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Components of Social Protection: A Comparison between South Korea and Malaysia

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In the last couple of decades, social protection has captured the attention of East Asian and Southeast Asian governments. A sense of urgency was added by the 1997 Asian Financial Crisis (AFC) which shook up many governments in the region and revealed just how vulnerable their economies were. It also highlighted the severe impact of the financial crisis on the people such as high unemployment, indebtedness and poverty. International agencies such as the International Labour Organisation (ILO), the World Bank (WB) and others have increased their appeal to governments to improve social welfare or further protect their people. Several governments have upgraded protection for children, the aged and the sick against illnesses, injury and unemployment and have achieved considerable progress in the last decade. Social Protection (SP) programmes have to a certain extent prevented a large segment of the population in these countries from sinking into poverty. The Asian Development Bank in its 1997 report credited the Southeast Asian states with remarkable performance in maintaining exemplary economic and social development, exhibiting stable economic environment and solid welfare systems.

DEFINITION AND THEORETICAL FRAMEWORK

Both the WB and the ILO have converged with regards to the SP framework to cover all conceivable vulnerable groups. The two dimensional horizontal and vertical approaches were meant to cover the whole spectrum of social protection. The horizontal coverage comprising the Social Protection Floor (SPF) is to provide basic social services for all. This includes basic income for children and anyone incapable of earning, and for the aged and disabled, of the three main groups; basic housing and education. The components comprises social assistance, social insurance and labour market policies. As a form of compensation, social assistance is provided and controlled by the government to assist those in need with cash or in kind. There is no direct contribution to the scheme by, or on behalf of, potential beneficiaries. It provides coverage for the unemployed, the elderly, the disabled and the sick. This assistance is financed by the tax revenue (van Ginneken 1999). Social insurance schemes in principle operate on the basis of social pooling of risks and benefits and a fund is created with no individual accounts. Although government-sponsored schemes like the public pension scheme should have rightly been excluded in this category, public pension is often included together with the private pension scheme, workers' compensation scheme, employment insurance and healthcare. Labour market programmes refer to initiatives to promote employment, facilitate the efficient operation of the labour market and uphold worker protection. Any public measure to support earnings and employment is a form of social protection. The vertical dimension is to provide for a higher level of protection covering broader range of benefits, wider scope of personal coverage and higher benefits levels.

The SP framework originated from the social welfare system in Germany, UK, Netherlands and other European countries, with the state assuming the role of the caretaker of public welfare. East Asian and Southeast Asian countries, many argue, differ in the way they perceive welfare in that it is firstly the responsibility of all family members. Children are viewed as insurance and it is obligatory for more affluent family members to provide financial support to the less successful members. South Korea however, as discussed in this article, has over the years reformed its social protection and introduced the Minimum Living Standard Guarantee thereby constituting a social right of South Korean citizens to a decent standard of living (Kwon Huck Ju 2003).

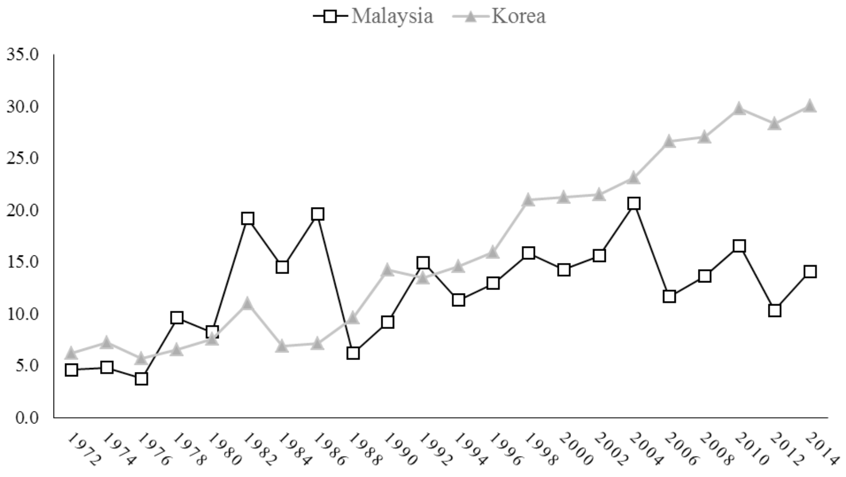
This article examines how South Korea and Malaysia, both Asian nations, protect its people under the ILO's SP framework. South Korea has been touted as one of the most equal among Asian countries and Malaysia aspires to be an inclusive high-income nation. The article will firstly describe the history of social protection in both countries. The second part examines how South Korea and Malaysia provide for its people under the SPF and social assistance, social insurance and labour market programmes. It also explains the impact on the coverage and the challenges in both nations.

LEGACY OF SOCIAL PROTECTION IN MALAYSIA AND SOUTH KOREA

Malaysia and South Korea have achieved impressive high-growth periods since the early 1960s, which enabled both countries to address their severe poverty problems and made progress in the provision and delivery of social security programmes. Figure 4.1 shows how the economic performance of Malaysia and South Korea started at the same level in the 1970s, converged in the early 1990s, but went on a different growth trajectory post-1997 AFC.

