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Malaysia's Aging Society: Creating A Sustainable Silver Economy

POLICY AND RESEARCH DIVISION
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Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

Theme:

Malaysia's Ageing Society: Creating A Sustainable Silver Economy

Introduction:

According to the United Nations' World Population Ageing 2020 report, the number of older persons worldwide is projected to be more than double, reaching over 1.5 billion within three decades¹. In this context, **Malaysia** herself is expected to **become an ageing nation by 2030**.

The ageing nation phenomenon in Malaysia refers to the increasing proportion of elderly people in the country's population, as well as the associated economic, social, and health implications. This occurrence of ageing society is brought about by the lower mortality rate with the combination of lower fertility rate, resulting in a demographic shift where the elderly population are expanding but not the younger ones. It is a widely known phenomena that the older live longer lives but paradoxically less babies are being born.

According to the Department of Statistics Malaysia (DOSM), Malaysians are expected to live an average of 75.6 years in 2021, up from 63.6 years in 2011. Additionally, DOSM also states that the average size of family has been shrinking over time as the Malaysian population experiences late marriage and gives birth to fewer babies. In 2010, the average size of family was 4.31, and now has lowered to 3.8 per household. It is now clear that the demographic structure of the population has changed, which has also exerted pressure on income earning and inclusivity issues.

In less than a decade, it is forecasted that the country's **category of people aged 60 years and over will reach 15.3% of the total population**². This connotes that the period of time will be earlier for Malaysia to become an ageing nation. The main causes of this rapid change of status are contributed

¹ [World Population Ageing 2020 Highlights](#)

² [Life expectancy in Malaysia rises by 12 years, ageing population by 2030](#)

Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

by the following. These include:

- 1) Pressure in Income/Financial Security;
- 2) Inclusivity Issues of Senior Citizens Welfare
 - a) Elder Neglect and Abuse
 - b) Insufficient Age-Old Assistance

Malaysia's Ageing Society: Creating A Sustainable Silver Economy

Elaboration

Issues:

1) Pressure in Income/Financial Security

One quantitative research conducted by Maestas et al. (2016) for RAND Labor and Population has found that a 10% increase in the fraction of the population ages 60+ decreases the growth rate of GDP per capita by 5.5%³.

According to the World Bank projections using the Long-Term Growth Model (LGTM), slowing population growth and the shrinking size of the working-age population will likely contribute to the slow growth of GDP, and is projected to account for a third of the headline decline by 2050⁴.

The above mentioned literature clearly demonstrated that the shrinking of the working-age population will affect their income earning to have a sustainable retirement.

Thus, Malaysians need to be well-prepared for a good savings of income in order to guarantee a decent standard of living after retirement, especially for rainy days. There has been an alarming concern for the retirement savings in Malaysia, whereby:

³ [The Effect of Population Aging on Economic Growth, the Labor Force and Productivity](#)

⁴ [World Bank Publication - A Silver Lining: Productive and Inclusive Aging for Malaysia](#)

Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

	<ul style="list-style-type: none">- Increased longevity implies increased vulnerability to diseases and disabilities, with consequent increases in costs and greater time span of caring for the elderly by the individual, family and the society compared to the past. In addition, longer post retirement years affect older persons financially.- Thus, income security among elderly is equally important to sustain a comfortable retirement life.- In September 2021, as recorded in Figure 1, there were alarming levels of EPF savings withdrawal under RM10,000 for those in the age-bracket of 30 to 40 years old.- However, this withdrawal is due to activities related to the recovery post COVID-19 and not a long-term solution. Nevertheless, it sliced the small amount of savings for future use.
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Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

Figure 1: Table of EPF Members Under the Age of 55 with Savings of RM10,000 and Less by Age Group (as of September 2021)

Age Group	No. of Members	Percentage
Under 20 years old	2,245 thousand	3.8%
20 - 24 years old	1.38 million	23.5%
25 - 29 years old	1.24 million	21.2%
30 - 34 years old	805 thousand	13.7%
35 - 39 years old	703 thousand	12.0%
40 - 44 years old	595 thousand	10.1%
45 - 49 years old	485 thousand	8.3%
50 - 54 years old	437 thousand	7.4%
TOTAL	5.87 million	100%

