national reforms and regional integration. The main challenge to achieving the noble objective of universal social security system is financial sustainability and social cohesion supported by political will. As seen in a number of countries, Malaysia has a mixed social security schemes comprising state and private schemes, statutory obligatory requirements on the part of employers as well as state social assistance programmes. Maintaining the quality of life of the individuals and their dependents has become the primary focus of policies and programmes in providing social security. Among the critical pressures on the population's standard of living is the provision of health care. Extension of the coverage for social security is critical in ensuring social inclusion.*

**Key words:** Social security, universal system, Malaysian perspective.

## INTRODUCTION

Currently there is no comprehensive published article on the Malaysian social security system hence; this paper elaborates various schemes and benefits of social security, provided by various public and private agencies in Malaysia. It is worth mentioning here that the social security benefits provided in Malaysia are in line with the principles required by the International Labour Organisation (ILO) covering all the components of social security. Besides, this paper also elaborates other aspects related to the social protection including safety net for the poor and the disadvantage groups, human rights, issues related to poverty eradication, education and the like. In Malaysia, as in many other countries, the components of social security are under the jurisdiction of several ministries and agencies.

This paper will also emphasize on the Malaysian health care system as health is one of the major components of the social security. The health system has historically been characterized by a strong public sector presence in the provision of health care services. The public provision of health care services has always contained a strong welfare and security element, and health

has been regarded as an essential component of socio-economic development in Malaysia<sup>1</sup>.

## SOCIO-DEMOGRAPHIC PROFILE OF MALAYSIA

Malaysia is an upper middle income country situated in the South East Asia. It is a constitutional monarchy with an elected federal parliamentary government. The country consists of 13 states, 11 in Malay Peninsula and two, Sabah and Sarawak, in the island of Borneo. There are also federally administered territories: the capital city of Kuala Lumpur, the administrative centre of Putrajaya, and the island of Labuan. Malaysia covers an area of 329,750 sq km. Malaysia is a multi-ethnic country with population of 28.3 million growing at an annual population growth rate of 1.3%<sup>2</sup>. Malays form the predominant ethnic group. The two other large ethnic groups are Chinese and Indians. Islam is the official religion and is practiced by some 60 percent of the population.

It is estimated that in 2009, the labour force hovers around 12.1 million with unemployment rate at 4.5%. In the same year, the per-capita

income was USD 6,812 while Purchasing Power Parity (PPP) of USD13, 468<sup>3</sup>. The elderly population aged 65 and above was 5.1% (2010, MOH). Malaysia is relatively a young population with 27.6% below the age of 15 years (2010).

Malaysia enjoys good health status comparable to developed countries. In 2009, life expectancy at birth was 71.7 years for male and 76.5 for female. Infant mortality rate per 1,000 live births was 7.0 and Maternal Mortality rate per 100,000 live births was 28.0<sup>4</sup>.

## **THE INTERNATIONAL DEFINITION AND SCOPE OF SOCIAL SECURITY**

The ILO defines social security as “The protection which society provides for its members through a series of public measures, against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earning resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death; the provision of medical care; and the provision of subsidies for families with children”. The objective of social security includes promotion of health and prevention of illness, compensation for income loss and creation of living conditions which will satisfy the general needs of the population and the social needs of the elderly, disabled and children<sup>5</sup>.

The ‘1 World Conference on the Development of Universal Social Security System’ in the capital city of Brasilia, Brazil held in December 2010 demonstrated the multidimensional range and scope of social security which includes various aspects of social welfare and social protection. It was proposed that social security system must include the role of social protection to provide safety net for the poor and the disadvantaged groups, and address issues related to poverty eradication, education, retirement age, citizenship of individuals, tax structures and income transfer, the role of women in the society, the informal workforce and ethical and legal issues. The role of the government agencies and private organisation as well as NGO’s is paramount in ensuring the population of the nation is covered by the social security system of the nation.

## **PROVISION OF SOCIAL SECURITY IN MALAYSIA**

Public issues or problems require public solutions. Social security is a matter in the public domain and hence requires not only involvement of the

traditional tripartite parties, that is, employees, employers and the government but also contributions from non-governmental organisations (NGOs) and civil society as a whole. As in many other countries, the provisions of social security in Malaysia are under the jurisdiction of several ministries and agencies. Therefore, there is a need to improve coordination among the various service providers in order to avoid duplication and misallocation of scarce resources and ensure equitable distribution of the benefits.