It is the norm for people in Asia, including Malaysia and South Korea, to rely on their families for economic security and support. Due to this shared

Figure 4.1: Annual Percentage of GDP Growth, 1972 - 2014



Source: Malaysian Economic Planning Unit (EPU), OECD Database

custom and belief, security for an individual in these countries is more often than not regarded as a private matter or family concern. Direct transfers within the extended family have acted as informal shock absorber in times of economic downturn. Children who earned a steady income customarily try to send some money to support their parents or relatives and some even opt to live together. Hence, the government's role is relegated to being a residual one. While the economy is growing, there have been rapid changes in demographic structures in Malaysia and South Korea. Both nations share the same features of a higher proportion of the aged, increase in nuclear families and other family types and rising social participation of women. Low fertility rate is a higher concern for South Korea in particular, and will soon become one in Malaysia. There is also the growing need for social care for children, the elderly and persons with disabilities, who have been taken care of informally by families and communities. With the growing inability to acquire life's necessities in a growing economy, there have been calls for adequate measures to assure a minimum income to persons affected by major threats to economic security. This is particularly the case in South Korea and Malaysia where rapid industrialisation, urbanisation plus social mobility are taking place and thus disintegrating the traditional forms of social protection (Zin, Lee and Abdul-Rahman 2002). This has invariably led to the need to increase private savings or develop a better social security system.

The Malaysian social protection programmes evolved from British colonial practices and became part of poverty eradication efforts in its economic development plans (Mansor and Awang 2002). Before the Second World War, the Chinese and Indian immigrant labourers who came to Malaysia had their own informal social security relationship, depending on their own clans, ethnic groupings or employers. Lack of concern by the British Colonial government forced the labourers to protect themselves, which led to the establishment of the Indian Immigration Commission in 1907 and the Labourers' Code Enactment in 1991. These were responsible for looking into the working and living conditions of immigrant workers. Before 1945, the British colonial administration completely ignored the welfare of workers. Encouraged by a strong trade union movement along sectoral and occupational lines, the Employees' Provident Fund (EPF) was established on 1st October 1951. In 1971, the development of social security in Malaysia reached another milestone with the establishment of the Social Security Organisation (SOCSO). SOCSO's main aim is to provide protection to employees through the employment injury schemes and invalidity pension schemes.

The introduction of the New Economic Policy (NEP) in 1971 had a significant impact on social security development in Malaysia. The primary focus was given to develop rural areas as more than 70 percent of the population came from the rural poor. The Malaysian government spent heavily to improve the infrastructure, develop human resources and provide better housing and healthcare. The government allocated 27 percent to 31 percent of its development expenditure on programmes to eradicate poverty (Mansor and Awang 2002). Subsequently, poverty has been reduced and income disparities minimised, resulting in better employment opportunities. This has formed the basis for the provision of SPF for Malaysia.

The statutory social protection in South Korea began in the early 1960s. At the time, the country was still recovering from the Korean War and thus very few social services were made available. Much of the progress in the establishment of statutory social protection in South Korea was influenced by the legacy of Japanese colonisation, where the nation's welfare measures were modelled based on Japanese policies (Joo 2000). It is also worth noting that the successive implementations of the socio-economic development policies were made under the authoritarian regime, in particular during Park Chung-Hee's administration (1961-1979). This is in response to emerging opinions that the governing elite's political purpose in social policy development was for labour stabilisation[1] or political legitimisation.[2]

It started with the Livelihood Protection Act enacted in 1961 to provide basic livelihood protection, medical assistance and institutional care for those who were unable to work due to age or disability and the working poor. There was also the income support programme for the poor that was based on the restricted means-test and provided minimum benefits.

In 1963, the Health Insurance Law was enacted by the military government immediately after its *coup d'état* (Kwon Soon Man 2009). Due to the country's

[1] Between 1971 and 1974, an estimated 2,500 cases of labour disputes were reported. This is due to the labourers' dissatisfaction over low wage and poor working conditions (Joo 2000).

[2] The presidential election in 1987 drove the ruling party and the government to expand social welfare programmes as a major campaign agenda to elicit support from the general public (Midgley 1986).

weak economic and social infrastructure, insurance contribution was not made mandatory until the mid-1970s. The Health Insurance Law was revised gradually to include mandatory enrolment of the population in health insurance. The National Pension Programme was initiated in 1973, along with public assistance and social welfare services earmarked for the poor and the underprivileged. In the mid-1960s, pension schemes for military personnel and the industrial accident insurance programme were introduced. However, the implementation of these schemes was delayed mostly due to the economic crisis caused by the sudden oil price rise and subsequent inflationary period.

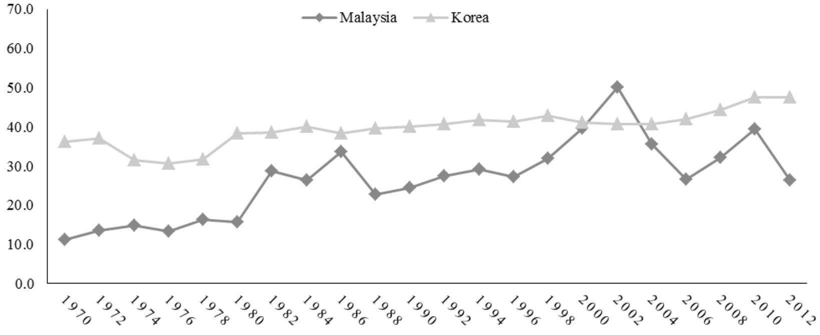
SOCIAL PROTECTION FLOOR

As mentioned earlier, SPF consists of basic healthcare services for all. This covers basic income for children and anyone incapable of earning, for the aged and disabled coupled with basic housing and education.

The two nations however, differ in their classification of expenditure. South Korea separates the social protection expenditure from other social services such as health, housing and education, whereas Malaysia's social services include health, housing, education and other forms of social protection.

The South Korean government consistently spent a far larger share of its total expenditure on social protection than its counterpart in Malaysia (Figure 4.2) since the early 1970s. On average, the government spent around US$49 billion every year on education, health, housing and social services. In contrast, the Malaysian government allocates on average US$1.5 billion yearly from the total government expenditure. As a result, there is now a substantial difference in the share of public resources allocated to social security schemes in the two countries.

