Ageing gracefully to 2045

By Dr Abdul Wahed Jalal Nori

The speed of ageing demography in Malaysia is alarming, as it is expected to move from an ageing to aged nation in 25 years only.

OVER the past few decades, Malaysia has been enjoying a relatively favourable demographic environment characterised by the working age population, which is growing at a higher rate than the overall population.

Malaysia has been very successful in translating this demographic window of opportunity into a sustained economic growth path, poverty reduction and achievement in non-income dimensions. However, Malaysia is now a few years away from the end of its demographic window of opportunity.

According to Dr Amjad Rabi, the deputy representative and senior policy specialist at the United Nations Children’s Fund (Unicef) Malaysia, Malaysia will be considered an “ageing nation”, defined when the post-working population (65+) constitutes seven per cent of the population, by 2020.

It will become an “aged nation”, defined when the post-working population (65+) constitutes 14 per cent of the population, by 2045.

In comparison with other countries, the speed of ageing is indeed alarming. While it took France, for instance, 115 years to move from ageing to an aged phase, Malaysia is doing this in 25 years only. However, it seems that the fast-ageing society is a common feature in Asia.

To raise awareness on the demographic transition, the Institute of Strategic and International Studies Malaysia, together with the Institute of Darul Ridzuan and Unicef, organised a forum titled “Malaysia 2050: Meeting the Challenges of Demographic and Industrial Transitions”.

The forum was part of the Pangkor Dialogue, which was held on Sept 11 and 12. The main focus was to brainstorm the feasibility of a policy mix to be adopted to achieve the second “big push” in development to reach and sustain a developed nation status.

Using a life-cycle approach to assess opportunities to achieve desirable outcomes, the forum identified investments for three groups: pre-working age population (children aged 0-15), working age population (15-65), and post-working age population (65+).

SOCIAL PROTECTION: CHILD SENSITIVE SOCIAL PROTECTION

As Malaysia moves towards a high-income nation status, Dr Amjad argued that it should move away from the charity model (poverty targeting) to a more inclusive system when addressing the issue of poverty.

He promoted a life-cycle approach, similar to other Organisation for Economic Cooperation and Development (OECD) countries, as an alternative to the existing fragmented cash transfer programmes.
The life-cycle approach recognises that poverty is positively correlated with certain groups, such as children, pregnant women and the elderly. Therefore, cash transfers that align to this are pro-poor, even if non-poor households receive the same benefit amount.

Moreover, with the inclusion of financing mechanisms, such as tax, Dr Amjad asserted that the impact can be further strengthened and the result is a net transfer from the rich to poor household.

**INCLUSIVE LABOUR MARKET**

The projected reduction in the share of the working-age population requires Malaysia to insure a more inclusive labour market.

For instance, Malaysia can counter the reduction of the labour supply due to demographic changes by insuring a female labour force participation increase to its potential.

This requires a supportive environment for female labour force participants, which includes flexible working arrangements, extended maternity leave, quality and affordable daycare, and ending discriminatory market conditions.

The demographic dynamics in Malaysia highlights productivity as the main driver for long-term growth path towards the convergence with high-income economies.

To unleash productivity, investments in labour skill sets and education are key — these will allow Malaysia to move away from labour-intensive manufacturing to higher order thinking and cutting-edge technologies.

**OLD AGE SOCIAL PROTECTION**

One of the concerns as we age is financial planning for retirement. Based on data from McKinsey, for every RM1 earned, Malaysians are already spending RM1.40.

According to Tunku Alizakri Raja Muhammad Alias, deputy chief executive officer of Employees Provident Fund (EPF), two in three EPF members do not achieve the basic savings quantum according to the age band, and one in two members above age 55 exhaust their savings within five years.

In terms of physical wellbeing, we are the most obese nation. Six in 10 Malaysians have non-communicable disease (NCD). The EPF withdrawal for health has doubled in the last 15 years for cancer, stroke, heart disease, diabetes and other NCDs.

Some 74 per cent of Malaysians pay medical expenses with their own money and the cost of medical fees is increasing. Medical expenses are one of the main reasons why Malaysians are bankrupt today.

Tunku Alizakri highlighted that Malaysia will be missing out if we do not increase the age of retirement from 60 to 65 years, as many can still work and offer their skills in the labour market. They can be put into industries such as consultancy, childcare and coaching.

One strategy to combat ageism involves incorporating positive views of ageing in educational lessons, beginning in preschool, and in other forms of media. Such lessons should teach about ageing as a normal part of life, rather than something to fear or be ashamed of.

Younger people should have opportunities to learn from the wisdom, experience and life perspectives of older individuals.

Indeed, we are at a crossroads; either we use the social development protection, or the charity social protection model. The type of developmental policies adapted should also be sustainable, especially in addressing relative poverty.

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