Social Security Research Centre

EMPLOYEES PROVIDENT FUND

Second International Conference on Social Security 2014

"Social Dimensions of Economic Development and Productivity: Lessons, Challenges and Opportunities for South East Asia"

December 3-5, 2014
Wednesday, Thursday & Friday
Hilton, Petaling Jaya
MALAYSIA

Report of the Second International Conference on Social Security 2014

Organized by:

Social Security Research Centre,
Faculty of Economics and Administration
University of Malaya
Hilton Petaling Jaya,
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December 3-5, 2014

This report summarizes the proceedings of the conference as interpreted by the assigned rapporteurs. Participants neither reviewed nor approved this report.

Conference Highlights

This conference highlights the deliberations on current issues on social security. It provides a platform for exchanging ideas, thoughts and views on the emerging trends in social security. It also fosters a voice that is essential in building a fraternity among like-minded people.

Objectives of the Conference

This Conference aims to:

- Analyze the consequences of the Global Financial Crisis and associated socio-economic changes for the future of social security.
- Identify the new demographic context encompassing the challenges of an evolving life-cycle and consequences of increasing migration.
- Assess current and innovative social security responses to the emerging global economic trends.
- Derive implications and key policy lessons for developing countries, especially for Southeast Asia.

Day 1: December 3, 2014

Welcome Remarks by Professor Datuk Norma Mansor

In her opening remarks, Professor Datuk Norma Mansor noted that communities around the globe are not only experiencing rapid economic changes but are facing social challenges that are dictating the way people lead their lives. Governments and policy-makers also had to grapple with the issue of growing disparity of incomes between the rich and the poor.

She suggested that poverty to be re-defined to include social indicators such as the levels of health and education. Social security policies can contribute to economic growth and should not be perceived as a fiscal burden but a viable social investment.

She proposed that the current options be reviewed so that people from all walks of life are able to enjoy the fruits of development fairly and equitable and enjoy social freedom, liberty and justice. She hoped that the conference would serve as a platform to debate, deliberate, and share experiences so as to encourage countries to move forward in their endeavor to incorporate social dimensions in their developmental efforts.

Opening Address by Professor Datuk Dr. Rohana Yusof

In her opening address Professor Datuk Dr. Rohana Yusof highlighted that the Conference brought to the forefront one of more pressing challenges confronting Governments and communities today. She observed that social dimensions were obscured by the pursuit for growth by countries but as the communities in the region undergo rapid and profound social changes, these issues have become key policy interest and research efforts.

She recalled although many countries in the region including Malaysia, have been successful in achieving admirable growth rates but in terms of social security programs, the governments were more inclined to pursue policies that promoted job creations rather than social program expansion, probably to maintain the economic dynamism and competitiveness. Social programs were perceived to be expensive and being tradition-bound societies, it was often assumed that families should provide against social risks.

She highlighted that changing demographic patterns accentuated the need to review and reconsider social programs. The worsening of income disparities has been aggravated by austerity and subsidy reduction programs by governments.

She proposed a new socio-economic paradigm as economic development is essentially the welfare of the people. She advanced the concept that shared prosperity within the framework of sustainable development is the key to a new economic world order.

KEYNOTE ADDRESS BY: PROFESSOR TULUS TAMBUNAN

Government Efforts to Improve Community Access to Healthcare and Education: A Story from Indonesia.

Chair: Professor Datuk Dr. Norma Mansor, SSRC

Professor Tulus Tambunan in his address enumerated the programs undertaken by the Indonesian government to improve access to healthcare and education especially for the poor. On education, 5.88% of children have no basic education, 6.75% of population in the age of 15 years or beyond cannot read and write and 13% of children from the lowest income group have not completed basic education/primary school (SD) and out of 87% of SD Diploma students only 56.7% went to high school.

Prof. Tulus highlighted that the current net enrollment rates for secondary education are still low. Indonesia has universal educational at primary schools but not at the junior secondary levels and only 55% of children from low-income families are enrolled in junior secondary schools.

Prof. Tulus stated that the government has made it compulsory for all citizens to undergo 9 years of education. In the last 15 years, Indonesia had introduced a comprehensive package of education reforms designed to expand access for the poor and improve quality education facilities in rural/remote/backward areas. The government is mandated (since 2009) to allocate minimum 20% of its total expenditure for education.

He also cited various pro-poor targeted programs including social safety net (*Jaringan Pengaman Sosial* or JPS) on education, BOS program (*Biaya Operasional Sekolah*, or School Operations Fund/subsidies), as a way of injecting funds directly into schools and *Kartu Indonesia Pintar* (Indonesia smart card, or KIP) to poor students to mitigate impacts of fuel price increases.

On healthcare, Prof. Tulus explained that health services are provided by government, NGOs, foreign aid, religious organizations and private entities. Government healthcare is available to all Indonesians and 75% of Indonesians rely on public healthcare. However, poor families and those living in rural areas have limited access to quality healthcare at affordable prices. He added that there are approximately 16 doctors per 100,000 people and 0.66 hospital beds per 1000 citizens (compared with 3.3 beds per 1000 people in the UK and 13.7 in Japan).

Prof. Tulus highlighted several policy measures on healthcare including regional decentralization of operational responsibility and authority and introduction of Health Card (*Kartu Sehat*) which was replaced by PKPS-BBM in 2001 (fuel price compensation scheme), and in 2005 the name was changed into *Asuransi Kesehatan Bagi Kaum Miskin* (health insurance for poor households).He cited several pro-poor programs such as social safety net (*Jaringan Pengaman Sosial* or JPS), National Social Security System (*Sistem Jaminan Sosial Nasional* or SJSN) including National Health Security (*Jaminan Kesehatan Nasional* or JKN).

National Social Security, which consists of BPJS *Kesehatan* (health) and BPJS *Ketenagakerjaan* (labor force), J*aminan Kesehatan Nasional* (JKN) including (i) *Askes* Program, i.e. for working as well as retired civil servants, policemen and military men, (ii) *Jamsostek* Program, i.e. for employees in the private sector, and (iii) *Jamkesmas* Program, i.e. a health insurance program implemented by the regional governments. A recent initiative to mitigate negative impact of fuel price increases, *Kartu Indonesia Sehat* (Indonesia health card, or KIS) was launched for the poor.

Prof Tulus added that expenditure for the improvements in social protection and welfare in 2013 were as follows: (i) affordable and quality education Rp 130.3 trillion; (ii) poverty alleviation, Rp 24.2 trillion; (iii) quality healthcare Rp 47.6 trillion, and (iv) food security Rp 22.0 trillion.

He noted that efforts were taken by the Indonesian government even before the Asian Financial Crisis (1997/98) but the programs were far from success stemming from problems of accuracy of data, bureaucracy, corruption, inadequate infrastructure and communications especially in isolated/much less developed regions, lack of awareness of local poor community and difficulties of coordination with local/central governments due to regional autonomy.

Q & A Session

Q 1: Ms Izzanie Mohamed Razif from MOH wanted to know whether the Smart card for poor students was a pre-emptive measure and if the health card was different from JPS. She also indicated that in Malaysia, data on the poor was captured by two agencies - Prime Minister's Department via e-kasih and Inland Revenue Board when the poor registers for BRIM. The two systems were not compatible and uses different criteria. She noted that 37% of recipients of BRIM were not eligible.
A 1: Prof. Tulus agreed implementing programs for the poor especially those unregistered including SMEs do face problems. National agencies in Indonesia depend on local officials for data. He said smart card was a kind of compensation for the poor to mitigate higher fuel prices. Health cards, similar to smart cards are for the poor who do not have support from the government. The Smart card is a temporary measure as recipients are expected to migrate to other programs. Money is credited via e-banking into their accounts.

Q 2: Dr. Lee Kwok Aun from UM commented that the 1997/1998 financial crisis was a trigger for social programs which saw a burst of expansions during the period 2010 to 2012. He inquired what specific conditions/pressure inside Indonesia that moved the government to embark on these programs. He noted that the weightage of regional governments in education was high and asked whether this was the intention behind decentralization.
A 2: Prof. Tulus said the 1997/1998 crisis changed the mind-set/orientation of not only the government but also the society. Prior to that government thought education was the only way and many programs to alleviate poverty was carried out during Suharto era. After the crisis, government changed direction and started inclusive social programs. During the 1997/1998 crisis, people relied on informal sector as the only way to survive. At the same time, the external forces from ILO, World Bank exerted pressure for minimum wages and social security programs as the growth from Suharto era vanished during the crisis and it was a bad experience for Indonesians.
President Habibi championed regional autonomy and reckoned decentralization will bring about equal and faster development. Many studies showed due to regional autonomy, growth was slower, corruption was higher, regional officials became richer and communications and coordination became difficult.
Regional healthcare expanded as it was funded by regional governments and contributions from central government.

Q 3: Dr. Muhammad Ikmal from UM observed that economic growth had slowed but social standards on health, education and others had increased. This would have increased the burden on government to finance these programs from tax revenue. He wanted to know whether tax is collected more efficiently now.
A 3: Prof. Tulus said tax collection have increased since the crisis but this would not guarantee that the government will collect more tax due to corruption in MOF and tax free income category. He also indicated due the vast expanse of the country they have to depend on the local agencies to collect. The problem of corruption was high at grass root levels. Indonesia relied on foreign loans including from the World Bank which have now reached danger levels.

SESSION 1: THEME 1:
Health and Education: Inequality, Informality and Security

Chair: Professor Datuk Dr. Norma Mansor, SSRC

Presenter 1:
Mr. Azfar Hilmi Baharudin
Faculty of Business Management, University of Technology MARA

Macroeconomic Foundations with Disparity Issues in Income and Education: A Causal Inquiry on ASEAN Countries

Mr. Azfar Hilmi reckons the issue of disparity in education and its link to other macroeconomic variables offers an interesting insight on its impact on the economy. The causal linkages between these determinants provide a fascinating economic framework that allows for a better direction for future policy formulation.

During the last few decades, the ASEAN countries strived to strengthen economic ties and achieve high growth rates which made the region an attractive location for global investment. However, the gap between the ASEAN members' Gini coefficients indicated the presence of income inequality within the region. He indicated divergence in inequality in Indonesia pre and post crisis. He also highlighted 2 countries in ASEAN, each on the other end of the continuum i.e. Singapore and Indonesia. On average, the countries in the region indicated Gini indexes greater than 40. While the members have managed to increase their national income significantly, they have failed to achieve improvements in income equality.

He was of the view that equality was not only determined by income levels but could be achieved through the provision of education. The high-skilled human capital stock of ASEAN countries seemed to be steady over the time, with Singapore leading by having almost a quarter of its labor force with tertiary education in 2013.

He indicated the causality relationships between economic growth, inflation, income inequality and education inequality. The required secondary data were compiled from different sources and the causality test was conducted by using the Toda-Yamamoto Granger method. The findings revealed some significant causal associations among the macro-economic variables of interest. It was found that causal relationships existed among income inequality, inflation and education inequality. Additionally, the relationship between income inequality and economic growth indicated a weak positive association. The proven causal linkages infer that macroeconomic factors such as inflation and growth are attached to social development dimensions. He concluded that socio-economic factors such as income inequality and education inequality, should be taken into account when formulating macro-economic policies.