Figure 4.2: Share of Government Expenditure on Social Security,* 1972-2012

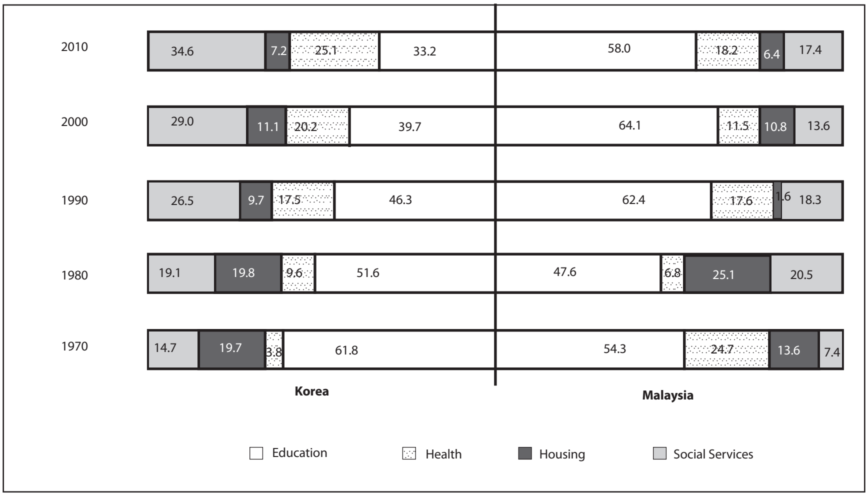


* Social Security expenditure encompasses spending on education, health, housing and social and community services. Definition and calculation may vary between countries.

Sources: Central Bank of Malaysia (BNM) Monthly Statistical Bulletin and Bank of Korea Economics Statistic System.

Education is the largest recipient of government spending on social security in both countries (Figure 4.3) The shares of social services expenditure in South Korea has increased consistently over the years and in 2010, it overtook education to become the leading component of government expenditure on social security. In the case of Malaysia, the share of social services expenditure has been on an increasing trend, with a noticeable hike from the 1970s to 1980s. Over the years, the proportion has fluctuated, but largely remained constant.

Figure 4.3: Allocation of Government Spending on Components of Social Security*



*Social Security expenditure encompasses spending on education, health, housing and social and community services. Definition and calculation may vary between countries.

Sources: BNM, Monthly Statistical Bulletin and Bank of Korea Economics Statistic System.

Malaysia has a two-parallel healthcare system. The public healthcare sector is universal and is solely funded by the government. The Ministry of Health (MOH) is the largest provider and together with other agencies works towards providing healthcare for the nation. Every Malaysian citizen will only have to pay a nominal sum of RM1 for the treatment and medication received from the public healthcare sector. While for the private healthcare services, the amount will be fully paid by the patients, employees or insurance companies. Healthcare services in Malaysia are expanding both in the public and private sector. There is a steady increase in the number of hospitals, clinics and other medical centres.

The 1Malaysia Clinics were also established in 2010 as part of on-going government programmes under the Malaysian Prime Minister Najib Tun Razak. The clinics provide basic medical services for minor ailments and injuries such as fever, cough, colds, wounds and cuts, diabetes and hypertension. The medical assistants and staff nurses manage the clinics and medical officers make weekly visits. The aim of the establishment is to deliver equitable and quality healthcare to society, making healthcare more accessible and affordable especially to the urban poor.

In contrast, all South Korean citizens are covered under National Health Insurance (NHI) started in 1963 either by an employee insurance scheme, as a corporate member or a self-employed insurance scheme, as a regional member (Figure 4.4). The Health Insurance Review Agency (HIRA) reviews medical fees and evaluates healthcare performance with involvement from either insurance providers or other interested parties. By the end of 2004, NHI covered 47.4 million people (17.9 million insured), 98.6 percent of the population and the rest was covered by the Medical Aid Programme, a non-contributory programme for the poor.

The financing of NHI mainly consists of contributions from the insured, their employers and government subsidies. The contribution calculations for the insured employee and the insured self-employed are different. For the insured self-employed, contributions are calculated on the basis of income. The calculated contribution is paid by the insured themselves. The national government subsidises 50 percent of the total expenditure on administration and healthcare benefits of the insured self-employed.

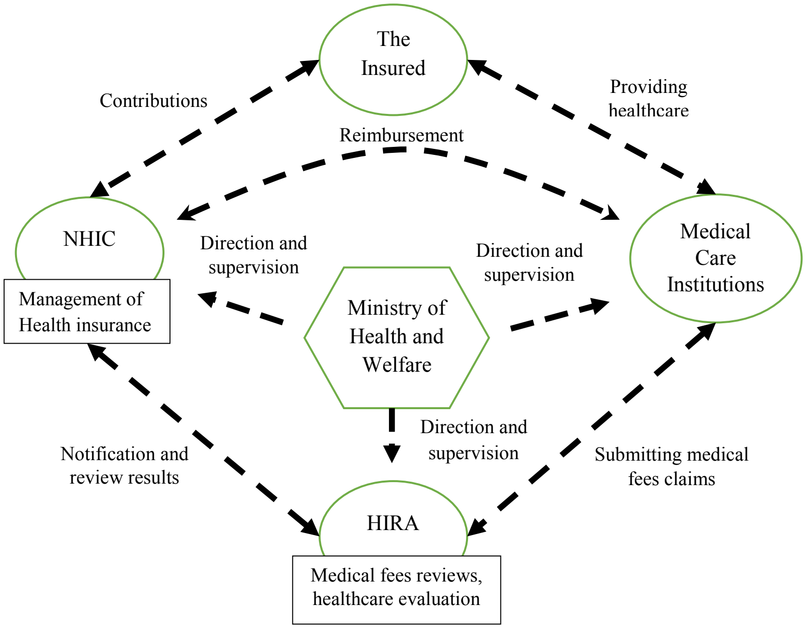
NHI helps the insured and their dependents with injury prevention, treatment, childbirth, health promotion and education, rehabilitation and preventive care, thereby enhancing the national health and social security of all South Korean citizens. The Ministry of Health and Welfare manages and supervises* HIRA is in charge of reviewing healthcare fees and evaluating healthcare performance.

