

ISIS MALAYSIA- CTPECC WEBINAR

IN PARTNERSHIP WITH TAIPEI ECONOMIC AND CULTURAL
OFFICE IN MALAYSIA

THE IMPACTS OF THE PANDEMIC AND THE STIMULUS PACKAGES INTRODUCED IN MALAYSIA

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AGENDA

Examine the negative impacts of the COVID-19 pandemic and the various stimulus packages introduced since 2020 from a **POVERTY AND PROTECTING VULNERABLE GROUPS PERSPECTIVE**

KEY POINTS OF DISCUSSION



IMPACT OF COVID-19

Key data and statistics that paint the current picture in Malaysia



STRATEGIC RESPONSE

Summary of Government stimulus packages for the period of 2020/2021



IMPACT

The impact of these programmes from a social protection angle

AGENDA



IMPACT OF COVID-19

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STRATEGIC RESPONSE

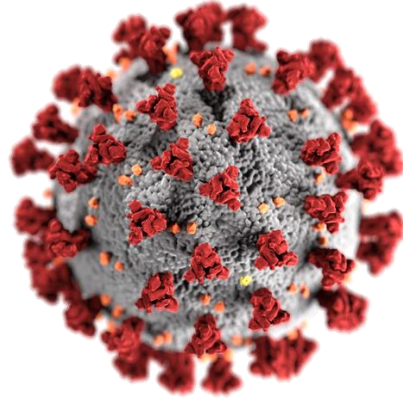
Summary of Government stimulus packages for the period of 2020/2021



IMPACT

The impact of these programmes from a social protection angle

Impact of COVID-19



- ▶ 387,535 confirmed cases as of April 24 2021
- ▶ **1,415 deaths**
- ▶ >2,000 cases per day since April 15

ECONOMIC IMPACT

-5.6%

GDP for year 2020, **biggest contraction** since the 1998 Asian Financial Crisis.

-6.0%

Government **fiscal deficit** in 2020 due to multiple stimulus packages

>30k

Businesses folded since the movement control order

SOCIAL IMPACT

>100k

Job losses since the start of the movement control order

26%

Share of **gig-workers** in the economy due to the pandemic

35%

Self-employed **claimed drop in income** by 90%

COVID-19 exposed existing cracks in Malaysia's social protection system



CHILDREN

19%

1.7 mil children live in **RELATIVE POVERTY**
(UNICEF "Children Without" Study)

2 in 5

Children < 5 years old are **STUNTING** due to poor nutrition
(first 1,000 days critical for brain and physical development)

14k

SECONDARY SCHOOL children **DROPOUT**
(not compulsory in Malaysia)

1 in 3

children **HAVE NO ACCESS** to any electronic device for remote learning

Source: UNICEF, Ministry of Education (2017)



ADULTS

55%-60%

Working age adults **NOT COVERED** by any statutory contributions

>50%
(4.4M)

of EPF members **EARNING BELOW** Belanjawanku living wage RM2,500/month

96%

Malaysians have **insufficient savings** to last for 6 months

23%

COULD NOT AFFORD to purchase a house for their family

Source: SWRC, EPF, World Bank Economics Monitor 2019, Insolvency Department 2018, MOH 2019



OLDER PERSONS

13%
(900K)

households are **LED BY THE ELDERLY** (> 60% falls under B40)

8.5%
(280K)

falls under old-age poverty

> 70%

Receive financial support from family (**MARS**)

6x higher

Healthcare needs amidst rising life expectancy
Life expectancy at 60 y.o. is 80 y.o.