Presenter 2:
Mr. Merouani Walid
Center in Applied Economics for Development (CREAD) Algeria

The Micro Economic Determinants of Demand for Social Security: Evidence from the Algerian Labor Market

Mr. Merouani Walid delved into the extent of social security protection in Algeria. He highlighted that 73% of Algerians were not covered under social insurance although they were affiliated to the social security system. The externalities to these issues are insolvency of the workers when risks happened, vulnerability, inequality and shortfall of funds for social insurance. He also examined whether the social security system was accessible to all workers in Algeria.

He highlighted the types of social risks including sickness, maternity, work injury, and accident at work, disability, old age and death. The economically active population was categorized as either as salaried public and private sector workers or self-employed persons. He also indicated that there were institutions established by the government which were responsible for providing social insurance such as CNAS et CNR, and CASNOS. According to him, although there were sufficient products from supply-side providing social coverage against all risks for the economically active population, there was still a low demand in social insurance in Algeria.

Merouani identified social security as a consumer good essentially as a merit good following the classification by Brahic et. al. (2007), Kessler, (1986) and Musgrave, (1957) with luxury or elastic good by Caire, (2002). He defined the determinants of demand for social security by using two types of variables: behavioural variables and socioeconomic variables. He then enumerated out all the socioeconomic variables including risk aversions, inter-temporal choices and social value orientations.

He indicated that the behavioural variables were measured by using lifetime income gamble and Likert Cycle to determine risk aversions, time discounting to evaluate inter-temporal choices and dictator game to measure social value orientations. The survey sample was based on the employment survey conducted in 2010 by the national office for statistics which used quota method and face to face interview with 654 workers in the Algerian labour market. The control variables include gender, age, affiliations to social security, activity sector and employment status.

He concluded that the determinant variables of risk aversion, time discounting, and individualism, pro-social, confidence in government, education, financial literacy, awareness and longevity did impact the demand for social insurance.

He advanced some suggestions to further improve and promote social security awareness in Algeria such as improving and expanding social security research, linking the actual problems and theoretical backgrounds and extending analysis to include the social security topics in ILO and World Bank reports for more comprehensive results in future.

Presenter 3:
Ms. Siti Nurul Akma Ahmad
Faculty of Business Management, University of Technology MARA

Assessing Burden of Household Healthcare Spending and Its Influencing Factors Among Chronic Kidney Disease Patients in Selangor

Siti Nurul Akma Ahmad alluded that the cause of death by kidney disease in Malaysia has increased due to the changes in lifestyles. In order to treat this disease, the patients had to incur substantial expenditure for dialysis and medication. Nearly half of these patients sought treatment at private institutions where the expenditure was higher than the public centers. She highlighted that roughly 90 per cent of households needed to borrow money to cover the expenses. Therefore, chronic kidney disease (CKD) imposes financial burden on patients and their households.

The burden of CKD healthcare spending was measured by employing the Catastrophic Health Expenditure (CHE). The majority of respondents were male, married, unemployed and less educated. In terms of household income, the respondents were grouped into two distinct categories i.e. low (RM0 to RM2150) and high income (RM 2151 and above).

The results indicated that more than 97 percent of households incur high CKD healthcare spending. About 50 percent of the patients are funded by SOCSO to cover the treatment costs. Even though majority of the respondents were exposed to the burden of high expenditure for healthcare with regards to the cost for dialysis treatment, they could be relieved of their financial burden if the treatment centers continue subsidizing the cost of dialysis.

Presenter 4:
Professor Marius Olivier
International Institute for Social Law and Policy
Nelson Mandela Metropolitan University

Expanding the Boundaries of Social Security Protection for Informal Economy Workers in Southeast Asia

Professor Marius Olivier highlighted the conceptual and demographic framework on informal employment and the limited applicability of traditional social security arrangements in the developing nations of Southeast Asia. He explained that informal sector workers were employed in an unregulated environment. They may have wage employment but were without social protection such as supply chain workers or care economy workers or even self-employed.

He suggested actions to be taken to extend the coverage of social security to include these groups of workers. Although there were schemes for them, a systematic approach was required to correct the blurred and fluid borderlines. Careful planning was needed to avoid heterogeneity, economic diversification and danger of standard classification.

He further highlighted that a high number of the population are engaged in the informal sector in the several developing countries. About 65% of all non-agricultural employment are in Southeast Asia. He noted a low percentage of active population in Southeast Asia and South Asia was covered by statutory schemes.

On the subject of exclusions and limitations of the applicability of traditional social security arrangements, he highlighted the issues such as restricted coverage of social assistance arrangements and social insurance, limited relevance of the 9 classical risks and individual centred risks. He raised the question on social protection for people in the informal sector who have acceptable standard of living but not reaching the international standards as the system still make the formal economy workers the primary focus. With lower levels of coverage on social security, the burden of these workers would be transferred to the other family members and they may even seek welfare support from the government. He then suggested to extend the categories to redefine the concept of employee/worker, employer and unorganised/informal sector and the potential value of appropriate regulatory techniques and extending the trade union concept.

He recommended that governments should have a systematic approach, be it a choice between non-contributory schemes and contributory arrangements. He provided examples of large scale non-contributory schemes and their distributional impacts as in Brazil and Mexico, the social grants in South Africa, universal cash transfers schemes as in Pakistan, Nepal and Bangladesh which accorded fiscal space. He also touched on the need to retrain individuals who are out of jobs so that they can exit from these schemes.

As for contributory arrangements, he presented sample solutions which included compulsory coverage and incentives. He also cited some schemes which were introduced for sector by sector inclusion such as for fisheries (42% coverage) and farming (57% coverage) of Sri Lanka and Government welfare funds for *beedi* makers of India. He also added that the progressive institutional arrangement could be private or mixed initiatives through mutuality-based institutions and perhaps through coordination could upscale and integrate these mutuality-based schemes.

He urged policy makers to develop specialised contribution modalities which are designed with flexible entitlement criteria and context sensitive benefit packages. He was of the view that the significant development is to go beyond traditional concepts, frameworks and institutions with involvement of political commitment. There was a need of a nexus between welfare enhancement and economic growth. This will help to shift values towards welfare and human rights perspectives. The challenge is to strengthen employment for employees to contribute happily to the economy.

Q & A Session

Q 1: Dr. Halimah Awang from SSRC, UM wanted some clarifications on the data sets used in the causality relationships from Mr. Azfar Hilmi, whether it represents ASEAN as a whole or different data sets for countries in ASEAN? She asked Ms. Siti Nurul Akma whether the insignificant variables are indeed a one-side testing as the data shows 98% are burdened?
A 1: Azfar Hilmi explained that the data set are a combination of all data into one big ASEAN data. He thanked for the suggestion on the cross country data and will consider it perhaps for next research.
Ms. Siti Nurul Akma said the level of burden was indeed 98% taking into account the threshold of 40%. Patients spend RM 1 million per patient for renal care. She explained that although the data belonged to one side and it indicated no difference between two groups.

Q 2: Ms. Izzanie Mohamed Razif of MOH, who wanted a clarifications whether reimbursements received by patients were included in the calculations?
A 2: Siti Nur Akma indicated that reimbursements were not included as only workers get financial assistance from SOCSO.

Q 3: Mr. Furuoka pointed out that Toda-Yamamoto Granger method is not appropriate to measure causalities as the time series may have structural breaks.
A 3: Mr. Azfar Hilmi said times series and panel data was used. He noted structural breaks and that could be why he could not find causality.

Q 4: Dr. Lee Kwok Aun asked Mr. Merouni how risk aversions, social dimensions and inter-temporal choices continue to apply when there was higher risk aversion.
A 4: Mr. Merouni said it depended how much the people wanted to cover risks. It also depended on how much the employer can pay for premiums on policies.

Q 5: Prof. Holzmann wanted to know from Prof. Marius Olivier the programs which some governments have introduced to cover informal sector are working and sustainable. He reckoned these programs were politically motivated and maybe are short-lived.
A 5: Prof. Marius explained that there were complexities and challenges in introducing social programs for the self-employed and those in the informal sector. The micro credit schemes face question of survival. However, there are success stories such as India where 1.33 million are covered, South Africa has 51-52 out of 60 million covered and Indonesia have introduced a General Framework law to cover 280 million. Universal health schemes of Thailand is another example. The new pension coverage for informal employed introduced in India face huge challenges that needed it to go back to the drawing board. He cautioned that 10-20 years ago there was nothing but now something is happening. There is a serious need to help direct and redirect governments on this.

SESSION 2: THEME 2:
Demographic Shifts: Migration Flows, Ageing Population and Youth Employment

Chair: Dr. Shamsulbahriah Ku Ahmad, SSRC

Presenter 1:
Dr. Fumitaka Furuoka
Asia-Europe Institute, University of Malaya

Social Characteristics of Senior Citizens in Sabah and Sarawak: Financial Protection and Living Arrangement

Owing to the improvements in living standards and better healthcare system, Malaysian life expectancy has increased from 50 years in 1950s to more than 74 years currently and projected to reach 80 years in 2050. It has given rise to aged population i.e. senior citizens bringing about changes to demographic patterns.

The study explored the social characteristics of senior citizens in Sabah and Sarawak and was conducted from May 2010 to July 2011. Out of 103 respondents, 59% were Chinese, followed by Malays (18.4%), Bumiputra Muslims (6.85%) and Bumiputra non-Muslims (12.6%).

Findings reveal that a majority of respondents (65%) lived either alone or with their spouse. Less than half (40%) of the total respondents received retirement benefits from the Employee Provident Fund (EPF) and public pension fund. About 12.6 percent received retirement benefits from the EPF whereas 26.2% retired civil servants enjoyed monthly pensions. Only 1.9% of respondents received both benefits. It was found that a significant number, almost 59.2% of respondents, did not receive any type of assistance.

The study also revealed almost 38% of senior citizens lived with their children, among them, 20% with daughters and 18% with sons. Only 33% of senior citizens owned their own houses while others lived in rented houses (16.7%) or on other sources (51%).

It could be concluded that a substantial number of senior citizens lived alone, not receiving any benefit and do not own house. The loneliness coupled with financial constraints caused a major stress and hypertension among these senior citizens.

Presenter 2:
Mr. Tey Nai Peng
Faculty of Economics and Administration, University of Malaya

Population Ageing Amidst Social Demographic Changes in Malaysia

Mr. Tey defined population ageing as the result of the more rapid increase in the older population as compared to the young. Demographic transition from high to low mortality and fertility rates has resulted in the reduction of the proportionate share of population aged below 15 from 45% in 1970 to 28% in 2010 and projected to fall to 17.4% in 2050, with a corresponding increase of the population aged 60 and over from 3.4% to 7.8% and 23.1%.

The proportion of population aged 15-59 has increased from about 50% in 1970 to 65% in 2010 (demographic dividend), but is projected to decrease to 60% in 2050. By 2040, population aged 60 and over will almost equal those aged below 15 (19.2% versus 17.6%), but the proportion of the older population will exceed the young population in 2050 (23.1% versus 17.4%). The population aged 60 and over will criss-cross the young population aged below 15 around 2045, and will surge ahead beyond that. The younger population aged 15-59 will begin to decrease after 2020, resulting in rapid increase in old age dependency burden.

His research aims to explicate the issue of population ageing by profiling various dimensions of demographic change. The population pyramid of 1990s, triangular-shaped expansive population pyramid (with larger number of population in the younger age group) has been turned into constrictive population pyramid (with smaller number of younger population, and a rapid increase in the number and proportion of older population).