The Medical Assistance Programme was designed to provide targeted healthcare to people living under the national poverty line. This programme is part of the National Basic Livelihood Security System. The coverage and level of assistance benefits has been expanded and improved to provide better healthcare to people with a low-income. In the wake of the Asian crisis, the scheme stretched to cover 1.64 million in 1999 including people who temporarily fell into poverty (Yi 2013). In 2004, the scheme expanded its coverage to those who are slightly better off than the poor but with a rare chronic disease who were likely to fall into poverty due to the burden of disproportionate medical expenses.

Throughout the 1970s and 1980s, the South Korean economy recorded impressive growth after the oil price crisis. Subsequently, social welfare reforms received increasing attention during the Fourth (1977–1981) and Fifth (1982–1986) development plans. In 1981, the government adopted a strategy of pursuing social welfare policies in conjunction with stabilisation and structural adjustment

* The National Health Insurance Corporation (NHIC). It is South Korea's only public insurance institution.

Figure 4.4: The Structure of the National Health Insurance (NHI) Programme



Source: Health Insurance Review and Service.

measures that were deemed of greater short-term significance to the nation's health (Kwon Soon Won 1993). The national pension scheme, which was built on the public pension and the military social security, was eventually put into action in 1988 and made compulsory for all formal employment and voluntary for those self-employed. The equity dimension of the scheme is mostly tied to income and there is an element of income-equalising for lower-income earners (Ramesh 1995).

South Korean social protection reform was broader than those of Malaysia. Such an approach had an impact on policy choices in response to the 1997 crisis. The Asian Financial Crisis in 1997 halted further development or progress made to improve the livelihood of the people. Both countries were hard hit by the crisis. Malaysia experienced massive currency depreciation which adversely affected the cost of importing goods. The economic downturn in return led to a deterioration in employment. Similarly in South Korea, many firms filed for bankruptcy and unemployment increased to the highest level in 30 years. Many workers were unemployed or displaced as a result of the crisis and a large number had entered the informal sector (Lee and Eun 2009). The 1997 crisis exposed the inadequacies in the existing social safety net in their respective countries.

The economic crisis attracted the people's attention to the role of the social security system in South Korea and Malaysia, with many calling for countermeasures to be taken immediately. In response, the Malaysian government took charge to reform its existing social security and labour market programme. In South Korea, social policy reform was undertaken in three critical areas; labour reform to deal with unemployment, national pension reform to provide income support and national health insurance reform to reduce the ill effects of the economic crisis.

Since protection for workers is weak, the Malaysian government has to protect jobs. Companies were financially supported by the government to discourage lay-offs. The government introduced several policy measures to support the labour market through active policies. The labour market exchange system (ELS) and retraining schemes for displaced workers were established. Financial support for the informal sector was further intensified through the establishment of micro credit schemes such as the *Amanah Ikhtiar Malaysia* (AIM) and the *TEKUN Nasional*. The government also tightened policies regarding retrenchment and termination to prevent inappropriate retrenchment, to promote fair labour practices and to avoid unlawful dismissal (Mansor et al. 2000).

Faced with a severe economic crisis that nearly toppled the country, the South Korean government quickly implemented an array of social policy reforms that would greatly enhance social protection for the vulnerable. To deal with mass unemployment, the government immediately allocated more spending on various labour market programmes through active and passive labour market policies (Kwon Soon Man 2001). The active labour market policies include job placement, employment subsidy and vocational training. The government launched social overhead capital (SOC) investments in an effort to create jobs. The passive labour market policy on the other hand includes unemployment compensation and safety nets to minimise the ill effect of the loss of income. Various public work programmes were established to provide temporary income support without any work incentive (Kwon Soon Man 2001).

As mentioned earlier, the three components can be categorised as social assistance, social insurance and labour market programmes.

SOCIAL ASSISTANCE

In Malaysia, Social Assistance (SA) comprises financial and welfare assistance, home-help services and *zakat*. The general objectives of the financial and welfare assistance is to assist the target group to meet their basic needs, to encourage the productive target group to work and live independently and to improve the quality of life for the group. There is also the home-help services programme to assist the elderly poor and the disabled who live alone or those who live with family but are in need of assistance. It is essentially a community support endeavour with the cooperation of volunteer caregivers to the elderly.

As a Muslim majority-country, *zakat* can also be considered a social assistance instrument to improve the welfare and well-being of Muslims in Malaysia. *Zakat* is one of the fundamental pillars of Islam whereby well-off Muslims are obligated to contribute a portion of their wealth to those who are eligible to receive it. Payment of *zakat* is considered purification and the cleansing of the wealth and the heart of the person who pays *zakat* (Samad and Glenn 2010). The *zakat* institution plays a significant role as the intermediary to collect and distribute zakat funds to the recipients and ensure basic necessities are met to lead a decent life.