## **Governance and Structure of Social Security**

Various ministries and agencies in Malaysia are involved in the governance or the structure of the social security system. At the central, the Economic Planning Unit (EPU) of the Prime Minister’s Department coordinates the overall policies and planning for the country including aspects related to the social security. These policies and planning are translated into various Outline Perspective Plans (OPP) such as the First OPP or popularly known as New Economic Policies (NEP), Second OPP which is the National Development Plan (NDP) and recently the Third OPP which is the National Vision Policy (NVP)<sup>6</sup>; beside that, other government policies such as the National Transformation Program, New Economic Model and five year development plans particularly the 10<sup>th</sup> Malaysia Plan (2011-2015) touches various aspects of social security system in Malaysia<sup>7</sup>. The two main thrusts of New Economic Policy namely eradication of poverty and restructuring of the community are still relevant.

The government through the Ministry of Finance revised the income tax structure which is progressive and more community friendly. Individuals with monthly income less than RM 2000 (USD645) need not pay income tax and also various income tax deductions have been given by the government which include tax deductibles to families with children below 21 years of age, individuals with disabled parents, the purchase of health insurance, medicines, books, computer, contribution towards Provident Fund, and fees for undergraduate as well as post-graduate training in local institutions of higher learning.

The government has always given special emphasis on the development of human capital, whereby the primary and secondary school education in public sector are provided free to the population. Special schools have been developed for the disabled and disadvantaged group like the aborigines and population in remote areas. The government has included

education as one of the National Key Result Area (NKRA) to widen access to quality and affordable education which is being monitored by the government closely.

The Ministry of Labour overlooks the social insurance component especially for protection of private sector employees. Social assistance for the disadvantaged group is provided for by the Ministry of Women, Family and Community Development<sup>8</sup>. Ministry of Health is the major player in provision and financing of health care and this will be elaborated in the subsequent section of this paper.

#### Approaches in social security system

All four approaches of social security namely social insurance, employer liability, social assistance and provident funds are implemented as per ILO requirement. These approaches cover all nine benefits namely medical care benefits, sickness cash benefits, maternity benefits, employment injury benefits, old age benefits, invalidity benefits, survivors benefits, unemployment benefits and family benefits<sup>5,8</sup>.

#### Social insurance

Social insurance is currently provided by Social Security Organisation (SOCSO) which covers 5.1 million employees. SOCSO administers and executes two types of schemes known as the Employment Injury Insurance Scheme and the Invalidity Pension Scheme. The Employment Injury Insurance Scheme provides protection to employees who suffer from employment injury including occupational disease/illness and work related commuting accident. On the other hand, the Invalidity Pension Scheme provides 24-hours coverage to employees against invalidity or death caused by whatever reason. This scheme mainly covers private sector employees earning wages less than RM3,000 (USD968). The contribution is paid by both employer and employee according to the contribution schedule of 1.75% and 0.5% of wage respectively. Employment Injury Insurance Scheme provides protection to employees who suffer from accidents arising from work<sup>9</sup>.

The benefits provided in this scheme includes<sup>9</sup>:

- Medical Benefit - protection for employees injured in work related accidents or occupational diseases.
- Temporary Disablement Benefit - This benefit is paid on employee who has been certified by a doctor to be unfit to work for not less than four days including the day of the accident
- Permanent Disablement Benefit - Permanent disability is defined as a lasting disability due to an employment injury.

- Constant Attendance Allowance - This allowance is paid to an employee who is suffering from permanent total disablement (i.e. 100% loss of earning capacity), and is so severely incapacitated that he constantly requires the personal attendance of another person.
- Rehabilitation Benefit - Facilities for vocational and physical rehabilitation are provided free of charge by SOCSO to an employee who suffers from permanent disablement.
- Dependent's Benefit - If an employee dies as a result of an employment injury, his dependents are entitled to this benefit.
- Funeral Benefit - An amount of RM1,500 (USD483.9) will be paid if an employee dies as a result of an employment injury or while receiving disablement benefit.
- Education Benefit - This benefit comes in the form of a loan or scholarship given to dependent children of an insured employee who is in receipt of a monthly benefit.

#### Employee provident fund (EPF)

The EPF is a social security institution formed according to the Laws of Malaysia; Employees Provident Fund Act 1991 which provides retirement benefits for members through management of their savings. The EPF members are private and non-pensionable Public Sector employees. It has a total of 12.72 million members as at 31 December 2010, the total number of active and contributing members was 6.04 million and the total number of active employers was 453,716. The contribution amount is calculated based on the monthly wages of an employee which is 11% is from the employee's monthly wage while 12% is contributed by the employer while for those earning less than RM5,000, the employer contributes 13% since 2012. Each contributor will have 2 accounts where 70% of the contribution will be channelled in Account 1 and 30% to account 2. Account 1 is meant to be used for retirement, and can be fully withdrawn only at the age of 55 or contributor has become incapacitated, migrated overseas or deceased. Account 2 can be withdrawn by the contributor at the age of 50, to pay medical bills for self or children, to pay down payment when buying a house and education for children<sup>10</sup>.

#### Employer liability

Both the government as well as the private employer are liable to provide certain benefits to their employees. The nature and scope of the benefits varies between the two entities which cover medical benefits, maternity care, pension benefits, unemployment benefits and the like<sup>8</sup>.