Source: Answers to Parliamentary Oral Questions 14, 4th Term

- These retiree age-brackets will soon have to retire with less savings to support their equitable standard of living, **foregone RM24,000 to RM94,000** or equivalent to 10% to 39% of current Basic Savings when they retire at the age of 60⁵.
- EPF suggested that the **recommended minimum** amount of basic savings at age 55 is **RM240,000 which allows a monthly withdrawal of RM1,000 for 20 years after retirement**⁶.
- However, another study shows that the total amount of RM240,000 only includes expenditure to cover the basic needs expenses and is **insufficient to factorise other expenses like medical, leisure** etc.
- As an example, a living wage for a single adult provided by **BNM suggested at RM2,700 per month**⁷. The retiree would need retirement savings

⁵ [BNM - Rebuilding Retirement Savings and Financial Safety Nets in Malaysia](#)

⁶ [EPF Sets New Target Of RM240,000 For Basic Savings](#)

⁷ [Bank Negara Malaysia - The Living Wage: Beyond Making Ends Meet](#)

Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

	<p>that could sustain him for around 20 years, given that some would retire at the age of 55 and the life expectancy to be 75. Thus, he will require RM648,000 in retirement savings to live a decent life after retirement.</p> <p>RM2,700 X 12 months = RM32,400/annual</p> <p>RM32,400 X 20 years = RM648,000</p> <ul style="list-style-type: none"> - However, the amount illustrated above is what is expected for a concurrent expenditure, and it should escalate higher if other factors are considered. Thus, more need to be saved to cover uncertainties such as emergencies, medical bills, inflation, and so on for those in the age brackets reaching the end of their retirement age. - Based on the above, there is a need for income/financial security among the elderly to sustain a comfortable life in the retirement days and it is a major concern that those in the age-bracket of 30 to 40 years old have insufficient savings in their retirement account. Given that these people are anticipated to live longer lifetimes, the issue is even more concerning. - BNM also noted that this sizable gap between the median longevity of retirement savings and life expectancy after retirement highlights the urgent need to rebuild savings buffers⁸. <p>2) Inclusivity issues in relation to Senior Citizens Welfare</p>
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⁸ [BNM - Rebuilding Retirement Savings and Financial Safety Nets in Malaysia](#)

Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

	<p>Among issues in relation to senior citizen's welfare confronting Malaysia's ageing society is in line with inadequate and inefficient social welfare programmes. There has been trivial development and expansion of the social welfare system beyond cash handouts and institutionalisation of the vulnerable groups including senior citizens.</p> <p>For the record, within the whole country, there are only 68 public welfare services administered by the Department of Social Welfare Malaysia (DSWM). Of these total 68 centres, only 17 are catered to the elderly people with a total maximum capacity of 3,170 people at a certain period of time only⁹. Comparatively, a by M. Ashray, F.S. (2018)¹⁰ found that there are a total of 270 registered care centres managed by the NGOs and the private sector for 6,083 elderly residents.</p> <p>Additionally, the shortage of social workers also contributes to the inefficient management of efforts to address social problems in the country, with the social worker-population ratio in Malaysia being 1: 8,576 people. This is huge in comparison to other countries like the US (1:490), Australia (1:1,040), UK (1:3,025) as well as our neighbour, Singapore (1:3,448)¹¹.</p> <p>Based on this, it is clear that the country is far from being able to manage the increasing ageing population. Malaysia lacks a comprehensive social protection system that covers all citizens, including the elderly. Such inadequacy subsequently results in:</p> <p>a) Insufficient and Inaccurate Age-Old Assistance</p> <ul style="list-style-type: none"> - While there are programmes that are geared towards age-old savings such as the Employees
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⁹ [Welfare Services Statistics](#)

¹⁰ [Social Welfare Services in Malaysia: The Role of Government. M. Ashray, F.S. \(2018\)](#)

¹¹ [Shortage of social workers among social problem challenges - Wan Azizah](#)

Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

Provident Fund (EPF), these **only cover formal workers with a confirmed source of income. There has been no specific or similar initiatives or even policies for no-income retirees.**

- According to the EPF data from December 2021 as seen in Figure 2, the proportion of **active members** aged between 50 and 60 years old constitutes **only 11.48%, or 882,375 individuals.** This reveals a significant shortfall, with at least **870,109 individuals** within this age bracket being **devoid of active savings for retirement**, given the population size of 12.3 million. Furthermore, Figure 3 evinces that the unemployment rate among this age cohort is approximately 10.3 million, underscoring the formidable number of elderly citizens who are not able to contribute to their retirement savings.