In South Korea, social assistance is delivered through various avenues. The National Basic Livelihood Scheme (NBLS) was revamped after its predecessor, the Livelihood Protection Programme (LPP), was found to be inadequate and limited in terms of the scope and level of benefits. The NBLS encompasses monetary and non-monetary allowances in relation to health, education, housing and is more for households that earn income below the poverty line.

The South Korean government also introduced the Self-Sufficiency Assistance Policy to promote active work integration for the able-bodied beneficiaries to receive full NBLS allowances. The work integration activities are carried out both by the public sector and the civil society to provide sustainable jobs for the poor. The local public authorities are in charge of simple and less productive community programmes for less workable beneficiaries while the local self-sufficiency centres organise co-operative enterprises for the working poor. The so-called self-sufficiency enterprise is economically sustainable and has a kind of collective ownership where at least one-third of the workers are the beneficiaries of the NBLS for the enterprise to be eligible for government financial assistance and support.

There is also the Hope Programme established under the Self-Sufficiency Programme. The two components are (1) Hope Growing Savings Accounts and (2) Hope Reborn Project. The Hope Growing Savings Account is a type of Individual Development Account (IDA) where it is a matched savings account that encourages low-income families to save and build assets to achieve long-term goals such as buying a house or starting a micro-enterprise. The government and the private sector add the same amount of money to the savings of low-income households. Recipients of the national basic livelihood benefits are entitled to participate in this scheme, given that their earning income is higher than 60 percent of the minimum cost of living. Meanwhile, the Hope Reborn project is a job and welfare connection project which offers job opportunities and welfare services to those in the low income bracket. It also aims to assist disadvantaged people that are on long-term, health-related benefits into decent, lasting jobs. Under the project, agencies that employ participants of this project are entitled to receive subsidies based on the employment success rate, employment maintenance rate and the rate of off-the-welfare payroll.

The South Korean government has also developed a vast array of auxiliary schemes to deliver assistance for family, elderly people, invalids and survivors. Scheme benefits include child care, special child support for orphans, child care (pre-school), children's facilities, single parent family allowance, welfare centres, family welfare, subsidy for hiring the elderly, job seeking assistance for seniors, subsidy for disabled persons vehicle, institutional care for people with special needs, disability allowances, upbringing allowances for children with special needs, education allowances for the household of the disabled, medical assistance for the disabled, special deductions for the disabled and more.

SOCIAL INSURANCE

Public Pension Scheme

The Malaysian public sector pension scheme is often regarded as an appreciation of services rendered by the civil servants to the government and as a bond to retain their services. There are five types of benefits: monthly payment, lump-sum payment of service gratuity, one-off cash award, disability pension and the dependent's pension. The government also established a compulsory contribution retirement benefit scheme for members of the armed forces under the Armed Forces Trust Fund (*Lembaga Tabung Angkatan Tentera*, LTAT). It also enables officers and mobilised members of the volunteer forces in the service to participate in a savings scheme. The benefits are given in the form of lump-sum withdrawal inclusive of dividends and bonuses, death and disablement benefits and partial withdrawal to purchase a house to both the serving members as well as retiring and retired members of the Armed Forces.

Similarly, the National Pension Scheme (NPS) is a South Korean public pension programme with lifetime pension benefits which require the people to join and contribute into the system to hedge risks from aging, disability and death. It is also an income guarantee scheme where it ensures the stable lives of the participants or their dependents by offering pension benefits to them every month. The pension contribution rate is determined according to the principles of appropriate imposition and adequate benefits. The three types of pension benefits offered under NPS are old-age pension, disability pension and survivors' pension. Lump-sum payment is divided into lump-sum refund and lump-sum death payment.

As for the civil servants, military personnel and private school teachers, these groups are excluded from NPS coverage as they are covered under special pension schemes which are the Government Employees Pension Scheme, Military Personnel Pension Scheme, Private School Teachers' Pension Scheme and Special Post Office Pension Scheme. These schemes are managed by different agencies and entail different benefits and contribution rates.

Private Sector Pension Scheme

There are several schemes available to Malaysians in the private sector, non-pensionable public sector employees or self-employed. The Employees Provident Fund (EPF) is a trust fund which functions as a trustee for its members by providing retirement benefits through efficient and reliable management of their savings. It is a defined plan based on a prescribed rate of contribution by employers and employees, accumulated as savings in a personal account and entitling full withdrawal upon retirement. The contributions will be invested by EPF to earn reasonable returns to ensure the well-being of their members. The return on the investments is given to members in the form of dividends and cumulated onto contributions. The EPF also provides two additional benefits for EPF members namely incapacitation and death benefits.

There is also the Social Security Organisation (SOCSO), which was established principally to implement and administer the social security scheme under the Employees' Social Security Act 1969. Under its remuneration system known as *Sistem Saraan Baru Perkeso (SSBP)*, the Employment and Injury Scheme and Invalidity Pension scheme are aimed at protecting workers against risks of injury and invalidity during the course of employment. Under the Employment Injury Scheme, the contribution will be paid by both the employer and employee. All Malaysian employees that fit the criteria are eligible for coverage and protection under SOCSO, regardless of their employment status. The Invalidity Pension Scheme on the other hand provides the insured persons 24-hour coverage against invalidity or death due to any cause and is not related to the employment. The benefits provided in this scheme include the invalidity pension, invalidity grant, allowance, survivor's pension, funeral benefit, physical and vocational rehabilitation, return to work programme and education benefits.