### **Medical benefits**

Some large employers provide medical benefits to the employees through their panel clinics and hospitals. They may also buy private health insurance to cover hospitalisation charges in the government or private hospitals. Coverage may be limited for the lower category staff as compared to the senior executives. Some employers may only cover hospitalisation in public hospitals. Government as the employer for the civil servants provides free medical care for the civil servants and their dependents in the public facilities as stated in the General Order for the civil servants. The poor including the elderly and disabled are given free medical care in public health facilities. More detail explanation on the Malaysian health system is elaborated in the next section. Income tax deduction for medical care for parents, disabled child, and tax deduction for health insurance purchase are available for taxpaying Malaysians.

### **Sickness and maternity benefits**

The Employment Act stipulates that sick leave is to be provided at full pay for a total number of days per year ranging from 12 - 22 depending on the length of service. If hospitalisation is required, the number of days for sick leave increases to 60 days per year. According to employment act (1955), female employees are eligible for maternity benefits of not less than 60 days. Civil servants are allowed to take maternity leave between 60 - 90 days but not more than 300 days throughout their service<sup>11</sup>.

### **Pension benefits**

Government retirees who opt for the pension scheme will be paid a service gratuity payment which is a lump sum payment on retirement, a fixed monthly income, and enjoy benefits such as free medical treatment at public hospitals. For private employees, the EPF contributors are ensured that there is financial savings upon retirement; EPF also provides compensations should certain unfortunate events befall onto its members. In this regard, the EPF provides Incapacitation Benefit to the member and Death Benefit payable to the member's dependent. These benefits are additional payments for Incapacitation Withdrawal and Death Withdrawal as a compassionate gesture. The payments are made using EPF's own income, and are not part of Member's savings:

### **Incapacitation benefits**

An amount of RM 5,000 is payable if eligible to withdraw all the savings on being incapacitated. Payment will be made after having withdrawn the entire EPF savings.

### **Death benefits**

This benefit amounting up to RM 2,500 is payable to dependents in the event of the member's death. This benefit will be paid to the dependent subject to consideration by EPF.

### **Unemployment benefits**

Currently, there is no unemployment insurance or unemployment assistance program to help the unemployed in Malaysia. In addition to EPF and SOCSO benefits, there is compensation by the employer for those who are retrenched or voluntary separation. There is no cash assistance to the unemployed. However, should any of them should fall into poverty; they will be eligible for government assistance programme for the poor.

### **Social assistance scheme**

Social assistance for the disadvantaged group is provided by the Ministry of Women, Family and Community Development. The programmes in this Ministry target disadvantaged group which comprises allowances for the disabled, elderly, families and children in need and physically disabled. These programmes are complemented by poverty eradication programme, NGO's, *zakat* funds, etc. Currently the government is collecting information, through a project called e-Kasih, of households earning below poverty line and hardcore poor for better targeting of government subsidies<sup>10</sup>.

## **MALAYSIAN HEALTH SYSTEM**

Malaysia currently has a large public sector delivery system complemented by a growing private sector. Traditional and complementary medicine as well as non-governmental organisations (NGO) play substantial roles in complementing services provided by the government.

### **Public health services**

In the public sector, MOH is the largest provider and funder of health care. In the public health care delivery system, other agencies complement the Ministry of Health (MOH). The University hospitals are run by the Ministry of Higher Education. The Ministry of Defence provides health services for its personnel as well as the local population around its military cantonments. Estate hospitals established in the plantations comes under the jurisdiction of the Ministry of Human Resource. City and municipal councils which are under the Ministry of Housing and Local Government undertake some health-related services such as environmental sanitation and enforcement of food hygiene laws. National

Institute of Occupational Safety and Health (NIOSH) and Department of Occupational safety and Health (DOSH) which are responsible for occupational safety and health are under the realms of Ministry of Labour<sup>12</sup>.

The Government of Malaysia is committed to provide affordable health care to the population. In 2010, there were 131 MOH hospitals with 33,211 beds, 6 special institutions, 2833 health clinics including community clinics situated both in the urban and rural areas, and 53 health clinics 1Malaysia<sup>4</sup>. The health care services in the MOH facilities are highly subsidised where the public need to spend only RM1 (USD 0.31) for each outpatient visit which includes consultation, laboratory tests, radiological investigations, medicines, etc. While for the inpatient services in the MOH hospitals, charges are nominal and the patients only pay a maximum of RM500 (USD 161) for admission in the 3<sup>rd</sup> class general ward. It is estimated that MOH subsidises 95-98% of health care services in its facilities whereby the fund collected amounted to less than 5% of total MOH health expenditure<sup>12</sup>. The government ensures safety net for the population to protect from catastrophic health expenditure, whereby the poor, the elderly and the disabled are exempted from paying any fees if they are unable to do so<sup>1,13</sup>.