ACTIVE MEMBERS' PROFILE BY AGE GROUP AND GENDER AS AT 31 DECEMBER 2021

AGE GROUP (YEAR)	NUMBER OF MALE	NUMBER OF FEMALE	TOTAL MEMBER	TOTAL MEMBER (%)	TOTAL CUM. MEMBER (%)	TOTAL SAVINGS (RM)	TOTAL SAVINGS (%)	TOTAL CUM. SAVINGS (%)
<16	394	305	699	0.01	0.01	965,832	0.00	0.00
16-25	892,983	745,271	1,638,254	21.30	21.31	10,310,060,452	1.44	1.44
26-30	764,874	680,604	1,445,478	18.79	40.10	35,748,447,596	4.99	6.43
31-35	627,820	510,018	1,137,838	14.79	54.89	69,959,318,338	9.76	16.19
36-40	511,443	415,827	927,270	12.06	66.95	101,212,091,071	14.12	30.31
41-45	412,775	348,774	761,549	9.90	76.85	125,047,783,671	17.45	47.76
46-50	352,352	299,608	651,960	8.48	85.32	139,719,691,804	19.49	67.25
51-55	287,968	233,976	521,944	6.79	92.11	117,659,151,374	16.42	83.67
56-60	198,931	161,500	360,431	4.69	96.79	65,633,574,986	9.16	92.82
61-65	94,142	56,601	150,743	1.96	98.75	29,541,247,940	4.12	96.94
66-70	44,176	23,084	67,260	0.87	99.63	14,181,155,181	1.98	98.92
71-75	16,712	7,271	23,983	0.31	99.94	5,805,359,869	0.81	99.73
76-80	2,698	978	3,676	0.05	99.99	1,694,134,127	0.24	99.97
81-85	377	103	480	0.01	99.99	204,119,530	0.03	100.00
>85	221	187	408	0.01	100.00	12,471,383	0.00	100.00
GRAND TOTAL	4,207,866	3,484,107	7,691,973	100.00		716,729,573,155	100.00	

Figure 2: Active Member's Profile by Age Group and Gender As At 31 December 2021, (Source: EPF Annual Report)

Year	Category	Age Group	Total
2021	Active EPF Contributors	50 - 60	882,375
2021	Population		12,265.10
2021	Employed by Age Group		1,966.80

Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

Figure 3: Tabulated data from EPF and DOSM (2021)

- While there are cash and assistive benefits for the elderly led by the Department of Social Welfare, under the Ministry of Women, Family and Community Development, these have their own set of problems such as:
 - I. **Bantuan Orang Tua:** RM300 old age assistance is given as financial aid to support the elderly poor who are without family and no source of income support. However, there is an **issue of exclusion** despite the clear guidelines where the **lack of systematic methods** to generate data for the said groups could result in **mistakes in identifying the right beneficiaries for this cash assistance.**
 - II. **Institutionalisation issues brought about by Seri Kenangan Home (RSK), Rumah Ehsan (RE) and Rumah Sejahtera (RS):** RSK, RE and RS are institutions that provides needs-based care, treatment and shelter to those aged 60 years and above who are not suffering from infectious diseases, have no relatives and are unable to care for themselves. However, the strict guidelines meant that they are not necessarily eligible for those who are abandoned by their relatives. **Many older people who do not fall into these categories may not have access to the support they need. Institutional aged care covers only a very small portion of older persons.** An estimated 731,000 older persons have limitations in activities of their daily living. In contrast, there are about 2,745 residents in RSK, Rumah Ehsan and Rumah

Malaysia’s Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

Sejahtera—or less than 0.4% of the estimated older persons¹².

- With the **increase of elderly people** in less than a decade, **assistance such as these are not feasible in the long run**. As seen in the Figure 4 below, financial assistance for Older Persons have seen an incremental trend throughout the years. **Public financing of such schemes are also increasingly becoming a burden to the economy** as Malaysia’s working age population is on the verge of shrinking. With older people being vulnerable to diseases that require them to frequently visit healthcare services, public financing of these would be **costly in the long-term**. Thus, it is critical to raise public awareness, build the necessary infrastructure, and deliver and maintain various facilities in order to care for Malaysia’s burgeoning elderly population.