85%

REGRET not saving more for their retirement and wish they have some form of pensions or regular income

Source: National Health Morbidity Survey (2017), DOSM (2020), BNM (2016), EPF 2015, HSBC survey 2018

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Stimulus Package – The Malaysian Framework



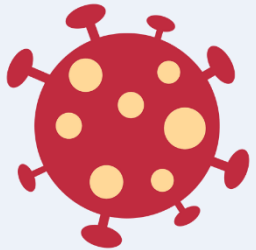
Restored **CONFIDENCE** and
STABILITY



FAST recovery



BASIC NEEDS of people are
ADDRESSED



Control the
COVID-19 situation



Ease of cashflow
management



Support individuals
affected



Ensure businesses
survive to keep jobs

Multiple stimulus packages to cushion the impact

Prihatin
Pakej Ransangan Ekonomi Prihatin Rakyat

March 2020

RM 250 billion
(USD\$60.8 billion)

Prihatin⁺
Pakej Ransangan Ekonomi Prihatin Rakyat

April 2020

RM 10 billion
(USD\$2.43 billion)

penjana
Pelan Jana Semula Ekonomi Negara

June 2020

RM 35 billion
(USD\$8.52 billion)

KitaPrihatin
Kerangka Inisiatif Tambahan Pakej Ransangan Ekonomi Prihatin Rakyat

Sept 2020

RM 10 billion
(USD\$(2.43 billion)

permai
Perlindungan Ekonomi & Rakyat Malaysia

Jan 2021

RM 15 billion
USD\$(3.65 billion)

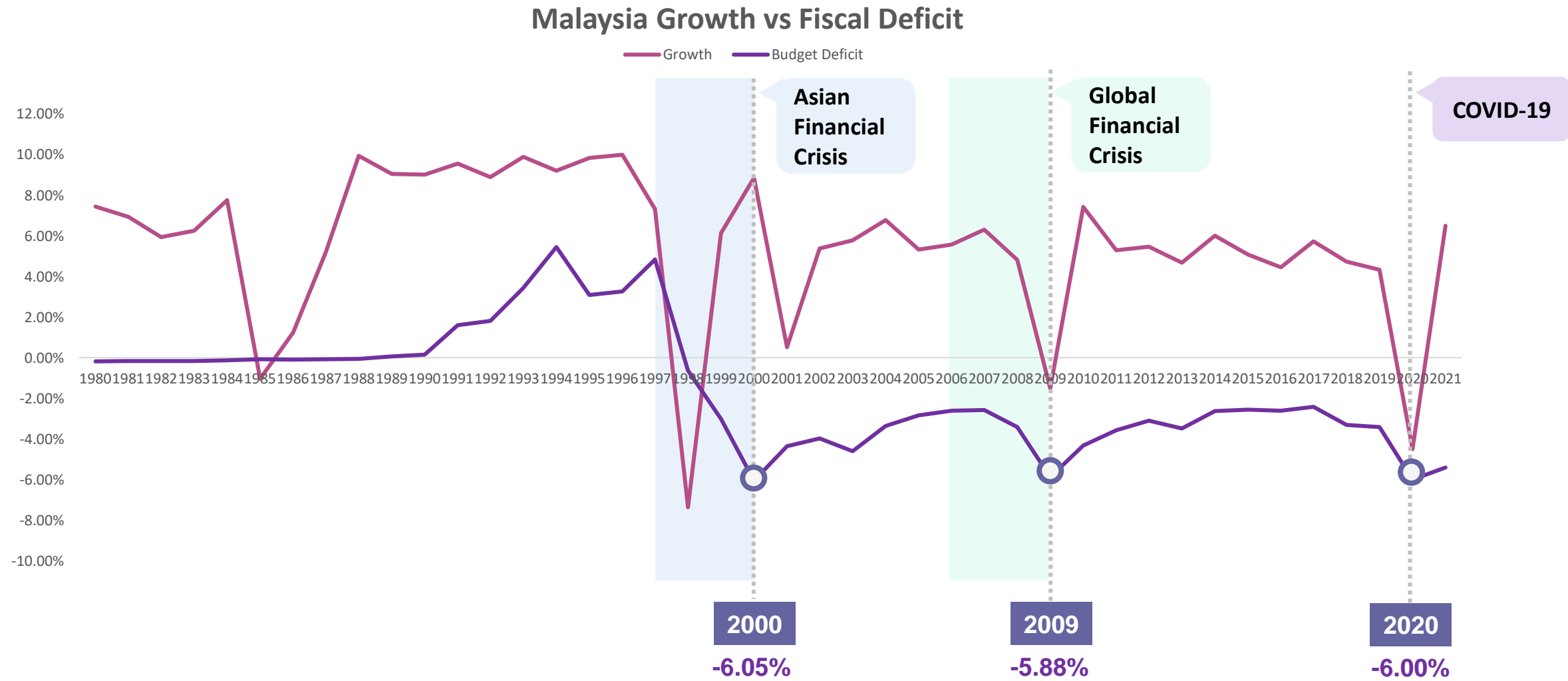
PEMERKASA
Program Strategik Memperkasa Rakyat dan Ekonomi