Besides MOH, there were 8 hospitals under the public universities and the military who contribute additional 3,690 beds<sup>4</sup>.

#### **Private health services**

For private health services, there were 217 private hospitals with 13,186 beds in 2010. In addition, there were 22 maternity homes, 12 nursing homes, 3 hospice, 36 ambulatory care centers, 191 haemodialysis centers and a community mental health center. There were also 6,442 private health clinics and 1,512 dental clinics throughout Malaysia<sup>4</sup>.

#### **Financing of health care**

Government funds public health care for all while keeping health care expenditure at 8.02 per cent of the national budget in 2010<sup>4</sup>. All Malaysians have access to heavily subsidized services at public hospitals and public clinics. Fees collected by MOH amount to less than 5 percent of the overall MOH expenditures. The private hospitals and clinics offer services to those who can afford to pay out-of-pocket, with private health insurance or those covered by employer health benefit schemes. Malaysia spent 4.96% of GDP on health in 2009. Public health expenditure is higher than private health expenditure at 55% and 45% respectively<sup>14</sup>.

#### **Challenges in health**

Some of the challenges in the health system are similar to those faced by other middle income countries. With the increase in living standards and education, there is greater demand from the public for quality care and expensive technology. The improved socioeconomic conditions have caused changing trends in the disease pattern from that of communicable diseases to diseases of affluence. There are greater incidences of non-communicable diseases which include cardiovascular diseases, mental illness, cerebrovascular diseases and road traffic injuries while emerging and re-emerging diseases like dengue, tuberculosis, malaria, HIV/AIDS continue to pose risks. There is a need for public and private health sectors to be better integrated in providing health care services to reduce duplication of services and to minimise wastage. Currently, the health care service in the private sector is accessible mainly by those who can afford. The highly subsidised public sector services are utilised not only by the poor but by those who can afford, and this may lead to inequity. The public subsidies need to be better managed to ensure that they are better targeted to the poor<sup>12</sup>.

#### **ISSUES AND CHALLENGES IN PROVISION OF SOCIAL SECURITY SYSTEM**

The '1 World Conference on the Development of Universal Social Security System' in the capital city of Brasilia, Brazil held in December 2010 demonstrated each country has its own challenges. However some challenges may be similar but different in terms of the magnitude. Some of the challenges are related to the political commitment, inadequate financial resources, legal framework, implications of globalization, liberalization, privatization or decentralization policies, corruption and the like.

As for Malaysia, efforts to ensure sustainable and equitable social benefits for the society at large have never been abandoned by the government. Various innovative and new approaches have been forwarded to the masses. An example is the minimum pay scale for the security services of the nation. Retirement age for civil service has been steadily increased from 55 years to 56 and then to 58 years. The government has now risen the retirement age to 60 years since 2012. More flexible work arrangement particularly for women is already enforced. Maternity leaves at present for the public sectors have been significantly increased to 3 month paid leave. The women

have the choice for extended unpaid leave for up to 6 months to breast-feed the baby.

There is also financial assistance provided for those who are unable to cover basic needs such as food, clothing and housing, due to poverty or lack of income because of unemployment, sickness, disability, or caring for children; often done through many ministerial organisations in Malaysia. The assistance is often in the form of financial payments, those eligible for social welfare can usually access health and educational services free of charge. Also included in this group are the mentally challenged individuals as well as those suffering from long term psychiatric illnesses and could not fend for themselves.

The nation also saw the increase in the provision of pension increment rate of between 0.6% to 11.3% for recipient under the Employment Injury Insurance Scheme and Invalidity Pension Scheme backdated to January 1<sup>st</sup> 2008. This review of pension rate was done from time to time and executed to accommodate the rising cost of living by taking into account the Consumer Price Index (CPI).

## **FUTURE DIRECTIONS OF SOCIAL SECURITY SYSTEM IN MALAYSIA: NATIONAL AGENDA**

Ministries and agencies responsible for the provision of social security system in Malaysia need to further enhance their respective policies and plans in line with the Prime Minister's mantra for the creation of "*1Malaysia. People First. Performance Now*". The implementation of various elements of social security by respective ministries and agencies need to be guided by the Government Transformation Programme (GTP), National Key Result Areas (NKRA), New Economic Model (NEM) and the Tenth Malaysia Plan (10MP).

The Malaysian Government has identified 12 National Key Economic Areas (NKEAs) under a comprehensive economic agenda, namely the Economic Transformation Programme (ETP), covering—the oil, gas and energy, palm oil, financial services, tourism, business services, electrical and electronics, wholesale and retail, education, healthcare, communications content and infrastructure, agriculture and the Greater Kuala Lumpur/Klang Valley<sup>14</sup>.