This would cause a surge in old age dependency ratios. Between 2010 and 2030 the old age dependency burden will double from 7 percent to 14 percent, and then almost double to 25 percent in 2050. In contrast, the young dependency ratio would be decreasing rather sharply.

Population ageing has been rather gradual up until year 2000. The ageing index, rose from 12% in 1970 to 18.6% in 2000, and to reach 28% in 2010 and is projected to 64% in 2030 and to 133% in 2050. The ageing index also shows the different levels of ageing across the three main ethnic groups.

He the enumerated some causes of increasing population ageing including mortality and fertility decline, delayed and non-marriage along with increased contraceptive use, the demographic processes such as birth and death rates, migration and urbanization, population mobility and redistribution which have significant impact erosion of care and support for the older people.

The employment structure by industry has undergone fundamental changes with the shift away from agriculture to manufacturing and services. The proportion of women aged 25-54 years in the labour force has increased from 37.3% in 1970 to 54.4% in 2010. This has contributed to fertility decline and eroded the traditional source of old age support.

He concluded that the Malaysian population ageing is rapidly increasing and it can pose a serious threat, if not tackled now and recommended appropriate policies to be taken.

Q & A Session

Q 1: Prof. Norma asked Mr. Tey that after year 2020 women will outdo men especially in academics. Boy would prefer skills-based vocations and would go for TVET (Technical Vocational Education Training). She wanted to know how would this affect the findings.
A 1: The proportion of female tertiary education would increase by 30% but he had no figures on TVET. The issue ahead was not about labour market but marriage market as it affected fertility rates. It was unlikely for fertility rates to go up. The findings show one in every 4 person would be aged.

Q 2: Dr. Shamsulbahriah asked Dr. Fumitaka what kind of support do the elderly get especially those living alone and not working?
A 2: Since this study has been conducted in the urban areas, the cost of living is very high. Therefore, number of senior citizens living alone is more. If the research is conducted in rural side of Malaysia, the results may be less severe. However, the loneliness does increase the hypertension.He observed fertility is decreasing. Because of the cost of living, women are now involved in modern sector. They are more independent and more concerned on career development. Marriage is not their main concern. Ageing in Japan and China is worst. Ageing in Malaysia will increase.

Q 3: Dr. Halimah noted that the fertility rate was reducing and old age dependency rate was increasing. She wanted to know whether they would come a time where they would flatten out. Old age dependency ratio is going up drastically. Will the old dependency ratio will drop drastically in the future.
A 3: Mr. Tey explained the old age and the youth will crisscross each other in 2045, and after that the number of elderly will grow. Another 10 years to catch up on demographic dividend. He suggested to raise the retirement age to improve productivity. He cautioned that the dependency ratio will not be reduced.

Q 4: Dr. Chan enquired if the Malaysian diaspora was included in the demographic analysis would it change the results.
A 4: Mr. Tey clarified the migrant workers who formed large part economically active population would go back to their home countries. Malaysian diaspora would not come back, therefore, he does not see any shifts in the findings.

SESSION 3: THEME 2:
Demographic Shifts: Migration Flows, Ageing Population and Youth Employment.

Chair: Dr. Lee Hwok Aun, FEA UM

Presenter 1:
Professor Avinash Govindjee
Nelson Mandela Metropolitan University

Protecting and Integrating Migrant Workers in ASEAN Social Security Systems

Prof. Govindjee highlighted the poor living and working conditions of migrant workers including inadequate labour laws and social security coverage. Out of the 216 million migrants (3.2% of world's population), over 10 million are from Southeast Asia. Only 20% of the world's working-age population (and their families) have access to social security and the coverage was problematic for workers in the informal sector. However, he noted migrant workers contributed to the economic growth through their remittances – USD 529 billion in the year 2012.

Migrant workers face restrictions and pose human rights challenges. He enumerated a number of difficulties faced by migrant workers including exclusion from social assistance, insufficient access to justice and lack of access to basic healthcare and education.

He indicated though there were several international frameworks under UN and ILO but these remain to be ratified by countries. Prof. Govindjee observed that majority of international standards favour the principle of equality of treatment, drawing no distinction between nationals and non-nationals for labour and social security purposes. There were weaknesses and concerns in these conventions such as ambiguities, use of weak/overbroad language, conflicts between international standards and lacunae.

He reckoned although regional standards and initiatives as adopted by ASEAN were important, informal coping strategies remain necessary. Prof Govindjee reiterated ASEAN should address the gaps in respect of social protection provisioning for migrant workers. The lack of uniform, regional rules or standards governing entry, deployment and national treatment of migrant workers within the ASEAN has given rise to confusions, conflicts and abuses, leading to a 'race to the bottom'.

He noted that there are over 26 million emigrants from SAARC and their contribution through remittances is comprehensive (e.g. Sri Lanka were over 22% of their GDP). However, there were challenges of poverty, re-migration and social protection, labour rights and social security entitlements, prejudicial treatment, deficient social security portability arrangements, limited origin countries protection, scant bilateral and multilateral arrangements.

He commented that despite about half of South Asian migrants are located within SAARC, the region is still unable to boast of a credible migration policy framework. Existing regimes were reactionary and incapable of anticipating migration challenges.

He suggested unilateral arrangements be integrated into bilateral treaties including social security agreements that cater to retention and export of benefits. He cited the unilateral agreements of the Philippines and Sri Lanka and multilateral agreements (e.g. Gulf Cooperation Council).

He noted the challenges and responses faced by ASEAN countries include undocumented migrants, lack of social protection provisioning for migrants, information challenges, and non-cooperation on part of employers, lacunae in legal systems of sending countries, and practical (coordination) challenges. He highlighted there were modalities as provided by Van Ginneken and the ASEAN Declaration.

Prof. Govindjee indicated that migrants are placed at the centre of the debate and the emphasis should be on the holistic well-being of migrants.

Presenter 2:
Ms. Tan Consilz
Business Department, School of Business & Law, KDU University College

Readiness of Youth to Get Employed and the Challenges for Higher Educational Institutions in Building Sustainable Human Capital

Ms. Tan Consilz submitted that almost 73 million young people are unemployed (ILO 2014) and in Malaysia, there are 343,000 unemployed youths in 2012 compared to 320,300 in 2007.

She was of the view that youth employment is a measure of a country's development. The National Youth Development Policy of Malaysia target young adults from 18-25 years of age and the goal to reduce to reduce the youth unemployment and to build sustainable human capital. She also outlined the strategies on social protection as contained in UN Youth Strategy 2014-2017 which included youth empowerment, active participation of youths in decision-making and in the political processes and youth engagement in resilience building.

She noted some of the issues in youth employability include poor attitudes towards work, high expectations on salary and working hours, lack of communications, interpersonal and leadership skills and low level of confidence.

Ms. Tan Consiltz suggested higher education institutions play an increasing role in ensuring the employability of youths. She reckoned any action plan should include good connection with the employers, talks and seminars, business English, communications and computer literacy programs, motivation and encouragement from lecturers and part time employment and internship programs. A sustainable plan would involve creation of their own jobs which could also provide job opportunities for others.

Q & A Session

Q 1: Dr. Chan from CPDS, UM highlighted that many migrants have the incentive to stay away from the authorities and thus, pose difficulties in identifying them especially for authorities to extend healthcare when there is a breakout of epidemics such as Ebola / Asian Flu, H1N1.
A 1: Prof. Govindjee clarified that migrants have to be treated as regular nationals. There is a need for judicial and non-judicial approach to bring migrants to be identified. In the event of epidemics, there is a high concern especially for those migrants not in the radar as government are left with little choice and should include migrants in their healthcare program to stop the spread of communicable diseases.

Q 2: Dr. Rudolf Zwiener asked Prof. Govindjee that countries also faced interregional migrants where they are denied social protection schemes, access to education or healthcare. These migrants do pose the challenges to municipalities and regional governments.
A 2: Prof. Govindjee agreed that there was huge intra-regional migration in countries like India, China and even Europe.

Q 3: Dr. Rudolf Zwiener highlighted the dual education system in Germany where youths have to attend 3 years skilled based training after leaving school. They are also given jobs related to their training. The system has worked well in Germany and was able to reduce youth unemployment.
A 3: Ms. Tan said that Malaysia do not have mandatory 3 years apprentice training but they do have Masters or professional programs for example, ACCA where they can get assistance from employers or they can apply for support from the government.

Q 4: Prof. Marius Olivier commented that to develop youth programs, it is necessary to have data and be supported by proper analysis. There is a need to do skills assessment to know where the economy is going. Many countries have done this for example, Singapore.
A 4: Ms. Tan agreed that her research would consider the suggestion as the research is still on-going and involved keeping tabs on employment patterns of the new graduates.

Q 5: Dr. Muhammad Ikmal highlighted the complex issue of relationship between nation states and though some issues should be settled at regional level they were not. He asked why countries are not rectifying international agreements? He also noted Prof. Govindjee introduced the concept of well-being and whether there is a difference when compared to human rights and social welfare approach.

A 5: Prof. Govindjee said they are unilateral agreements in place, example Philippines and Sri Lanka. This is a gradual approach for multi-lateral agreements to be implemented as it takes 1-2 years lead. According to World Bank reports, international or regional standards is about providing assistance and to focus on individual situation of the migrants. Korea for instance has tailor-made interventions for workers leaving Korea to work elsewhere.

Q 6: Evangelos indicated there was a new trend among migrants who move to get better social security protection especially in Germany and Sweden. Would this type of migration happen in Southeast Asia?
A 6: Prof. Govindjee said these are social migrants and as Southeast Asian countries provide very low benefit entitlements, the incentive for migrants for this purpose would be less attractive. However, he did not discount this from creeping in but was less likely.

Day 2: December 4, 2014

KEYNOTE ADDRESS BY: PROFESSOR ROBERT HOLZMANN

Migration, Population Ageing and Youth Employment: Myths and Challenges

Chair: Datuk Dr. Soh Chee Seng, Education Services Commission

Prof. Holzmann highlighted the universal definitions of migration as the temporary or permanent movement of people across international borders; population ageing as increase in the average age of a society triggered by rising longevity, falling fertility and negative migration balance and thirdly, youth unemployment as the lack of sufficient productive jobs for a rising number of LM entrants. He reckoned these issues were toxics topics and a new phenomenon to mankind that would continue to remain and thus, they posed a constant concern for policy makers around the globe.

He examined the myths and the policy challenges on these three topics. He spotlighted the ongoing debate on the effect of increase in retirement age on youth unemployment. Increasing retirement age (in line with gains in longevity and fall in mortality) is seen as a challenge for both elderly and young job seekers. On one hand, labor market is seen not ready and welcoming to elderly workers and on the other hand keeping the elderly on the labor market is seen as an obstacle for the employment of youths. He went on to delve into the issues on the fallacy of the lump of labor.

Prof. Holzmann stressed that though international migration was increasing, domestic migration is seen as much larger as witnessed in China, Brazil, India and Indonesia. He identified various preconceptions on migration such as less jobs for citizens, depression of wage levels, exploitation of social programs and burdening on the budget. However, he asserted empirical evidence do not support many of these preconceptions. In fact, the impacts of immigration on the labor market critically depend on the skills of migrants, the skills of existing workers and the characteristics of the host economy. He elaborated on how sending and receiving countries could benefit from migrant flows. Job creation must be performed appropriately through a multi-sector policy involving macroeconomics, investment, labor regulations, education and social protection (MILES).