Skim Scheme	2018		2019		2020	
	Bilangan Penerima Number of Recipients	RM'000	Bilangan Penerima Number of Recipients	RM'000	Bilangan Penerima Number of Recipients	RM'000
Bantuan Kanak-kanak Financial Assistance for Children	69,976	212,587.9	70,152	211,449.8	65,391	197,173.9
Bantuan Orang Tua Financial Assistance for Older Persons	134,461	554,193.7	142,325	587,211.4	139,552	575,896.7

Figure 4:
Source: Financial Assistance for Older Persons – Department of Social Welfare

b) Elderly Neglect and Abuse

- According to the Women, Family and Community Development Ministry, a total of **2,144 senior citizens have been abandoned** at hospitals across

¹² [A Silver Lining: Productive and Inclusive Aging for Malaysia, WorldBank Report, p.96](#)

Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

	<p>the country from 2018 until 2022¹³. Several of the next-of-kin, or close family members, who were identified and recognised by the elderly had declined to bring them back to their home.</p> <ul style="list-style-type: none"> - Additionally, a local study in the BMJ Medical Journal found that over 8% or about one in 11 elderly adults polled had experienced physical (3.4%) or financial (4.8%) abuse¹⁴. - Tensions within the family, poor relationship between elderly and caregiver, mental health issues or substantial abuse among caregivers, older adults' dependency on others due to chronic illness or physical dysfunction as well as poor education are cited as reasons for being neglected and abused. - Rising cost of living also may contribute to family members abandoning their senior loved ones¹⁵. According to the Ministry of Economic Affairs, the average Malaysian household consists of 4 people - a couple and two children. However, this does not take into account the normal Asian family structure whereby parents may live together in the same household and thus raise the living expenses. - This is especially true given that the expense of caring for them rises as a result of their need for specialised care due to chronic illness or old age. - Furthermore, there are no laws that specifically protects senior citizens from such abuse and abandonment. While there are the Domestic Violence Act, 1994 (Act 521) and the Penal Code of
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¹³ [Over 2,100 senior citizens abandoned in Malaysia since 2018. Dewan Rakyat told](#)

¹⁴ [As Malaysia's ageing population rises, experts highlight ways to tackle abuse of elderly](#)

¹⁵ [The Malaysian Responsibility Struggle: Caring For Aging Parents](#)

Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

	<p>Malaysia (Act 574), these laws do not focus on the needs of the elderly and what they desire.</p> <p>In summary, existing measures are not sufficient to avoid the rapid growth of older persons in the country. Some of the weaknesses include:</p> <p>I. Limited Coverage: These social safety nets only cover certain groups of older people, such as those with low income or who have made contributions to the SOCSO fund. Many older people who do not fall in these categories may not have access to the support they need.</p> <p>II. Insufficient Funding: The funding allocated to these social safety nets may not be enough to match the needs of all eligible older people. This may result in long waiting periods for assistance or a lack of sufficient support.</p> <p>III. Inadequate Monitoring: The government may not have sufficient resources to monitor the effectiveness of these social safety nets and ensure that eligible individuals receive the support they need. This may result in some eligible individuals being excluded from the programs or not receiving the support they need.</p> <p>IV. Lack of Awareness: Many older people may not be aware of these social safety nets or how to apply for them. This may result in eligible individuals missing out on the support they need.</p>
<p>Recommendations</p>	<p>Although the Government has already initiated measures and policies in the 12th Malaysian Plan (12MP), the implementation should be rigorously executed in order to</p>

Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

ensure a holistic outcome and a well planned ageing country by 2050. To plan ahead and ensure a sustainable future, the Government must:

1) Ensure the minimum decent income/financial security of adults and elderly, by:

a) **Ensuring minimum income protection to all older persons by increasing coverage and adequacy of social insurance schemes** including EPF, as well as by **introducing a modest, broadly targeted social pension**. Targeted social pension should guarantee level of pension to those who have not been in gainful employment or have only worked to a minor extent.

b) **Making National Pension Scheme mandatory** where every Malaysian is required to pay a certain fixed amount of contributions and at a minimum of 10 years' of contribution. This to ensure that by the time they retire at the age of 60 years old, they would be receiving a basic, flat rate pension. Additionally, once employed, they are also covered with employee's pension (EPF) that enables them to get a bigger pension payout in the future.

c) **Establish a social insurance pension (SIP)**. Unlike now where only workers and employers are contributing to the individual retirement savings, the Government should also play an additional role to ensure the continuity of contribution. The SIP should invest in the

Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

pension floor where it is to close the coverage gap and ensure basic income for all.