Malaysian citizens also have the option to invest their savings for retirement in private retirement schemes (PRS) or saving schemes to complement Malaysia's mandatory contribution system schemes. The objective of the PRS is to secure the standard of living of the retirees through additional savings. The scheme is offered by approved providers who have a wide variety of products from which the individuals can select. There is no fixed amount or fixed intervals for making the contributions under the PRS due to its voluntary nature. The fund can be withdrawn in full or partially after the member has reached the retirement age of 55, upon the death of the member, permanent departure from the country and for the pre-retirement withdrawals. Likewise, savings schemes in this context refer to unit trusts or collective investments which allow investors to pool their investment funds to be invested in a portfolio of securities and other assets. The unit trusts include the government guaranteed scheme by the *Permodalan Nasional Berhad* such as National Unit Trust (*Amanah Saham Nasional*, ASN) and Bumiputera Unit Trust (*Amanah Saham Bumiputera*, ASB) and *Amanah Saham Wawasan* 2020.

Furthermore, the "1Malaysia Retirement Savings Scheme" was introduced in 2010. The objective of this scheme is to ensure the self-employed and individuals without fixed monthly income such as petty traders, taxi drivers, farmers and housewives or those in the informal sector have their own retirement plans. The contribution amount is on a voluntarily basis with a minimum RM50 while the maximum is limited to RM60,000 yearly. Subscribers of this scheme are also entitled to receive dividends that include 10 percent contributions, up to RM120 per year from the government.

Contrastingly, the South Korean social insurance system consists of four major components based on the social insurance model namely NPS, Employment Insurance, NHI and Industrial Accident Compensation Insurance.

Workers' Compensation Scheme

The Malaysian government introduced the Workmen's Compensation Act to protect employees against injury and safeguard their livelihood. This scheme operates as a law, governing the terms and amount of compensation in case of death. The employer is fully responsible for the social insurance provided by private companies and does not handle the fund itself. However, the scheme never attained much significance especially after the establishment of SOCSO (Zin, Lee and Abdul-Rahman 2002). In 1993, foreign workers were no longer covered by SOCSO. However, in 1996, an amendment was made for the Workmen's Compensation where it became the major source of indemnity for foreign workers. In addition, the Foreign Workers' Compensation Scheme was established in 1998.

Similarly in South Korea, the Industrial Accident Compensation Insurance (IACI) is the compulsory insurance programme where the state ensures post-accidental livelihood of workers and their families. Under the IACI, the state imposes a fixed contribution on employers for compensation due to an accident under the Labour Standards Act. It compensates on behalf of employers for accident victims from resources from the collection of insurance contributions. The programme is funded entirely out of contributions from employers, with the government paying for a portion of the administration costs.

Employment Insurance

The starkest difference of social insurance in South Korea relative to Malaysia is the establishment of the Employment Insurance System (EIS) in 1992 and the South Korean Government Insurance Act which was effective from 1st July 1995. The EIS is a combination of traditional unemployment benefits and active labour market programmes. It was designed not only to help unemployed workers by giving them unemployment benefits, but also to enhance employment stabilisation and employability of workers. This is why South Korea refers to this system as EIS rather than an unemployment insurance system.

The unemployment benefits consist of job-seeking allowances which aim to stabilise living conditions and employment promotion allowances which promote early re-employment of displaced workers. A number of job-seeking allowances are available. If a recipient of unemployment benefits receives vocational ability development training as a regional labour office orders them to do so, extended training allowances are provided. If a person needs support for living costs because his employment and livelihood are especially difficult, individual extended allowances are provided after taking into account wage levels, assets, number of dependent family members and participation in training. If a person whose benefit payment period ends is considered especially difficult to be reemployed due to a sharp rise in unemployment, etc., special extended allowances are provided during a period determined by the Minister of Labour. Employment promotion allowances are also available. If a person is reemployed with more than half of the benefit payment period remaining, all or half of the remaining job-seeking benefits is given as an early reemployment allowance. If a person receives vocational ability development training introduced by a regional labour office during an employment period, vocational ability development allowances are provided. The allowances cover transportation and meal expenses during the training period. Wide-area job-seeking allowances and moving allowances are also available.

LABOUR MARKET PROGRAMME

In Malaysia, there are five measures that can be considered as labour market programmes. These are the retrenchment benefits, vocational training programme, training and education programmes for retired or retiring servicemen, job coaching, return-to-work programme and microcredits.

Retrenchment Benefits

The Employment (Termination and Lay-off Benefits) Regulations 1980 stipulated that benefits upon termination or retrenchment must be made by the employer to the employee no later than seven days after the relevant date. The benefits payment is based on the length of completed service. However, employees are not entitled to receive retrenchment benefits if they have attained retirement age as in the contract, or if the employees commit misconduct and are inconsistent with fulfilment of expression, voluntary termination and if the contract is renewed or employees are re-engaged under a new contract by the same company.

Retrenchment benefits may reduce the risk that employees encounter against unemployment. However, no protection is received during unemployment. In contrast, unemployment insurance will protect the employees from the consequences of unemployment even though it does not reduce the risk that employees face against unemployment (ILO 2013).

Retrenchment Monitoring Operations Room

In the wake of the AFC, the Retrenchment and Job Placement Monitoring Operation Room was formed to assist displaced employees affected by the crisis. These measures were further developed and strengthened during the

2008 crisis. Altogether, 80 such centres such as the JobsMalaysia Centre and JobsMalaysia Point were established throughout Malaysia to monitor and identify employees and employers involved in the retrenchment, assist in job placement for retrenched workers, collect data on retrenchment and promote the registration of job seekers and employers.

Electronic Labour Exchange

The Electronic Labour Exchange (ELX) is an online application project under the e-government which was introduced in 2002. It is a three-module integrated system namely JobsMalaysia, Labour Market Database and Office Productivity Support System to improve services, facilities and accessibility to enhance labour market information through the use of ICT. The numbers of registered users in 2014 shows encouraging results, whereby 144,602 new jobseekers registered while a total of 14,040 employers registered and 40,491 job placements were made.