The issue of productive jobs for youths has to be tackled with effective government interventions to improve labor supply of youths. He observed that although, the current policies on youth employment are less effective but are more politically popular. He pointed that authorities could take advantage of the large evidence base as well as to learn and disseminate the experience of others. He cited that there was a global inventory of interventions on how to support young workers. He reckoned there were severe knowledge gaps and lack of rigorous impact evaluations.

He highlighted the importance of social protection coverage for migrants as more than 3 percent of the world population lived outside their countries. Migrants and their families need to have access to social protection, acquire portable rights to ensure fiscal fairness and labor mobility across countries and treated on equal footing with nationals.

On the topic of labor market for the elderly, Prof. Holzmann raised issues from the demand side and the supply perspectives, provision of incentives to keep the elderly in the market, upgrading and reskilling, life-long learning and redefining their roles.

He concluded that the topics of his address were interrelated, all are crucial for economic development, and rich with unsolved research questions. These topics need strong conceptual (theoretical) framework and good data to test hypotheses to arrive at sound analysis. He closed his speech by saying "What you cannot measure, you cannot manage".

Q & A Session

Q 1: Olanrewaju Atanda Aliu asked how to resolve the dilemma between early retirement and late retirement as both have its benefits and drawbacks.
A1: Prof. Holzmann was of the opinion if the preference was to retire early, you should be able do so but not forced to retire early. Current pension schemes are structured in such a way that if somebody elects to retire early, somebody else would have to pay. However, there is no evidence keeping people in the labor market is bad for employment market. Although, you may affect the promotion of the younger. There are big challenges in context of labor market on people continuing on the same job until your retire. Maybe, you have to come down, but culturally it is not happening.

Q 2: Dr. Lee Hwok Aun highlighted the different skills in different jobs between old and young. He asked how to balance between employment for part-time basis for young versus old, especially for jobs that do not require high skills or not manually demanding. He also asked whether Prof. Holzmann noticed any bias towards policies regarding graduate unemployment as they are more vocal. In case of Malaysia, there was disproportionate investment and attention in terms of graduate unemployment. He also enquired how healthcare costs are factored into elderly employment when there are no provisions for it.
A 2: Prof. Holzmann concurred that there are differences in skills between young and old. The issue is on people with lower skills and the challenge would be to decide on the benefit system which would give them the possibilities to work later on in their lives. In large enterprises, they say they have possibilities because of their large work force, which can absorb the elderly as well as the younger workers.
On graduate unemployment, there is a need to retrofit capacities as most choose studies that are not marketable. It is important to choose a market and also equip those who are teaching that they understand the market.

As for the healthcare of elderly, is improving and it is important that the cost curve is pushed outside as we grow older by keeping fit and leading healthy life styles.

SESSION 4: THEME 2:
Demographic Shifts: Migration Flows, Ageing Population and Youth Employment.

Chair: Datuk Dr. Soh Chee Seng, Education Services Commission

Presenter 1:

Dr. S. Venkatesh
Department of Management, Maharaja College

Pension Fund Investment Pattern in India: Its Challenges and Prognosis

Dr. S Venkatesh emphasized that the reform of social security schemes has taken a crucial position in policy consideration in both developed and emerging economies. He further elaborated that the researchers and policy makers are critically evaluating and debating on appropriate mechanisms to manage issues related to ageing population, lack of retirement funds, coverage of unorganized sector and asset liability management.

He highlighted the old age income security involved long term savings, development of capital markets and economic growth, redistribution and insurance. His study is on pension fund management process and how it affected the financial markets and the efficiency of the pension funds to provide appropriate returns on investment. The reforms undertaken by Government of India in 2004 – by shifting from Defined Benefit (DB) to Defined Contribution (DC) scheme except for Defense services have attracted attention across the global.

India's ageing population is the second largest in the world constituting 8% (2011) of its population and is expected to grow to 324 million in 2050. He highlighted the push for reforms included unsustainability of the pension systems and sharp increase in financial burden on government, increasing burden of ageing especially in the informal sector, tactical investment strategies and coverage of heterogeneous population.

The pension structure include the national social assistance program, Employees Provident Fund, private pensions and annuities and the national pension system. The portfolio of investments of pension funds include equity markets, government securities and credit risk bearing fixed income instruments such as debt securities and mutual funds. With the shift from DB to DC scheme, the risk distribution transferred from the Government/EPF/employer to individuals on macroeconomic variables such as inflation, longevity, investment returns and interest rates while it is shared between both parties in case of recession and extended illness.

Although pension funds has a significant impact on domestic capital markets and as a source of funding for industrial development, they are not opened to equity or derivatives or international asset portfolios which could yield higher returns.

He presented the number of subscribers and the amount of corpus fund under NPS and the dividend yields for some of the schemes which were encouraging. However, he observed DC schemes carry investment risks where participants are not guaranteed the value of asset or stream of annuities upon retirement.

He then recounted the challenges which included adequate real-time retirement income, multiple investment portfolios, intermediary cost and agency risk, fund manager performances, restricted investment portfolios and decline of baby boomers may affect retirement incomes.

He cautioned that under the DC schemes, contributors have to counterbalance effects of longevity by increasing savings or extending retirement age.

He concluded that India has a tremendous opportunity of demographic profile and potential market to develop a pension sector as a significant component in its overall financial sector. The major challenge of this reform is to create awareness, develop effective investment mechanisms and gain the confidence among the unorganized sectors.

Presenter 2:
Dr. Rudolf Zwiener
Macroeconomic Policy Institute, Hans-Böckler Foundation

The Financial Crisis and Changes in the Pension System – Experiences of Germany

Dr. Zwiener presented the evolution of Germany pension system and the impact of financial crisis. He highlighted 2 fundamental facts that in Germany, all payments to pensioners are generated by the national income of each year and in an ageing society like Germany, a larger share of national income has to be allocated for pension payments as the number of pensioners were rising. He explained that the original gross pension level of 48% in 2000 would be reduced to 39.9% by 2030. Contribution rates were also reduced and this reduction would inevitably decrease pension levels. To compensate these reforms especially pension reductions, the working population is supposed to invest in state subsidized private pension plans (Riester pensions). In order to maintain the pension levels from 2000 until 2030, 26% contribution rates are required which could be apportioned between employers and employees (11% each) and 4% contribution to Riester schemes.

Germany's mandatory national pension system is by far the largest accounting for 78% and it works on a pay-as-you-go basis. In most countries worldwide, pension systems had been affected by the global economy crisis. He reckons that this system is fairly crisis-proof compared to funded systems. There are considerable doubts on whether a funded pension system is more demography-proof and brings higher returns than a pay-as-you-go system.

Comparing the advantages and disadvantages of the two systems, he concluded that the results are not in favour of the funded system. In fact, from the German experience, it was found funded systems yielded declining rates of return. As a comparison, in the pay-as-you-go system, he observed a better macroeconomic stabilization and a better coverage for low income earners and for risks. Finally, in regards to the financial crisis, Dr. Zwiener concluded that investing abroad is not a solution for the funded systems and the demographic change will be a challenge for both systems.

Presenter 3:
Dr. Euamporn Phijaisanit
Faculty of Economics, Thammasat University

Early Retirement Decisions and Social Security Pension Fund in Thailand: A Monte Carlo Approach to Fiscal Implications

Dr. Euamporn highlighted that Thailand experienced fiscal deficit since the 1997 economic crisis until now except for temporary balanced budgets in 2005 and 2006. She indicated populist policies were very common among ASEAN countries. As there are limitations due to budgetary gridlocks, political pressures and off-budget expenditure, the tendency tap off from government managed funds have become novel tempting fiscal tools. This could be due to lack of discipline and the country's relatively loose legal framework for monitoring and surveillance on the fund's usage. She explained that social security funds have often been the primary target for political maneuvering. She noted de jure, the government is obligated to contribute to the funds but de facto, such discipline has not been adhered to.

She elucidated that in 2011, the reserves for old-age benefit amounted to 595,304 million baht. However, as the fund has often become the target of political extractions, it is pertinent to determine the fiscal tolerability of the fund if it is subjected to some 'shocks' such as early retirement. She explored the degree of fiscal tolerability and fiscal space for political maneuvering as commonly assumed by policy makers. She then recalled the experience of Japan, Singapore, Germany, UK and Sweden in managing their pension funds.

Her research paper employs the Monte Carlo experiment to assess the fiscal implications of early retirement decisions on the Social Security Pension Fund in Thailand. Most existing literature in Thailand employs non-stochastic approach and emphasizes the impacts of changing demographic structure of the workforce. This paper employs a stochastic approach and raises the more urgent issue of the fiscal impacts and implications of the early exits from the workforce starting from 2014 when the Social Security Pension Fund is due to pay regular monthly pension benefits to eligible insured persons. High proportion of early retirees are eligible for higher amount of one-time lump-sum old-age benefits instead of smaller monthly pensions and this can adversely affect the fund's cash flows. The models simulate randomly distributed rates of early retirement among those aged 50 and 54 with the mean around 5% and standard deviation of 1%. The simulations revealed that on an average, the Fund starts accruing net liability in 2020, and can potentially become depleted in 2058. This pinpoints to important policy precautions that the current high level of reserves in the Social Security Pension Fund does not ensure fiscal security for future retirees as commonly believed.

Q & A Session

Q 1: Prof. Holzmann commented on the need of pension funds to be allowed invest in secondary markets. He also raised the fundamentals of the pension system and indicated national incomes and GPD should not be underestimated and that as population matures they also spend more. He was of the view that the Monte Carlo method was not a good simulation to test the issue.
A 1: Dr. Venkatesh concurred and explained the issues on allowing pension funds to invest in secondary markets.
Dr. Zwiener clarified that Germany's problem was that it does not have enough good jobs and suitable working conditions for the elderly employees. He recommended shorter working hours and higher contribution rates as part of the solution. He alluded that although the rates are mathematically possible, in reality it is hard to implement.
Dr. Phijalsanit explained that non stochastic tests were considered but after some seminars in the universities in Thailand, they opted for Monte Carlo method.

SESSION 5: PhD Panel
Implementing Social Policies in an Increasingly Unstable World: The Integration Challenge for Sustainable Development

Chair: Dr. Halimah Awang, SSRC

Presenter 1:
Ms. Sheila Rose Darmaraj
School of Social Sciences, University of Science Malaysia

Ageing and Implications for the Ageing Provision of the Civil Service Pension System in Malaysia

Pension reforms are being rigorously implemented by many of countries especially those who are facing demographic challenges. Life expectancy in Malaysia has increased significantly and its impact on financial burden on the government prompted pension reforms.

According to the Ageing Index, 50% of Malaysian population will be 38 years and older in 2050. This increased ageing would increase the dependency ratio of senior citizens, resulting on a heavy burden on public health expenditure.

Public sector employment is also increasing in Malaysia whilst revenues are stagnating. Currently, 10% of the tax revenue is allocated for pensions as the number of pensioners in last 7 years has increased by 41%. Thus, it is imperative for Government to reform the overall pension system in general and the Civil Service Pension System (CSPS) in particular.