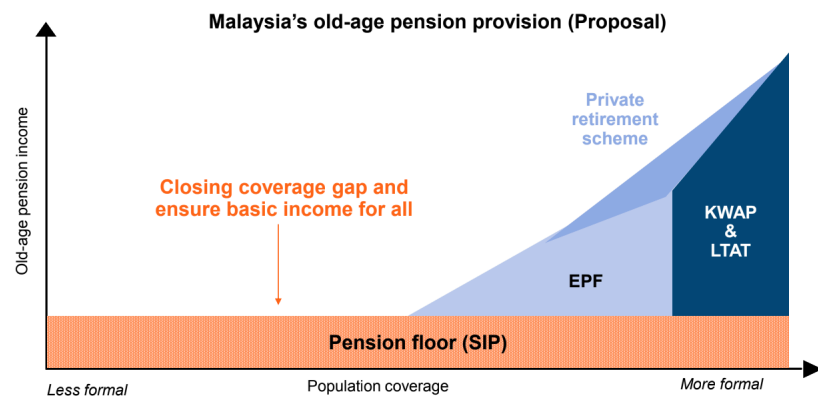


Figure 5: Malaysia's old age pension provision (Proposal)
Source: National Recovery Council – Presentation by Khazanah Research Institute (KRI)

d) **In disseminating and spreading of awareness on financial education**, the OECD report¹⁶ emphasises the importance of those age-bracket groups of 20 to 40 years old to have adequate retirement savings in ensuring a sustainable and comfortable life upon reaching the age of 60.

2) **Call for an urgent implementation of elderly's needs programs, that includes:**

a) The move to pass and implement the **Senior Citizen Bill** in ensuring **legal action could be taken against adults who irresponsibly abandon their elderly parents**. Careful study should be conducted to examine a participative

¹⁶ [OECD - Financial Education and Saving For Retirement](#)

Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

	<p>situation in the implementation and its impact such as taking into account for B40 households who could not provide both for their families and elderly.</p> <p>b) Appropriate and sufficient infrastructure to be elderly friendly. It is high time for Malaysia to upgrade existing facilities, institutions, public sector facilities for the elderly as well as healthcare staff and counsellors skilled in geriatric care to handle the emotional changes, mental and physical health of our senior citizens.</p> <p>I. Example from a Japanese model: A senior citizen and a caregiver is paid an amount depending on the medical condition of the senior citizen so that his day-to-day needs and medical facilities are taken care of.</p> <p>II. Build an environment that can promote healthy living , and older people need high-quality services and environments that are tailored to their needs throughout their entire lifespans that supports independent living and improves quality of life for the ageing population.</p> <p>c) Ensure assistance to the elderly are being continuously monitored through:</p> <p>I. Integrated data for all Malaysians should be driven by a comprehensive social protection system establishment. This</p>
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Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

	<p>is to ensure that the right beneficiaries of the elderly can be tracked upon receiving cash assistance.</p> <p>II. “Nursing homes” under the public assistance system should be provided as outlets for those older persons who were exceptions to the rule. This will facilitate elder persons in need of assistance such as “low-income seniors without close family members to support them.”</p> <p>d) Silver economy, as defined by the European Commission is “... the sum of all economic activity that serve the needs of people aged 50 and over, including the products and services they purchase directly and the further economic activity this spending generates.”¹⁷ - As Malaysia is fast becoming an ageing nation, the government should take advantage of our rising silver economy.</p> <p>I. Growth policies should be designed around the increased demands for activities, products and services for the senior citizens of Malaysia. This also includes taking another look at the elderly who are retired but still are able to contribute to the economy - taking cues from Japan’s overarching 100-year Life policies¹⁸.</p>
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¹⁷ [The Silver Economy, European Commission, p.3](#)

¹⁸ [Essence of the Era of 100-year Lifetimes](#)

Malaysia's Ageing Society: Creating A Sustainable Silver Economy
Dated 14 April 2023

	<p>II. Organisations in the private sector can offer opportunities to this ageing population and create suitable roles to integrate them into workplaces. A convenience store chain in Tokyo has created a hybrid store that it has branded a "seniors' salon". In this store, a section is fitted out with a blood pressure monitor, and a team of social workers to support the elderly, and also to distribute leaflets and information on relevant healthcare services. The store also features a dedicated section of specialist products targeting the needs of senior citizens.</p>
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