The Government has also announced six NKRAs, attached with Key Performance Indicators (KPI), including efforts to reduce crime rate, the war against corruption, expanding access to quality

and affordable education, raising the standard of living of the lower-income group, strengthening infrastructure in the rural and remote areas, and improving public transportation. All these efforts have some way or another indirect correlation with increasing the social security system of the Malaysian as described below<sup>15</sup>.

### **Crime Reduction**

The government is working to reduce the crime rate with a special focus on street crime, improve the perception of safety and policing through increased volunteer activity and public participation in public safety and policing, and improve the overall performance and professionalism of the criminal justice system. By improving the security of the country, the effort is seen as a means of ensuring public safety and in itself contributes to the overall feeling of calm and sense of pride among the citizens<sup>16</sup>.

The government has a three-prong strategy to combat this issue namely:

#### **Reduced overall reported crime index with focus on street crime<sup>17</sup>**

Approaches on reducing incidences are multifocus; one by introducing Onmipresence Programme, consisting of increased police presence in 4 states of Kuala Lumpur, Selangor, Pulau Pinang and Johor starting with 50 hot spots and extending this to Sabah and Sarawak. Another is to strengthen law authority volume by pumping in over 4000 trained volunteers (Jabatan Pertahanan Awam Malaysia, JPAM and Ikatan Relawan Malaysia, RELA), installing 496 public closed-circuit televisions (CCTVs) in hotspots under the 1<sup>st</sup> phase, and installation of another 496 CCTVs around target areas, and establishing special prosecution courts for quicker prosecution of street crimes. Safe Cities Programmed (SCP) has been introduced to enable local councils tackle problems with localised initiatives, assist inmates to improve skills for post-release survival for in-prison rehabilitation programme and having post-release resettlement programmes in the hope of reducing repeat offenders as well as separating first time offenders in prisons from hardcore and repeat convicts.

#### **Improved public perception on safety<sup>17</sup>**

Quarterly independent survey is being offered to measure changes in public perception following the NKRA initiatives, building confidence by assigning senior police officers (ranked Inspectors and above) to patrol with beat police officers weekly, increased interaction between policemen and the public for 10-15 minutes of every hour during patrols so their concerns can be heard and

addressed. Other initiatives include expanding 'Skim Rondaan Sukarela' (SRS) where local residents patrol their own neighbourhoods and encourage more people to register via text message (SMS) to inform the police of criminal incidences or suspicious behaviour through expansion of rakan cop.

#### **Improved the performance of criminal justice system to charge more investigation papers<sup>17</sup>**

Efforts were taken to target reduction of clear violent crime backlog down by 90% (2,820 to be cleared by 31 December 2010), presenting more offenders at trial (2,000 violent crime offenders brought to trial in 2010) and improving public satisfaction by conducting independent survey to measure current levels of satisfaction with the police force and encourage public to provide rating of service in police stations following their encounter with officers. Increasing the number and efficiency of Investigating Officers (IOs), encouraging the use of Flying squads or specialist teams and deployment of performing judges and magistrates to selected locations to manage pending cases of violent crime is also being addressed. Lastly, accelerating amendments on the bill on Criminal Procedure Code (CPC), implementing plea bargaining and tendering of witness statements, increasing efficiency of prosecution and increasing charging rate by bringing over 12,187 Investigation Papers (IPs) to be brought to trial are some other initiatives set upon to achieve improved performances.

#### **Fighting Corruption**

Corruption is one of the reasons why many efforts made by various government agencies throughout the world to improve the social security system failed. It was particularly a hot topic discussed by the Indian delegates during the 1 World Conference and we believe that the corruption index should be brought down. It is heartening to note that one of the KPI set by the government is the fight against corruption. The government is working to increase public trust in government, reduce fraud and wastage in government procurement, and combat what it calls "grand corruption". The government has begun prosecutions of elected officials and civil servants, regardless of party affiliation. Whistleblower legislation and improved transparency in government contracts are key components of this effort. The government is also working to pass legislation to require those suspected of corruption to be brought to trial within one year. Performance will be assessed using Transparency International's Corruption Perception Index.

Several strategies brought forward to overcome these problems encompass the following concerns:

#### **Regain public's confidence in regulatory and enforcement agencies<sup>18</sup>**

This includes stringent compliance units at key enforcement agencies be it the Royal Malaysian Police, Royal Malaysian Customs Department, Immigration Department of Malaysia, Road Transport Department and Malaysian Anti-Corruption Commission (MACC). The Royal Malaysian Police has set up its target to bring at least 20% of its number of arrest cases to trial. The traffic division has targeted 12 summonses per hour to be issued versus total hours of operations. Customs and Immigration checkpoints now are installed with closed-circuit cameras.