After reviewing the experience of countries which have undertaken reforms of their pension systems, two major reforms and one fiscal measure were suggested. First, the fiscal measure involves the change from narrow based taxation to broad based taxation. For pension system, particularly CSPS, realignment of pension to the contributory rates is essential. Secondly, the calculation of pension should be on the basis of average salary rather than final salary. The calculation of pension on final salary results in high pension payments, putting a heavy fiscal burden on Government.

Presenter 2:
Mr. Evangelos Koutronas
Faculty of Economics and Administration, University of Malaya

Alternative Pension Systems: The Profit Share Pension Model

Since the mid last century, the debate on reform of pensions is under limelight. A number of studies have shown that present public pension systems are not sustainable. The changing socio-economic landscape, emergence of complex environment and new social protection needs demand a dynamic framework of pension system. It further requires a new integrated platform linking pension systems to economic activity through its effects on savings, labor market and economy. Viewing the need of a new pension re-schematization, this paper presents an analytical framework incorporating profit-share fund into three pillars pension design.

The model consists of three elements namely, a wage individual defined-contribution pension system, a variable profit-share individual defined contribution pension system and private savings. The major contribution of this study is the inclusion of profit-sharing fund as part of pension mechanism. As additional sources of financing through profit sharing emerges as a way out for pension systems, it sets a new dynamic perspective in the concept of pension financing.

The behavior of the model has been tested in real world setting to prove the underlying theories and assumptions. This has been done by applying simulation techniques and sensitivity analysis. In simulation techniques, after computing numerical solution to equations, Crude Monte Carlo method was applied to simulate an economic environment.

The profit maximization results are unaffected by profit share factor. Further, given the empirical findings, profit maximization can further reduce labor cost. The inclusion of the profit share factor in the household utility function as part of its total wealth enhances household earnings and savings, offering an additional income.

In order to check the effect of external economic shocks, the impact of inflation and stock market crash was simulated into the model. The simulation results clearly demonstrate the existence of the three pillar systems, positively affected pension benefits and consumption. Then, each one of the first two pillars can act as fund stabilizer in the case of yield rate and equity rate volatilities offsetting the market position.

The introduction of profit sharing fund as a part of the pension mechanism seems to set new dynamic perspective in the concept of pension financing. The additional source of financing through profit sharing comprises a way out of the apparent disposition of the pension system. The inclusion of this new feature together with the annuitization process combined into security through diversification of the three pillar pension system may constitute highly effective way of balancing pension objectives.

Presenter 3:
Ms. Ros Idayuwati Alaudin
School of Mathematical Sciences, Faculty of Science & Technology, Universiti Kebangsaan Malaysia

Determinants of Retirement Wealth Adequacy: Case Study in Malaysia

In Malaysia, the size of the elderly was 1.4 million in 2010 and is expected to increase to 4.4 million in 2040. Thus, it is crucial to understand the determinants of retirement wealth adequacy. Having sufficient money after retirement ie, retirement wealth adequacy, is critical to maintain living standards. Appropriate strategies to ensure retirement wealth adequacy such as savings, diversification of investments and deferring retirement age is important.

In Malaysia, owing to the sharp increase in the elderly population, the determinants of retirement wealth adequacy has to be identified including the demographic and socioeconomic determinants, EPF contribution rates and income replacement ratios.

The life cycle hypothesis of Ando and Modigliani (1963) implies that post retirement accumulated financial resources should be equal to or greater than the consumption at the time of retirement. The common approach was to identify a replacement rate which range from 65% - 85% or 70% - 90% as some researchers have indicated.

Palmer's Replacement Ratio (RR) (1994) was applied to calculate RR using the percentage of pre-retirement income that represents the desired consumption level during retirement. Wealth needs ratio (accumulated retirement wealth/retirement consumption) was the dependent variable whereas income, demographic, and socioeconomic characteristics of household have been taken as explanatory variables.

The secondary data was extracted from Household Income Survey (2009) on 5881 households and the sample consisted full time workers, aged between 30 to 54 years, with an annual income above MYR9600. The sample was stratified according to five regions i.e. North, East, Central, South and East Malaysia with further division according to marital status, urban-rural areas, ethnic groups, occupation, income categories and education levels.

The data was analyzed by applying Multivariate Ordinary Least Square Method (MOLS). The results illustrated that Employees Provident Fund (EPF) contribution rate had a positive significant effect. Positive relationship was indicated by households in Penang, Selangor, Kuala Lumpur and Putrajaya, urban strata, married persons, graduates, government servants, younger adults and those earning an average income of RM 15,000 – RM 40,000. The most dominant influence is employment where the wealth adequacy is 200% higher in the government servants as compared to private employees. Households with higher EPF contributions also indicate higher proportion of adequate retirement. These factors should be considered as inputs when devising strategies in relation to wealth adequacy.

Q & A Session

Q 1: Dr. Abdelhak Senadjki from Universiti Tunku Abdul Rahman noted Ms. Sheila Rose proposed to use average salary to compute retirement pension. It was important to ensure those who retired do not fall into poverty. He suggested government or together with the civil servants make compulsory contribution to the pension trust fund.
A 1: Ms. Sheila indicated there was a minimum pension payment for low-income earners at RM 800 per month. Civil service salary increases are time-based and include vertical and horizontal increments which could result in good salaries. Pension based on last earned salaries could make pensioners retire rich.

Q 2: Olanrewaju Aliu asked Evangelos whether the profit sharing method was an alternative or complementary method of pension.
A2: Evangelos said his model will benefit people and not firms. Profit sharing in terms of bonuses, stock options, or cash-in-kind are all related to money. Profit sharing try to measure physical work on employees and not pegged to achievement of goals of companies.

Q 3: Dr. Rudolf Zwiener said it was important to understand impact of pension for civil service although not much of it found in the literature. In Germany, if a comparative study is done between workers in public sector and private sector, the differences are huge, i.e. 60% higher for civil servants. This is important as pensions are paid out from the tax revenue. In terms of comparing the pay-as-you go and funded systems, there are risks to be considered such as high inflation, financial market instability, government debt defaults and mismanagement, which could be attributed to funded systems. Regards to demography changes, we do not have the same risks for funded system. However, he is not sure whether we are able to sell the fund in 20 years' time as value of fund was decreasing and whether funded systems were demographically risk proof at all.
A 3: During recession, employers are reluctant to take wage-cuts and forcing companies to close down. With the profit sharing model, it will help to smoothing out employees income.

Q 4: Assoc Prof. Dr. Yap Su Fei asked Evangelos if he was using Classical Overlapping Generations Model. How did you arrive at discount rate to generate the net present value which is essential to the findings. She also asked how sensitive and robust was his findings.
She informed Ros Idayu to strengthen the model by expanding and refining it. To use Progression Geometrical model was too simple and to employ optimistic and pessimistic scenarios could be messy. She also pointed out inflation was the major problem, for example housing bubble, price escalation and financial risks. When inflation is unpredictable and volatile or extremely high, it could reward early spenders and punish late spenders. She suggested instead of taking 11% from employees, they should be encouraged to take housing loans as they would not be able to afford houses if they delay to buy when they retire. Taking inflation into consideration, do you delay spending or do you spend now as this is the fundamental issue affecting pension schemes.

A 4: Ros Idayu explained the model is still at the initial stage. The conservative interest rate was used on assumption retired people invest conservatively. Evangelos informed his work was based on Hamiltonian model. He then explained the data and assumptions he used to derive his findings. Economists isolate certain things in economy and cannot see the whole. Fully funded system is the great system as Germany is the big exporter and it works perfectly well but due to demographic risks you cannot apply the same model in other countries as it would create problems in the long run.

Q 5: Prof. Holzmann commented on assumptions of wage growth and rate of return with regards to the interest rate. He wanted to know whether estimation/ simulation of scenario and projection on ratio between wage growth and inflation was done to determine the adequacy of pension fund of retirement. He also asked what kind of benchmark was used to compare pension systems - funded or non-funded or those in the middle. On assumptions of profit sharing, he reckoned it as some kind of risk sharing like wages, participation in capital returns of financial market. If you input labor supply into the model for funded and unfunded system, you may get different results.
A 5: Evangelos explained that he was using 100 year data from US for his analysis. He said taking into account the inflation, there was no guarantee on the value of payment under funded schemes.

SESSION 6: THEME 3:
Implementing Social Policies in an Increasingly Unstable World: The Integration Challenge for Sustainable Development

Chair: Professor Dr. Robert Holzmann, SSRC

Presenter 1:
Dr. Halimah Awang
Social Security Research Centre, University of Malaya

Return-to-Work (RTW) Program in Malaysia: Exploring its Economic Impacts

Dr. Halimah explained that illness and injuries not only prevent individuals from continuing a productive lifestyle, they have significant impact on their families, employers and communities. The consequences faced by an injured worker range from physical, psychological, social to economic consequences which are mutually reinforcing. It also include pain, disability, reduced performance, loss of income and general economic security on the part of the injured worker while for the employer, the concern relates to reduced productivity through absenteeism of an injured worker as well as the impact on colleagues' workload of supporting that injured worker.

The Social Security Organisation (SOCSO) of Malaysia in 2007 introduced the Return-to Work (RTW) program with the objective of providing case management for SOCSO's insured persons with employment injury as well as those claiming for invalidity pension to return to work through a bio-psychosocial and multidisciplinary approach.

She commented that a proactive approach is needed to assist injured workers to return to work for the benefit of both employers and employees. Since its inception until 2013, a total of 13,630 injured workers have gone through RTW initial assessment and out of which more than 8,000 have successfully gone back to work. As most of these injured workers fall under the age category of 45 years and younger, they can contribute towards many more years of employment.

She further emphasized the significance of RTW program and its impact by examining the annual costs incurred and estimating the potential earnings generated by RTW successful participants. Statistics were adopted from RTW database from 2020-2013 and the SOCSO annual reports from 2010-2013.

Initial results suggest that the estimated total annual earnings exceed the annual total costs of implementing the RTW program. Although there are costs involved on the part of employers and even employees themselves, it was estimated that in the long term the financial returns brought back by returning workers combined with other qualitative benefits substantially outweigh the costs of the RTW program.

Dr. Halimah concluded that the RTW program is necessary and should be improved and expanded as it could reduce compensation claims, shift dependence to independence, sustain labour force participation, contribute to productive economy, improve quality of life and a social responsibility. She highlighted that the success of RTW program requires commitment from employers who have the primary responsibility, employees and other stake holders.

Presenter 2:
Dr. Saidatulakmal Mohd
School of Social Sciences, Universiti Sains Malaysia

Gender Differences in Elderly Poverty: Evidence from Malaysia's Household Income Expenditure Survey

Dr. Saidatulakmal expounded that poverty among female as a common phenomenon in many countries, primarily linked to the female's low participation in the labor market and lower earnings as compared to the males. Apart from tradition and culture which inhibit female participation in the economy, females are also given limited opportunities. Poverty among elderly females is alarming, as the elderly are more fragile and susceptible to poverty. It is not surprising that gender equality and women empowerment was included in the Millennium Development Goals.

She added that Malaysia is also experiencing a change of demographic profile of its population. The percentage of its age group of 60 - 64 years old has increased from 4.4% in 1970 to 5% in 2000, and it is projected to reach 8% in 2020. She also indicated a high percentage of elderly females never attended schools though the numbers were falling. The data on employed elderly showed lower percentages for female i.e, 9.6% in 1991 and 8.8% in 2000.