Vocational Training Programmes

Community-Based Rehabilitation (CBR) is a strategy within community development for the rehabilitation, equalisation of opportunities and social inclusion of all people with disabilities (ILO, UNESCO and WHO 2013). The implementation of CBR was done through the initiatives of the disabled people themselves, families and communities, as well as health, education, vocational and social services. CBR promotes empowerment of people with disabilities where it creates the environment for equal opportunity to help improve their social status.

There are several training programmes established in Malaysia that provide employment opportunities for people with disabilities who are unable to compete in the labour market. The Department of Social Welfare, for example, provides a total of seven homes known as "*Taman Sinar Harapan*" (TSH) for care, rehabilitation and training for persons with disabilities. The objective of this programme is to enable them to achieve their optimum capabilities through training so that they can be independent and become integrated into the society. Among the programmes and activities conducted in TSH are basic academic classes including self-management, religious and social development, pre-vocational training such as sewing and household skills as well as rehabilitation programmes. The centre also assists with job placements upon the completion of the programme.

Training and Education Programmes for Retiring or Retired Servicemen

This main objective of this programme is to provide those who are going to retire or retirees with training and prepare them to embark on a second career. Among the programmes currently being run in Malaysia is the *Perbadanan Hal Ehwal Bekas*

Angkatan Tentera (Armed Forces Ex-Servicemen Affairs Corporation) or PERHEBAT for retiring and retired personnel of the armed forces. It was established in 1994 as one of the LTAT's wholly owned corporations that provides resettlement training in the field of technical, vocational, professional as well as entrepreneurial development to enable them to adjust to a new life style.

Job Coaching

Job Coach is the key player to support employment. It was designed to improve employment opportunities of disabled people in integrated settings with on-going training and support at the work site. The coach will act as a trainer and intermediary between the people with disabilities and the companies by providing support for both parties throughout the employment process. Job coaching is one of the employment support services under the project for capacity building for disabled people that was established with cooperation between the Department of Social Welfare Malaysia and the Japan International Cooperation Agency (JICA) in 2005.

Under the supervision of the Department of Social Welfare Malaysia, Job Coach Network Malaysia (JCNM) was established to facilitate information sharing and partnerships among Job Coaches to promote sustainable employment for persons with disabilities. Job Coach is responsible for providing individualised on-site support needed by the employees. The support includes assessment, job matching, initial intensive and systematic instruction, support at the preliminary stage of employment as well as follow-up when necessary. The main feature of job coaching lies in the systematic instruction where the coach is responsible for understanding what the company needs and designing it in such a way that it can be taught to disabled people. This is to ensure the tasks can be completed effectively and productivity levels are not compromised.

Return-to-Work Programme

The Return-to-Work (RTW) Programme was introduced by SOCSO in 2007. Its main objective is to ensure insured workers with disabilities due to injuries and illnesses can return to work at the earliest time in a good and safe manner. The workers are placed in a rehabilitation programme to restore their physical and mental capacity before returning to work. RTW is a comprehensive rehabilitation programme with a systematic case management system where each case is undertaken by a case manager who will act as the coordinator between the insured and the stakeholders. Each case will undergo an assessment process to gauge the status and motivation of the insured to determine their placement in the rehabilitation programme. Once the assessment is completed, the case manager will work on the rehabilitation plan together with the employer, specialist, doctor, rehabilitation centre and other parties that may be involved.

A fast and comprehensive rehabilitation process is vital to avoid complications and allow each person to be able to return to active employment. Upon completion of the rehabilitation process, the insured person will be assisted with job placement based on his functional capacity. Training will also be provided if skills replacement is require to help him to return to work. After successfully securing a job, the employee will be monitored to address any emerging issues during the process and to monitor his performance.

Microcredits

The government introduced several schemes after the AFC to provide financial assistance through micro-credit facilities to the hard-core poor to venture into income-generating activities. Schemes like the AIM were established as part of poverty eradication programmes by the government under the National Development Policy. It is an interest-free loan to undertake projects such as trading and farming. Loans are to be repaid on a weekly basis. Once the loans are fully settled, bigger loans will be offered.

Another significant microcredit agency established after the AFC is *Tabung Ekonomi Kumpulan Usaha Niaga* or TEKUN Nasional, which is under the purview of the Ministry of Entrepreneurial and Cooperative Development. TEKUN was intended to provide simple and efficient financing facilitates to small-scale entrepreneurs to start-up and expand their businesses. TEKUN provides easy financing from RM1,000 to RM50,000 with repayment periods from six months up to five years to eligible persons. Since its establishment, TEKUN has evolved into an institution that provides business as well as income-generating opportunities, business capital financing and guidance, support services, as well as providing a networking platform for entrepreneurs (Mansor and Halimah 2001). Since its establishment, TEKUN has provided a total of RM3.2 billion worth of financing to 294,857 micro entrepreneurs.

For South Korea, under the EIS programme, Employment Stabilisation Programme (ESP) and the Vocational Ability Development Programme (VADP) are considered active labour market programmes. The ESP seeks to prevent massive layoffs and expedite transfers, reorientation and adjustment due to sudden changes in the industrial structure or technological progress. It is also to promote utilisation of job seekers' skills and interests by providing accurate information on the labour market. VADP seeks to foster and stimulate lifelong vocational training and job skills development. It provides financial incentives to encourage individual firms to invest in employee training, thereby improving labour productivity, employment stability, marketability of workers and firm competitiveness. In contrast, the third major component of EIS, Unemployment Benefits (UB), is a more traditional passive labour market programme which includes incentives for job seekers to develop their skills and seek re-employment opportunities. ESP and VADP are totally financed by employers' contributions while both employees and employers make equal contributions for UB. The administrative costs of EIS are financed by the government and subsidies are given to smaller companies. The Ministry of Labour and Employment Stabilisation Centres are responsible for the administration of EIS.