#### **Ensure compliance of enforcement officers with the procedures and law<sup>18</sup>**

The Chief Secretary to the Government have issued a circular to the civil service, providing guidelines for 'support letters' from persons of influence to reduce leakages in government procurement. Transparent information hub that discloses details of Government procurements such as names of successful contractors, contract sums and project periods are disclosed on the website, as well as other procurement related information via MyPROCUREMENT was introduced by the Ministry of Finance. It also issued another directive which requires all Government agencies to implement the Integrity Pact in their contracts. The Pact is a written agreement between the government/government department and all bidders to refrain from bribery and collusion. Parallel to this effort is the Corporate Integrity Pledge developed for the Private Sector. This Pledge was developed to address the "supply" side of corruption, and to enlist the help of the private sector. Details of the Pledge and the signatories can be found on [www.cism.my](http://www.cism.my). A very positive outlook from all the effort is the Asean Business Outlook Survey report in 2011 where the US Corporation's view on corruption in conducting business in Malaysia has taken a significant plunge from 63 percent respondents dissatisfied with corruption in 2010 to only 35 percent result in 2011.

#### **Improving Student Outcomes**

In order to improve education the Malaysian government is working to enhance pre-school enrolment rates among four and five-year-olds, ensure that children attain basic math skills and literacy after three years of education, develop high-performing key schools while improving the overall quality of education, and significantly

improve the performance of teachers and administrators using "performance management". Improving student literacy is a way forward for the good of the system.

Education is the solid foundation that lifts a country from middle income to high income. Though Malaysia has achieved a 92% adult literacy rate, we have to continue to strengthen the core of our societal layers to ensure that quality education is accessible to all Malaysians. The GTP aims to create a holistic growth in the education sector by addressing fundamental issues like pre-school education and basic literacy and numeracy skills. The aim is to lay a strong foundation and continue to improve the educational capabilities of the schools and higher learning institutions to ensure its effort to ascend to high income economy is smooth.

Expected results under the Improving Student Outcome NKRA is: increase enrolment rate of pre-school enrolment from the current 67% to 87% by end 2012. This effort is backed up by training of pre-school teachers and teacher assistants, including 30,000 new and existing staff, over the next three years and increasing the number of classes particularly for the 4+ age group and establishing monitoring committees to govern all pre-school providers. Public-private partnerships are further encouraged to achieve additional classes while adhering to national standards<sup>19</sup>.

Developing high performing schools and identifying and rewarding these schools to excel in all aspects of education and maintaining its decorum will result in more freedom in decision making, financial incentives, human resource flexibility and chances for student advancements.

School ranking performance of 9,900 government schools will be ranked on a yearly basis. Performance based assessment for Principals and

Head Teachers with rewards and consequences clearly drawn out to emphasise the fact that a good leader can create credible results for the whole school.<sup>19</sup>

### **Raising Living Standards of Low Income Households**

This NKRA requires a standard definition of who qualifies as a low income household, "fast, high impact" efforts to alleviate "hardcore poverty" and putting "enablers" in place to further anti-poverty initiatives. By improving coordination among government agencies the time it takes for a household to apply for benefits has been reduced to seven days. It was previously two months. 44,000 low cost homes have been offered for sale to their tenants at below market rates. Among the six NKRA in place, this is one of the effort that has direct impact on the social security system of Malaysia.

There are 100,000 households which fall under the category of poor under the eKasih database. Raising living standards of Low-income households is aimed to empower these subjects to improve their social standing and create more income opportunities. Besides defining and identifying the poor, the aim is to create a long term system that helps create opportunities for the underprivileged. This will be done through creating job opportunities, increasing basic wage, finding business opportunities and providing welfare assistance<sup>20</sup>.

### **Standardised definition and creation of database for low-income households**

Table 1 shows standard definition based on monthly household income which was implemented for use by all ministries and agencies to accelerate coordination to channel assistance.

**Table 1. Standardised definition and creation of database for low-income households**

Categories	Peninsular Malaysia	Sabah	Sarawak
Extreme Poor	RM460 and below	RM630 and below	RM590 and below
Poor	RM760 and below	RM1050 and below	RM910 and below
Low-income Households	RM 2,300 and below	RM 2,300 and below	RM 2,300 and below

Source: Pemandu (Raising Living Standards of Low Income Households).



### **Fast high impact initiatives to create income streams**

The government has introduced several schemes to stimulate high impact initiatives for this group of people. These includes programmes such as<sup>20</sup>:

**1AZAM** - A programme to lift low-income households out of poverty through means of employment, entrepreneurship, economic activities and services.

**AZAM Tani** (agricultural activities)-Providing financial assistance; equipment, seeds, fertilisers and any other related items such as training, marketing assistance and support from related agencies to ensure long term implementation, sustainability and success of agriculture activities.

**AZAM Niaga** (small businesses)- Elevating the living standards of the people by encouraging them create their own income channels. Those registered under the e-Kasih are given the opportunity to venture into appropriate businesses to increase their income. Micro-credit, training, tools sourcing and motivational sessions will be provided to ensure the venture is viable and successful.