In terms of elderly population males constituted 48.81% whilst females comprised 51.19% and the percentage of poverty incidence indicate 4.64% are males whereas 2.85% are females. In viewing the elderly poverty incidence by strata females account for higher percentages than males in both the urban and rural areas. Similar pattern is also exhibited in elderly poverty incidence by ethnicity.

The findings of the study highlighted the poverty incidence among females is considerably higher as compared to the males. She observed female elderly is losing out to the male elderly in many aspects, e.g. education, income and labor and socio demographic variables (age, marital status, education level, strata level, household relation, working status and ethnic group) which are statistically significant in influencing poverty incidence of the elderly. She suggested risks facing the female elderly be overcome by enhancing their rights as individuals and citizens through social investment/credit and basic pension/social assistance.

Presenter 3:
Dr. Rafat Beigpoor Shahrivar
Social Security Research Centre, University of Malaya

Pension Scheme: Comparison of Pension Systems between Iran and Malaysia.

Dr. Rafat presented a comparative study on the aspects of benefits especially those accruing to female beneficiaries between the pension systems in Iran and Malaysia.

She highlighted that Iran target high replacement rates and generous rates of return (equal or above 100 percent in the case of the SSO). Pension expenditures have increased rapidly at an average of 11 percent, doubling their share in GDP within the last decade. She observed that Replacement Rate in Malaysia is low compared to Iran.

Iran has more than 18 pension funds, of which the social security organization (SSO) and Civil Servants Pension Fund (CSPF) are the major ones. Pension benefits include service pension (monthly payments), service gratuity (lump sum payment) and cash award in lieu of leave, where applicable. Contribution rates range from 22.5% to 30% and is paid by the employer and employee and in case of SSO the government pays additional 3%.

Pension payments are based on equation that include average of last 2 years salary and family allowance is provided if there are children. The spouse's share in major pension funds in Iran is: 50% in SSO, 80% in Petroleum Company, 100% in Banks' Pension Fund, 100% in Rural Pension Fund and 100% in Civil Servants Pension Funds. However there are conditions attached where the spouse and legal heirs to receive these benefits.

She noted that in Malaysia, public sector employees are covered by Civil Service Pension Scheme which provides retirement benefits, survivor benefits and disability benefits whereas for the private sector, employees and employers are required to contribute to the Employment Provident Fund (EPF).

Pensions for public sector in Malaysia is also calculated on a formula and is fully financed from the government budget. Conditions of eligibility also applies to receive pensions. EPF is a defined contribution scheme where it is mandatory for employees and employer to contribute 13% and 11% respectively (effective September 2013).

She highlighted that the Iranian pension system need to be reformed and its social function strengthened while guaranteeing financial sustainability. The socio-economic factors including growing ageing population, unfunded pension liabilities, generous benefits of the system, could threaten the welfare of future generations.

It is imperative to decide on the adequate and affordable level of income replacement for retirement and how this level of income replacement could be generated by a combination of mandatory and voluntary savings while improving equity, incentives, reallocating risks, and creating a better balance between mandatory versus voluntary savings and reducing distortions in labor supply and retirement decisions.

Presenter 4:
Dr. Lau Wee Yeap
Faculty of Economics and Administration, University of Malaya

Benchmarking Against the Best: A Comparative Study of Malaysian Pension System with Selected Asia-Pacific Countries

Dr. Lau Wee Yeap said it was imperative for government to implement an effective pension system for the nation. Apart from agencies like Pension Trust Fund (Kumpulan Wang Amanah Persaraan-KWAP) and Employees Provident Fund (Kumpulan Wang Simpanan Pekerja-KWSP), the government has launched the Private Retirement Schemes (PRS) to encourage more savings for old age. Tax incentives were also provided. He noted that Malaysia's Pension System does not fall within the radar of the Mercer Global Pension Index which has ranked 25 countries in the world in terms of adequacy, sustainability and integrity.

In view of this, there is an urgent need for our policy makers to benchmark against the best practice of pension systems in the three criteria for the benefit of Malaysian public which is estimated that one out of five people will be over 65 years old by 2030.The motivation stems from rising life expectancies, economic uncertainties, increased government debt and the global shift to defined contribution (DC) plans.

He noted the complexities of providing financial security for both individuals and societies as most countries are now grappling with the social and economic effects of ageing populations. He noted retirement income systems are diverse and often involve a number of different programs. Classifying pension systems and different retirement income schemes have become consequentially difficult.

Some of the complexities observed include diversity of pension policies and practices, different levels of economic development and socio-economic characteristics. He reckoned that although no pension system was perfect but the policies and practices can provide valuable lessons, experience and ideas for reforming the pension systems.

Dr. Lau highlighted that the Melbourne Mercer Global Pension Index as an important reference point on the adequacy, sustainability and integrity of retirement systems around the world and it has grown from 11 countries in 2009 to 25 in 2014. It was imperative to be included in this index for benchmarking.

He was of the view that a good comparative model could be build and offered some recommendations that included increasing the pension age to reduce the costs of publicly financed pension benefits, increasing funding by higher contribution rates, reducing leakages of benefits before retirement, higher private savings, extending coverage to self-employed, enhancing governance, disclosure and transparency through dissemination of information on pension plans.

He recommended an action plan be undertaken recognizing the process of accumulation for retirement takes longer time to actualize, thus it is necessary to motivate and communicate with individuals in their 30-40s to start the retirement planning. This could be facilitated by creating online tools where individuals can have access to planning.

Q & A Session

Q 1: Prof. Holzmann asked Dr. Halimah how to move up the analysis with a kind of sophistication and the kind of data that is needed to calculate assumptions on wages and costs, if no other non-variant costs and benefits are involved. Is there any other kind the data needed to fine tune get the findings?
A1: Dr. Halimah replied RTW is the rich database. It has lots of information and is very useful. Qualitative data is required for a depth study from the perspectives of employers and employees. How ready are these employers to receive back their injured workers? Would like to get more suggestions on sophisticated models from Prof. Holzmann and anyone else.

Q 2: Dr. Shamsulbahriah asked Dr. Lau if he can share the ranking for countries especially Malaysia. Where is Malaysia? It is very interesting to show the benchmark. You can get the social protection index from ADB. How they are calculated. Maybe show the variables of the index and some indices you have come across?
A 2: The idea involve intercept. But for that you have to choose the right-hand side variables which are positive. You got to think of the variables in that direction. He said Malaysia ranked 5th and Singapore was 6th.

Q 3: Evangelos said the number of ageing is increasing. What is the definition of elderly? How about doing a research on those within the ages of 38 - 40? They would lose the capacity when reach the age of 70 - 75. Great number of elderly perform the same level job. The gap between age groups could be high because there is no social protection index. How does it affect Malaysia and Iran in ageing?
A 3: They will be reluctant to work longer periods in the same job. For example University professors. We cannot be expected to do the same job, time in and time out. Ageing will imply we have the job for much longer and should be doing different jobs. The main challenge is to take account of mentality as the proxy to design the future.

Q 4: Prof. Holzmann observed that the sample size is limited and suggested that Dr. Saidatulakmal include female and male population of other countries to make the differentiation. He proposed that Chi-square or other kind measures be applied to show the differentiation. The F-test would also give the strong argument on the gender differentials.

Day 3 December 5, 2014

KEYNOTE ADDRESS BY: DR. DONGHYUN PARK

Implementing Social Policies in an Increasingly Unstable World: The Integration Challenge for Sustainable Development

Chair: Dr. Muhammad Ikmal Mohd Said, FEA UM

Dr. Donghun Park directed his paper on the need and the rationale for inclusive fiscal policy. He recalled that Asia was the fastest growing region in the last 30 to 40 years, a feat that cannot be downplayed. Most economics also turned around and witnessed sustained rapid growth, resulting in 3 hubs of global growth - Asia, US and Europe.

The by-product of growth was a general increase in living standards and reduction in poverty levels. It lifted millions in Asia out of poverty and this was a significant by-product of sustained rapid growth. Although Asia grew at a faster rate, it also witnessed widening gaps between haves and have-nots. Concerns on growing inequality is a global problem. In Malaysia, the Gini Coefficient did not rise but in other countries, inequality worsened especially in China, India, Bangladesh and Indonesia which accounts for 80% of world population.

He then advanced some measures to overcome the widening income inequalities. The European experience where public spending on education and healthcare was very effective in reducing the widening inequalities. He recalled that priority in Asia was towards economic growth by expanding the pie as people were hungry and poor. He noted it was easier to expand the pie rather than divide the pie.

The focus of fiscal policy in Asia was essentially to maximize growth. As Asian countries are now considered as middle income group, the issues of sharing has become pertinent. China's harmonious society initiatives and the Thai subsidy for poor rice farmers has to be perceived as a direct pro-poor approach.

It is important to balance inclusive fiscal policies and fiscal sustainability. Fiscal sustainability is a huge financial asset which can generate GDP growth. The huge financial sustainability of China helped it to grow by 8% while others grew by 5%. China spent 13% of GDP on fiscal stimulus packages to create growth. China's fiscal stimulus packages also helped countries in Asia like Singapore, Malaysia and South Korea, as China is a large import market.

It was also important to have fiscal prudence that created fiscal space which is important to enable governments to undertake social programs or pro-poor assistance programs or stimulus packages to mitigate negative impacts of economic crisis and generate growth.

Public spending is effective in reducing inequality, but tax and sources of income is important as governments need money/revenue to build hospitals and schools

and provide education and healthcare. A 1% increase in education spending will lead to 1.3% reduction in Gini coefficient. Thus, it helps to reduce inequality especially by providing marketable and employable skills.
It is also important to undertake pro-equity programs and it is a dilemma for government to promote growth and ensure equity at the same time. In any society there are laggards and marginalized people and therefore you need cash transfers to help these vulnerable groups.

When people lack access to vital services they are more likely to drop out and will not benefit from public spending. He reckons that spending on infrastructure will not help to reduce inequality but it has impact on growth in an indirect way. He warned that fiscal space today does not mean fiscal space tomorrow.
He concluded there need to be a corrective tax system in place that can yield fiscal revenue, reduce negative externalities and promote equity. The government need to ensure fiscal space and not just hand over cash. Fiscal space should be systematic and institutionalized.

Q & A Session

Q 1: Andrew Lo from Sarawak Bank Employees' Union remarked that in order to attract FDI we need to reduce corporate tax. There is a shift from income tax to consumption tax which would impact the poor and widen inequality.
A 1: Dr. Park replied that the primary argument against consumption tax is that it is regressive, but it has promising option for increasing revenues. The regressive effect of consumption tax should be mitigated with other programs. Reducing corporate tax can contribute to productivity and investment, but he said that it was far more important to ensure good tax collection and compliance.

Q 2: Dr. Rudolf Zwiener from Germany asked whether it was prudent to concentrate on growth then talk about inclusive growth because difficult to redistribute income if there is no income at all. Therefore, it was necessary to concentrate in increasing revenues.
A 2: Dr. Park says it was subjective. In Asia, the countries did concentrate on growth and managed to decrease poverty levels substantially. Dr. Park was not advocating on spending alone but properly targeted subsidy for which resources are imperative. There is a need for fiscal space and therefore we need to increase the scope for more revenues by adopting effective revenue collection machinery.