March 2021

RM 20 billion
(USD\$4.87 billion)

Total spending of **USD\$82.7 BILLION** or **23% OF MALAYSIA'S GDP** coupled with the largest federal budget FY 2021

Resulting to large fiscal deficits



AGENDA



FACTS OF LIFE

Key data and statistics that paint the current picture in Malaysia



STRATEGIC RESPONSE

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Impact of stimulus packages based on household income

	B40 Household (2.78 mil)	M40 Household (2.76 mil)	T20 Household (1.38 mil)
Loan Moratorium Deferment	✓		
Utility rebates	✓	✓	✓
Wage Subsidy	✓	✓	
Cash Transfers	✓	✓	
Rent exemptions	✓		
Food, Health and Shelter Assistance	✓		
EPF Withdrawal Facility	✓	✓	✓
Gig-worker incentives	✓	✓	
Students	✓	✓	✓

Combination of **UNIVERSAL** and **TARGETED** measures have been deployed by Malaysia

Social Protection Measures of the Stimulus Package

B40 POPULATION

1. Cash Transfers
2. Financial assistance for children (Budget 2021)
3. EPF rate deduction
4. EPF withdrawal facilities
5. BNM Targeted Moratorium
6. Wage subsidies
7. Tax and Rental Exemptions
8. Utility rebates
9. Increased allocation for SOCSO EIS (Budget 2021)

PEOPLE WITH DISABILITY

1. Increase allowance for PWDs (Budget 2021)

SENIOR CITIZENS

1. Increased allowance BOT (Budget 2021)

M40 / T20

1. Cash transfer (M40 only)
2. EPF deduction
3. EPF withdrawal facilities
4. Tax exemptions
5. Tax deductions (COVID-19 related spending)
6. Utility rebates
7. Increased allocation for SOCSO EIS (Budget 2021)

GIG WORKERS

1. One-off gig worker allowances

INDIGENOUS GROUPS

1. Employment opportunities (Budget 2021)

Holistic stimulus packages ensured **NO ONE LEFT BEHIND**

Measures by the Employees Provident Fund (EPF)



RM19.45 billion
(USD\$4.80 billion)
5.23 million Members



RM52.48 billion
(USD\$12.8 billion)
5.94 million Members

Anticipated Impact

ACCOUNT 1

30% OR ABOUT 1.6 MILLION of its members may withdraw almost all of their savings from Account 1 for the i-Sinar withdrawal
(*RETIREMENT ACCOUNT*)

ACCOUNT 2

60% OR 3 MILLION MEMBERS have or will eventually use up all savings in Account 2 via the i-Lestari withdrawal facility
(*PRE-RETIREMENT ACCOUNT*)

EPF FINANCIAL POSITION

EPF forced to hold **MORE CASH** as well as **MORE LIQUID ASSETS**, which provides Members with the least amount of returns moving forward
(*RM8.5 billion to pay 1% dividend*)

Source:
LAKSANA (2021), Alizakri Alias, Former EPF
CEO (2021)

COVERAGE and SAVINGS ADEQUACY must be addressed

The Way Forward



Strengthening Social Assistance

Inclusive **social assistance programme** covering the vulnerable groups (children, elderly, the poor, persons with disabilities and etc.)



Reforming social insurance, pension and retirement

Extending coverage to all adults through **mandatory statutory contributions** and automatic enrolment



Making labour market active and inclusive

Provide tax and non-tax incentives to **facilitate active labour market participation** including **upskilling and reskilling** opportunities



Governance and data consolidation

Establish **governance structure** to push wellbeing agenda facilitated by **seamless data sharing** across Ministries and Agencies

Do not waste a good crisis, opportunity to **REVIEW, RELOOK AND REFORM** Malaysia's social protection system