**AZAM Kerja** (job matching/job placement/income generating activities)-Linking available workforce to employers in need by creating a strong database of human resource to match with available jobs. A strategy called 'place and train' is used where the participants are given their job placements and then relevant training is provided for them in order to improve their skills. Furthermore, those interested in income generating activities are given the opportunity to select appropriate business options to supplement their monthly income.

**AZAM Khidmat** (services) - Assisting with various skill levels like landscaping, home management, day care centres, self-grooming and reflexology treatment to ensure there are diverse business options besides the availability of products. Micro-credit, training, tools sourcing and motivational sessions will be provided to ensure the venture is viable.

**Development of women entrepreneurs training** will be able to develop 1,000 women entrepreneurs by year end 2011. Total target up to year end 2012 is 4,000 women entrepreneurs. Identifying key expertise/ skills and providing training and financial assistance to develop their earning power.

**Skills training** - Eligible low-income households will be given chances to improve their economic value.

**Financial support** - Enable eligible low-income households to purchase artificial limbs and prosthetics. Also planned is to improve access to prosthetics by setting up at least one prosthetics centre per state.

### **Improving Rural Basic Infrastructure**

How do you improve living standards of the low income group without improving the basic infrastructure needed for them as those in the urban areas? Malaysia's population is 35% rural. Several villages still lack roads, electricity and access to clean water. These elements are basic human rights and should be accessible to all Malaysians regardless of location and economic background. The availability of these facilities will also develop the socio-economic status of the rural population. The pace of deployment especially to East Malaysia has to be increased to ensure these basic rights are delivered for the long run in the identified areas. The target is to build 11 times as many kilometres of roads, 2.5 times as many houses, and 5 times as many houses with electricity and connect seven times as many houses to clean water during the activation of the GTP.

The strategy in this NKRA is aiming to build more than 7,000km of new and upgraded roads by 2012. Also in the pipeline is the provision of 50,000 new and restored houses to the rural and hardcore poor by 2012, ensuring access to clean or treated water to be provided for 360000 additional households by the same year. For 24 hours electricity access, it is hoped that 140000 additional households will have this basic amenity where by the end of 2010, 82% of households in Sabah and 73% of households in Sarawak will have access to electricity. This is an increase from 77% and 67% respectively<sup>21</sup>.

### **Improving Urban Public Transport**

Public transportation in Malaysia is often inconvenient, unreliable, crowded, and late. The government's goal is to increase the percentage of commuters using public transit during the morning commute from 13% in 2010 to 25% in 2012 in the Klang Valley. Making public transit more reliable, comfortable, and convenient are also key goals. The lack of an integrated system prompted the development of the Improving Urban Public Transport NKRA. This NKRA will address the issues of efficiency, connectivity and convenience of the urban public transport

system. As a big achievement, the GTP is looking to create a higher demand for public transport by improving the overall availability and efficiency of the system. Furthermore, seamless connectivity is also aimed to be achieved to ensure key urban areas are well linked. How is this achieved? The steps forward should include<sup>22</sup>:

- Improving vehicle availability by way of increasing modal share to 13% in 2010 and to 25% by 2012 during the morning peak hours of 7am - 9am in Klang Valley. To affect this, more car sets are required to manage the users of public transport. The next step is to build major hub to improve public transport in Johor Bahru, Penang, Kuching, and Kota Kinabalu. The successful model implemented in Klang Valley will be replicated according to the needs of the key urban areas nationwide.
- Improve reliability and journey times is achieved by increasing Light Rail Transport (LRT) capacity through the introduction of 35 four-car train sets on the Kelana Jaya LRT line. Increase capacity of KTM Komuter and LRT lines by 1.7 to 4.0 times by 2012 can reduced the journey time by approximately 30 minutes, hence increasing ridership in all routes.
- Enhance comfort and convenience with Integrated Transport Terminal (ITT) and refurbishment of 35-year old Pudu Sentral (formerly known as Puduraya) has improved accessibility and connectivity of population to public transport access. Percentage of the population living within 400 metres of a public transport route is increased from 63% to 75% in 2012. It makes sense to improve station integration between different rail modes to smoothen the rides.
- Regulatory restructuring - Introduction of a single point accountability body through the Land Public Transport Authority (SPAD-Suruhanjaya Pengangkutan Awam Darat)- which is fully operational by the end of 2010 helps to manage policy planning and regulatory oversight. The Authority aimed to tie in the 12 Ministries currently involved in the different aspects of public transport.