Q 3: Robert Holzmann from SSRC raised two methodical issues. He said if redistribution is done properly and channeled to the poor, it can be a major contribution. He pointed out that cash transfers were also successful. He observed that pensions go to the rich which could be misleading and inter-temporal shifts should be taken into consideration, as people finance their pension while they were young.
A 3: Dr. Park said that a deeper analysis was required.

Q 4: Evangelos from SSRC said wealth was dependent on natural resources which can contribute to growth. He inquired on the level of development taking into account the population and the amount of natural resources.
A 4: Dr. Park said we should be mindful of natural resources which should not be depleted for growth.

Q 5: Dr. Muhammad Ikmal from UM said that there was a strong pressure for public spending despite unstable world and he wanted to know how would the state plan for economic growth in economic unstable world.
A 5: Dr. Park said that we are in an unstable world since 1997/1998. Before 2009, economic upheavals in Latin America, Greece and other emerging markets had little impact on the world. But the financial crisis in 2008/2009 in the US, Europe and the big economies did bring about a big impact. These countries were the anchors/bedrock of global financial stability. The reduction in growth rates in US and Europe also affected Asian economies that were dependent on these markets. There were greater volatilities from these depressed growth rates. This is why there is increased demands for social safety nets to protect people and economies from these volatilities.

SESSION 7: THEME 3

Implementing Social Policies in an Increasingly Unstable World: The Integration Challenge for Sustainable Development

Chair: Dr. Muhammad Ikmal Mohd Said, FEA UM

Presenter 1:
Mr. Olanrewaju Atanda Aliu
School of Accounting, Universiti Utara Malaysia

Pension Plans Sustainability: A Proposed Conceptual Framework

Olanrewaju observed that despite increasing efforts at reforming the pension systems, little seemed to have been achieved towards sustainable pension plans. He was of the opinion that defined contribution scheme around the world and Nigeria in particular is not a sustainable plan. He further suggested that the low impact was due to scarcity of in-depth study on proposed models or framework highlighting relevant factors for a sustainable pension scheme. His study attempts to propose a conceptual framework for it.

He identified the variables in a sustainable pension reform and their relationships. He elaborated the framework and described the elements of sustainable pension reform, predicted by regulatory framework, pension fund growth, early retirement intention and stakeholders' support. He further added, Enterprise Risk Management (ERM) moderates the relationship between fund growth and pension sustainability while financial literacy also influences the relationships between both early retirement intention and stakeholders' support and pension sustainability. Regulatory framework was an important component of pension fund reform. It was imperative to have regulation to minimize the risks associated with the activities of the entities operating the industry, and at the same time to obtain maximum performance in terms of profitability and timely delivery of pension payments. A good regulatory framework would be able to protect the beneficiaries of the funds.

Based on his empirical findings, he concluded that a sustainable pension reform should include high levels of transparency to improve stakeholders' support that is, the level of agreement between participants and other stakeholders with the pension providers, strategies that lead to higher investment returns, improved corporate governance and high level of compliance. He also indicated adequate size of pension fund that guaranteed a high return will definitely increase stakeholders' support and lower the incidence of enterprise risk. He pointed out that the proposed model would likely ensure a sustainable pension reform design. However, the adoption of Enterprise Risk Management and financial literacy awareness would impact all these variables and their relationships.

Presenter 2:
Dr. Yong Chen-Chen
Faculty of Economics and Administration, University of Malaya

Financial Literacy and Education among Undergraduates in Malaysia

Dr. Yong emphasized the importance of personal financial literacy involved the understanding of the financial products and its concepts, the ability and confidence to appreciate the financial risks and opportunities in making choices and finally, the knowledge on available sources and ability to take effective actions to improve financial wellbeing. She highlighted how the increase in personal bankruptcies and lower saving for retirement impacted the economy due to over innovation of financial system and financial products in the markets and lack of financial literacy which have led to domestic economic crisis.

She noted that decisions that required financial literacy emerged there was a need to make financial transactions by the students when they entered universities or colleges. In an increasingly complex financial world, financial illiteracy tends to lead to decisions that could cause financial problems, even at an early age. Her study was based on field surveys on financial knowledge, attitude and behavior of 605 college and university students in the Klang Valley in 2013. Information on financial knowledge such as compound interest and time value of money, financial attitudes such as recording daily expenses and budgeting and finally, financial behavior that was assessed through their behavior on price comparisons, purchasing, savings and investment.

She indicated that males showed better knowledge due to their interest in mathematics during high schools which led them to have a higher interest in finance while in universities. She suggested that it could also be due to the fact that males are more inclined to be risk takers and the socialization factor which looks upon the male to be the bread winner. She revealed that her findings showed the financial literacy level of college and university students was found to be generally low and the students' financial knowledge levels were influenced by gender, race, academic qualifications and discipline of study while there is no difference arising from working experience. In terms of financial attitudes, it was found that students from different races, academic qualifications and disciplines of study demonstrated different financial attitudes which exhibited a difference in the students' financial behavior.

It was evident that despite abundance of information on financial literacy, parents and life experience were rated as the leading sources of financial literacy. The poor rating on secondary information sources showed a lack of initiative among young adults to acquire knowledge on their own. There is a need for a degree of coercion, such as compulsory programs in universities and colleges to be conducted to enhance financial literacy. The preference for experiential learning, as found from the survey, should be taken seriously in the content of financial education.

She concluded although financial knowledge, attitude and behavior are positively correlated, their influence is modest except for the high correlation coefficient between financial attitude and financial behavior. She reiterated that experiential learning would enhance financial literacy as the development of good attitudes comes from regular use and practice.

Q & A Session

Q 1: Prof. Norma asked on financial literacy and its link to financial capability. She asked how education contributes to behavior, because usually when you talk about capability, only when the student acted upon it, then it is considered as financial literacy. She wanted to know how financial literacy was measured and the findings of the survey on saving.
A1: Dr. Yong elaborated the financial literacy is the combination of financial knowledge, attitude and behavior. The survey showed knowledge had minimum effect on behavior, and behavior was affected by attitude. She urged tertiary institutions and universities to include more hands-on experience which would help to develop good financial attitude that could lead to better financial behavior.

Q 2: Mr. Merouni Walid asked on financial literacy towards insurance.
A 2: Dr. Yong explained that though she did not focus on insurance but she did measure aptitude towards taking insurance. She added that they do ask whether the insurance is important but it had a little bit of effect on the awareness of the subject.

Session 8: Theme 3
Implementing Social Policies in an Increasingly Unstable World: The Integration Challenge for Sustainable Development.

Chair: Dr. Mario Arturo Ruiz Estrada, FEA UM

Presenter 1:
Dato' Dr. Mohammed Azman bin Dato' Aziz Mohammed
Social Security Organisation (SOCSO), Malaysia

Dynamic Social Security - A Need to Have a Sustainable System

Dato' Dr. Azman introduced the Social Security Organization of Malaysia (SOCSO) as a statutory organization governing employment injury insurance scheme and invalidity pension scheme for workers. Its corporate goal was to provide comprehensive social security protection and its objective was to ensure and guarantee the timely and adequate provision of benefits in a socially just manner and to promote occupational health and safety. Currently, 13.2 million workers and 727,744 employers are insured under its schemes. It is mandatory for workers with monthly income of RM3000 (≈ US$1000) and below with a contribution rate of 2.25% of their average salary. The organization also manages over 78,000 new claims per year comprising 55,000 accidents, 13,000 permanently disabled and 10,000 claiming for invalidity.

He highlighted SOCSO adheres to three pillars namely, compensation, rehabilitation and prevention in providing social security to its members. Compensation claims are the highest. The increasing expenditure in providing social security, particularly compensations, could destabilize the system where it was estimated that every RM 1 in contribution RM 1.01 was spent for compensation in 2013. Thus, it was imperative for a sustainable system with more emphasis on prevention before rehabilitation and rehabilitation before compensation. Prevention focuses on minimizing accidents and fatalities while rehabilitation enables workers to return to work after disability management. This approach would ensure lesser number of workers go out of job. He defined prevention and rehabilitation as the apex of a sustainable social security system. In an effort to promote a sustainable system there is a need to focus and pursue these two pillars.

In pursuit of its efforts in prevention of diseases, SOCSO have introduced health screening for its members. It was a deliberate action as leaving prevention and rehabilitation unfocused would result in increasing number of accidents resulting in a rise in number of workers leaving their jobs and becoming dependent. Thus, it not only would reduce the work force but would increase the dependency ratio. This would have a double impact in Malaysia as growing population ageing had already increased dependency ratio. He emphasized the approach to retain healthy workers and enable injured workers back into the jobs would constitute the backbone of a sustainable social system.

Presenter 2:
Dr. Shamsulbahriah Ku Ahmad
Social Security Research Centre, University of Malaya

Can Malaysia Afford Universal Social Protection?

Dr. Shamsulbahriah highlighted that fiscal sustainability was the main challenge of expanding coverage and addressing informality. She said the problem with the capitalism was its inability to share equally and though it produced wealth but inequality was rampant. Explaining the effects of unequal development – inequality and distribution, she argued that even pro-poor development approaches had at times manifested itself in the form of pro-rich in impact. She highlighted unsustainability of pension systems have prompted developed countries to rely on informal means. She emphasized that inequality breeds volatility which triggers political ramifications. Based on current situation it was difficult for countries not to adopt universal social protection.

She raised three major issues. First, the apparent neglect of endogenous and structural issues in the analysis of social protection. Second, human security and employment-based Welfare. Third, the social protection floor initiative (SPF-I) and benchmarking.

She highlighted that current conceptions of social protection were about managing risk as an exogenous factor so that one or more vulnerability (economic, physical, consumption) could be alleviated. However, little discussion was found on the endogenous or socio-political construction of most shocks and risks.

Furthermore, freedom from fear, want, hunger, poverty and vulnerability are key components underlying universal social security concept. Vulnerabilities included vulnerability to oppression and physical violence, poverty and destitution, downside risks, disasters and economic destitution among others.

The Social Protection Floor Initiative (SPF-I) has become a platform of a global coalition to support countries committed to building national social protection floors for their population. She asserted that this system required fiscal space to be reorganized.

In the analysis of social stratification in Malaysia, using occupational data (2000 census), she concluded the majority can be found at the lowest strata, low education, low skills, low potential for social mobility. Expounding further, she stated that it was representative for the Malays, Chinese and Indians as well as for men and women and migrant workers as well - poor by class, poor by ethnicity and poor by gender.

She indicated that flexibility of labor markets had been accompanied by a “flexicurity” approach to social protection provisions in Europe. The lowering of social protection and the weakening of unions where “flexicurity” and “insecurity” became additional contenders on the social protection agenda. She recommended an employment-based welfare strategy to address informality in this context.

She commented that the informal sector had two divergent aspects. The first had long served as a sector of last resort/survival during crises as well as a source of complementary/seasonal income. The second served as a sector of choice for the mobile elites or skilled salaried at the top of the employment hierarchy, moving in a borderless employment market and small businesses associated with the expansion of the shadow economy. This group comprised of owners of “esoteric knowledge” either in the form of skills, cultural or political leverage or all three.

She commented that inadequate social protection coverage applied more to the group whose main asset was their power to labor. Increase casualization of the group made money wages insecure and insufficient. Furthermore, they were constantly at risk of unemployment.