The purpose of ESP is to prevent massive layoffs, stimulate reemployment, and expand job opportunities by providing economic incentives to employers who avoid massive unemployment and employ displaced workers. To improve job matching, it also seeks to promote job placement by providing accurate job information on the labour market and administering vocational counselling and guidance. To pursue these aims, the following four sub-programmes were established: (1) Employment Adjustment Assistance, (2) Regional Employment Stimulation Grants, (3) Employment Facilitation Assistance and (4) Labour Market Information and Job Placement Services.

BRIDGING THE GAP

It is apparent that serious efforts have been made by both governments to provide sufficient coverage to the population against various contingencies. However, the existing system for both countries focuses mainly on the formal sector. The informal sector including the self-employed, daily and family workers are outside the coverage of the system and social assistance is rather inadequate. The Asian financial crisis has altered perceptions due to the sheer magnitude of adversity that workers and vulnerable groups faced. In recognition of this, efforts are increasingly apparent to reassess the existing systems. However, the need for reform is not only obvious in the implementation of specific measures, but also in the general design of the social protection systems.

The coverage of the formal social protection system in Malaysia is inadequate. The ELS rests solely on the employers, which raises problems for employers who are not financially stable. The civil service pension is financed through taxation which can be a fiscal challenge and the EPF does not pool risks and provide lifelong security as benefits are based on contributions with dividend rates fluctuating over the years. Moreover, workers in the informal sector and the self-employed such as petty traders and hawkers are not compelled to have accounts with the EPF and contribute only on a voluntary basis. As far as SOCSO is concerned, the real incidence rests with the consumers. Employers can shift the burden as production costs, while social assistance is too little.

The 1997 AFC exposed the shortfall of social protection measures with regards to the policy space for each government. South Korea had employment insurance reformed in the 1980s, and as such, workers were somewhat better protected during an economic crisis. The Malaysian government, in the absence of better labour protection, had to financially support firms in order to avoid lay-offs. Notwithstanding the significant developments made in Malaysia such as reviewing unemployment insurance in the 11th Malaysia Plan (2016-2020), much work remains to be done. Malaysia still emphasises employment generation and poverty eradication while reserving direct transfers only for those unable to enter the job market.

Social protection programmes in South Korea are more comprehensive and coherent than those in Malaysia. In South Korea, social insurance is the main instrument of income maintenance for the aged, disabled, survivors and healthcare for the sick. Malaysia, in contrast, notwithstanding its universal healthcare, has a patchwork of programmes based on forced savings and compulsory and voluntary insurance. Evidence suggests that social security coverage in Malaysia is sporadic, not universal and clearly lacking relative to that of South Korea.

Malaysia's coverage tends to be biased towards social insurance and provides relatively better coverage for the higher income. During the 10th Malaysia Plan (2010-2015), the social assistance coverage was extended under the BR1M programme, but evidently, one-off financial assistance seems inadequate. BR1M can be improved to be a more systematic and targeted form of cash transfer.

The programmes in South Korea display a greater tendency towards providing social security as a human right of a citizen. In Malaysia, social benefits are, to a large extent, discretionary. The only option for the aged with little or no savings in their EPF account, meagre personal savings or family to depend on is to turn to public assistance which has strict eligibility criteria. The same is true for the disabled who cannot work and do not have siblings to look after them, and those who cannot afford healthcare or personal savings. While the social insurance schemes in South Korea also leave many people uncovered, conditions for receiving public assistance are more generous relative to Malaysia.

There have been plans in the pipeline to introduce a National Health Insurance Scheme *in lieu* of the existing national health service in Malaysia. However, the proposal remains on the drawing board and no decision has been made as to whether the scheme will be based on the principle of social insurance or as a form of social assistance or other modes of financing.

While neither social security systems fare particularly well with respect to promoting equity, the one in Malaysia is still relatively inequitable. In South Korea, old age, disability and survivors pensions have a small income-equalising component, whereas the EPF benefits in Malaysia are strictly equal to one's contribution, which is proportional to one's income. Similarly, the insurance schemes for survivors and hospitalisation in Malaysia are run along commercial lines and involve no subsidy contribution from the government.

Fiscal sustainability remains the main challenge for the both governments. Better integration of the different types of funds can be a solution.

Coverage among the informal sector remains a vital issue. This is particularly true for social insurance which only covers the formal sector while excluding about 20 percent of the informal workers. The Labour Market Programme is gaining momentum in Malaysia in a post-1997 era. With the introduction of the ELX, readily-available information about job opportunities and matching evidently can minimise the ill-effects of unemployment. Retraining and other labour enhancement programmes also have helped to mitigate the negative consequences of unemployment. It is a move in the right direction for the government to look into an employment insurance scheme. Social protection should be aimed at protecting workers rather than jobs, which can be likered to the South Korean way of social security arrangement.

South Korea's experience proves that they have succeeded in setting up the necessary framework of social insurance, thereby having most of the working groups covered by the four social insurance programmes. There remain some groups of people excluded from any programme, but there are plans by the South Korean government to include both the self-employed, including taxi or lorry drivers and atypical workers such as insurance salespersons or private tutors in the IAEC. The government also plans to include daily workers, working less than a month and currently excluded, into the employment insurance programme from January 2003.

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