### Addressing Cost of Living

Malaysia's inflation rate stands at 3.4% as of September 2011. The hardest hitting area is of daily expenses like, grocery, food, medical fees and educational tools. The objective is to reduce/ subsidise these rising daily costs to ensure people have a better money flow to manage with their expenses. In the long run,

these initiatives will be developed and adjusted to suit the requirements of the people. Some initiatives provide immediate relief while the rest were implemented to ensure that people experience an improving living condition in the long run. These measures are direct benefits of social security in Malaysia as compared to whatever being discussed at the 1 World conference in Brazil. The big results expected from the Addressing Cost of Living NKRA are<sup>23</sup>:

**Development of Kedai Rakyat 1Malaysia (KR1M).** Approximately 250 KR1M labelled essential products can be bought 30-50% cheaper than normal stores/ hypermarkets. Target is to open 85 units of KR1M by end 2012.

**Klinik 1Malaysia.** Opening of more than 50 clinics nationwide with a ratio of approximately 3-4 clinics in each state. Treatment for basic ailments is available for Malaysians at RM 1 and RM 15 for non-Malaysians. The clinics are opened in high density, low income areas to ensure that the Rakyat always have access to reliable and immediate medical attention.

**Menu Rakyat 1Malaysia.** Menu sets that are affordable to the rakyat will be made available at participating food outlets nationwide RM 2 for breakfast; RM 4 for lunch. Currently this scheme has 700 participating outlets and will be extended to 3000 outlets by year end 2012. Government and private sector cafeteria (s) are also encouraged to implement the Menu Rakyat 1Malaysia.

### Incentives/Cash assistance

The following cash incentives are offered to targeted groups of beneficiaries.

- Incentives for taxi drivers.
- Cash assistance of RM 500 for all households with income of RM 3,000 and below.
- RM 100 cash assistance for every school going child from Year 1 to Form 5 nationwide. Claiming of the assistance should be at the discretion of the parents who need the assistance.
- RM 200 book voucher to all Malaysian students in public or private local institutions or high learning, matriculation and Form 6 students nationwide.

### 1Malaysia Rakyat's Welfare Programme (KAR1SMA)

- Assistance for poor Senior Citizens of RM 300 per month.
- Assistance for poor children of RM 100 per month, maximum RM 450 per month per household.

- Assistance and allowance for disabled people between RM 150 and RM 300 per month.

#### **Special housing fund**

Aimed to assist fishermen due to their volatile income and with the aim of ensuring that they own their homes.

#### **Commercial agro fund**

Ensuring sufficient food supply, increasing the value-add of the agro-food sector, complementing and strengthening the supply chain as well as allocating RM1.1 billion in 2012 for the development of the agriculture sector to fund key projects such as the Northern Terengganu Integrated Agricultural Development Project, Sabah and Sarawak Irrigation Projects, TEKUN and NKEA projects. This is done by way of expansion of the Commercial Agriculture Fund, which will be given an allocation of RM300 million to include innovative agriculture projects. A total of 4,500 agropreneurs are expected to be involved, encompassing 7,000 hectares of land. For this, an allocation of RM14 million will be provided.

#### **Health System Transformation**

While in previous decades the Malaysian Government had prided itself on its achievements in health care and the welfare model of public health care services, the public health care sector saw escalation of cost while attempting to improve health care standards and quality. The government is seriously studying for possible reform of financing and delivery of health care through the implementation of the National Health Financing System and restructuring of health care delivery system.

Health transformation is an evolution to ensure sustainable health care growth of the future. Among the objectives are to reduce inefficiency, cut wastage and avoid brain drain, the present system which has been taken for granted needs changes. Areas of concern where transformation of health care needs serious attention to evolve, the following strategies need to be considered:

- Strengthening existing services, by offering retention packages, arrest brain drain and improving infrastructures.
- The care should be quality driven, scrutinising good governance, prudent expenditure, decongesting services and innovating performance.
- Integrate health care promotion, and secondary care services, public and private

sector and improve monitoring system and ICT infrastructure.

- Looking into possibilities of National Healthcare Financing system to sustain the escalating health care cost by reducing the burden on the poor and ensuring universal coverage and a trust in quality.

#### **CONCLUSION**

It is worth mentioning here that there is no perfect social security system in the world. Each country has its own strengths and weaknesses. The respective countries should learn from each other to further improve on what have been developed. Social security in Malaysia as in other countries depends very much on historical development of the existing system, the socio-economic and political development and many other considerations. Adopting any system from another country must take into consideration its applicability to Malaysia.

In order to be able to sustain and improve the social security system to provide comprehensive coverage to all beneficiaries which include self employed and unemployed individuals without any source of income, and in line with ILO standards, Malaysia needs to ensure a viable system that is affordable and sustainable. Malaysia has demonstrated that its social security system has attained most of ILO's characteristics. In line with the quest to improve further, whatever changes that the future system deploys should not breach or derail the greater benefits of social security contracts and should provide a wider coverage. The roles of all the agencies and ministries in the social security system need to be relooked with better integration to provide well coordinated care. All population should be ensured access to health care with an explicit safety net from catastrophic health expenditure.

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