She examined the fiscal space in Malaysia that could enable universal social protection by analyzing social protection expenditure as percentage of GDP and potential social protection funds and concluded that by reorganizing the fiscal space, Malaysia can afford universal protection system.

Presenter 3:
Professor Dr. Niaz Asadullah
Centre of Poverty and Development Studies, University of Malaya/University of Kent

Conditional Cash Transfers (CCTS) Schemes in South and South-East Asia: Policy Lessons and Future Challenges

Prof. Niaz defined Conditional Cash Transfers (CCTs) as social protection programs that targeted the poor and made transfers conditional on certain behaviors of recipient households (World Bank 2009). They incentivize behaviors, which could lead to good outcomes.

CCTs were implemented in more than 29 developing countries. CCTs were much older and much bigger in MICs (Ecuador; Brazil; Mexico; Chile) offering an integrated approach to poverty reduction. The popularity of the system is also growing in Asian countries like India, Pakistan, Bangladesh, Nepal, Cambodia, Indonesia and the Philippines. The system focuses several avenues from promoting education and health to providing food/fuel/commodity subsidies to vulnerable groups. CCTs help in consumption smoothing and wealth creation as they are not merely handouts but social contracts with focus on human capital. Although desired impact was not always guaranteed, but evidence suggest success in improving access than outcomes.

He outlined CCTs programs in South and Southeast Asian countries such as:

a. Indonesia – Program Keluarga Harapan (PKH)
b. Philippines - The Pantawid Pamilyang Pilipino Program (4Ps)

c. Nepal - Safe Delivery Incentive Program (SDIP)
d. Cambodia – CESSP Scholarship Program (CSP)
e. Pakistan – Punjab Female School Stipend Program (FSSP)
f. Bangladesh – FSSAP

He stated that these programs shared common features and focused on human capital formation rather than social assistance. The programs had limited geographic coverage and transfer size with smaller budgetary allocations. Similarly, the terms and conditions of the program appeared to be more punitive than facilitative. Since the programs were new, it did incur high monitoring costs. Evidence on the success of these programs were limited.

He shared the experience of Bangaldesh's CCT program 'Female Secondary School Assistance Project (FSSAP I & II)', 1994-2006. The program was aimed at encouraging education for female children. The two basic conditions required female students to maintain 75% attendance and 45% in secondary school and to remain unmarried during the period of assistance. The FSSAP was a ground-breaking program impacting enrollments, early marriages, fertility rates, dowry and female empowerment. Female enrolments jumped from 34% (1990) to 50% (2000) and helped in reversing gender disparity in secondary schools. Highlighting the weak points of the program, he pointed out that the program could be affected by demand and supply conditions. Additionally, the fraudulent administration records on attendance and enrolment could be prepared to show the success, as it happened in number of developing countries. An absence of built-in impact assessment framework necessitated non-experimental evaluation. However, new evidence confirmed only short-term improvements but medium and long-term impact remain unclear.

In terms of policy lessons that the use of conditions could mean significant risk of exclusion, additional provisions may be needed to sustain impact, M&E is important as limited local-level administrative capacity can cause program failure. While the evidence suggests that CCT programs can be an important tool for inclusive growth, it is still limited for Asia. Lack of rigorous impact evaluation has limited scope for further innovation. He suggested that CCTs must be decided and designed on a case-by-case basis and guided by evidence before being scaled up.

Q & A Session

Q 1: Ms. Shahimah Shaharuddin from EPF asked Dr. Mohd Azman on his views on the establishment of National Social Security Commission (NSSC).
A 1: Dr. Mohd Azman replied that it was timely for Malaysia to have NSSC. We need one authority to oversee as social security is very fragmented. There are too many agencies involved in providing social security. The payment process has to be brought under one roof as he observed 1 recipient could get 9 benefits. There pressing issues to consider such as old-age pension, employment pension, pension for the self-employed and replacement of income benefits.

Presentation of Best Paper Awards

The Best Innovation Paper Award was presented to **Mr. Merouani Walid** from the Center in Applied Economics for Development (CREAD) Algeria for his paper on “The Micro Economic Determinants of Demand for social Security: Evidence From the Algerian Labor Market”.

The Best Policy Paper Award was won by **Dr. Euamporn Phijaisanit** from the Faculty of Economics, Thammasat University for her paper on “Early Retirement Decisions and Social Security Pension Fund in Thailand: A Monte Carlo Approach to Fiscal Implications”.

Closing Remarks by Prof. Dr. Noor Azina binti Ismail Dean, Faculty of Economics and Administration, University of Malaya

In her closing remarks, Prof. Dr. Noor Azina noted that themes of the Conference brought to the table some pertinent issues that preoccupy the attention of countries and policy planners. She highlighted that the conference underscored the need to relook at social security programs and financial protection schemes in the light of changing dynamics of societies and the growing needs of vulnerable groups. She indicated that it was also timely to relook at unilateral, bilateral and multilateral arrangements to introduce better protective and integrative practices for the migrant labor.

She was of the opinion that the wide spectrum of topics could serve as moot points for further research. She urged practitioners and policy makers to consider the new ideas and trends in social security so that formulation of social security programs are ahead of the demands of time.

She also indicated that this was the dawn of new beginning for networking, collaboration and cooperation in the field of social security and hoped it would lead to a fraternity among like-minded persons. She called on SSRC to keep in touch with all the delegates, updating on upcoming events and conferences which were necessary to keep abreast of new developments and research in this field. She then adjourned the Social Security Conference 2014.

=== End of Social Security Conference 2014 ===

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Conference Program
Day 1: December 3, 2014 (Wednesday)

8.00am – 9.00am	Registration and Arrival of Delegates
9.00am – 9.05am	Doa Recital by Dr. Kamaruzzaman Noordin, Academy of Islamic Studies, University of Malaya
9.05am – 9.15am	Welcome Note by Professor Datuk Norma Mansor
9.15am - 9.30am	Opening Address by Professor Datuk Dr. Rohana Yusof Deputy Vice-Chancellor (Student Affairs), University of Malaya
9.30am - 10.15am	**Theme 1: Health and Education: Inequality, Informality and Security** **Keynote Address by Professor Tulus Tambunan,** Centre for Industry, SME and Competition Studies, Trisakti University, Indonesia. *Government Efforts to Improve Community Access to Health Care and Education: A Story from Indonesia.* **Chair: Professor Datuk Dr. Norma Mansor, University of Malaya.**
10.15am – 10.35am	Coffee Break
10.35am – 11.55am	***Session 1: Theme 1*** **Health and Education: Inequality, Informality and Security** **Chair: Professor Datuk Dr. Norma Mansor, University of Malaya.**
10.35am - 10.50am	**Mr. Azfar Hilmi Baharudin** Faculty of Business Management, University of Technology MARA *Macroeconomic foundations with disparity issues in income and education: A causal inquiry on ASEAN countries.*
10.50am - 11.05am	**Mr. Merouani Walid** Centre De Recherche En Economie Appliquee Pour Le Developpement *The Micro Economic Determinants of Demand for Social Security: Evidence from the Algerian Labor Market.*
11.05am - 11.20am	**Ms. Siti Nurul Akma Ahmad** Faculty of Business Management, University of Technology MARA *Assessing Burden of Household Health Care Spending and Its Influencing Factors Among Chronic Kidney Disease Patients in Selangor.*
11.20am - 11.35am	**Professor Marius Olivier** International Institute for Social Law and Policy (IISLP) *Expanding the boundaries of social security protection for informal economy workers in South East Asia*
11.35am - 11.55am	Q&A Session
12.30pm – 2.00pm	Lunch
2.00pm – 3.10pm	***Session 2: Theme 2*** **Demographic Shifts: Migration Flows, Ageing Population and Youth Employment** **Chair: Dr. Shamsulbahriah Ku Ahmad, University of Malaya.**
2.00pm - 2.15pm	**Dr. Akinwunmi Kunle Onafalujo** Lagos State University, Ojo, Lagos, Nigeria *Demographic Risks and Youth Employment: Lessons on Social Security from Nigeria*

2.15pm - 2.30pm	**Dr. Fumitaka Furuoka** Asia-Europe Institute, University of Malaya. *Social characteristics of senior citizens in Sabah and Sarawak: Financial protection and living arrangement*
2.30pm- 2.45pm	**Mr. Tey Nai Peng** Faculty of Economics and Administration, University of Malaya *Population ageing amidst social demographic changes in Malaysia*
2.45pm - 3.10pm	Q&A Session
3.10pm – 3.30pm	Tea Break
3.30pm – 4.45pm	***Session 3: Theme 2*** **Demographic Shifts: Migration Flows, Ageing Population and Youth Employment.** **Chair: Dr. Lee Hwok Aun, University of Malaya.**
3.30pm - 3.45pm	**Dr. Nurazzura binti Mohamad Diah** Department of Sociology and Anthropology, International Islamic University Malaysia *Health-Related Protection Of The Foreign Workers In Malaysia: A Suggestive Recommendation For Bangladeshi Workers.*
3.45pm - 4.00pm	**Professor Avinash Govindjee** Nelson Mandela Metropolitan University *Protecting and integrating migrant workers in ASEAN social security systems*
4.00pm - 4.15pm	**Ms. Tan Consilz** Business Department, School of Business and Law, KDU University College. *Readiness of Youth to Get Employed and the Challenges for Higher Educational Institutions in Building Sustainable Human Capital.*
4.15pm - 5.45m	Q&A Session
4.45pm	**End of Day 1**

Day 2: December 4, 2014 (Thursday)

9.00am	Arrival of Delegates
9.00am – 9.30am	**Theme 2: Demographic Shifts: Migration Flows, Ageing Population and Youth Employment.** **Keynote Address by Professor Robert Holzmann,** Holder of Old Age Financial Protection Chair, Social Security Research Centre (SSRC), Faculty of Economics and Administration, University of Malaya. *Migration, Population Aging and Youth Employment: Myths and Challenges* **Chair: Datuk Dr. Soh Chee Seng, Education Services Commission.**
9.30am – 10.35am	***Session 4: Theme 2*** **Demographic Shifts: Migration Flows, Ageing Population and Youth Employment.** **Chair: Datuk Dr. Soh Chee Seng, Education Services Commission.**
9.30am - 9.45am	**Dr. S. Venkatesh** Department of Management, Maharaja College *Pension Fund Investment Patterns in India: Its Challenges and Prognosis*
9.45am - 10.00am	**Dr. Rudolf Zwiener** Macroeconomic Policy Institute, Hans- Böckler Foundation. *The financial crisis and changes in the pension system: Experiences of Germany*
10.00am - 10.15am	**Dr. Euamporn Phijaisanit** Faculty of Economics, Thammasat University *Early Retirement Decisions and Social Security Pension Fund in Thailand: a Monte Carlo Approach to Fiscal Implications*
10.15am - 10.35am	Q&A Session
10.35am – 10.55am	Coffee Break
10.55am – 12.00noon	***Session 5: Theme 3 (PhD Panel)*** **Chair: Dr. Halimah Awang, University of Malaya**
10.55am - 11.10am	**Ms. Sheila Rose A/P Darmaraj** School of Social Sciences, University of Science Malaysia. *Aging and Implications for the Aging Provision of the Civil Service Pension System in Malaysia*
11.10am - 11.25am	**Mr. Evangelos Koutronas** Social Security Research Centre (SSRC), Faculty of Economics and Administration, University of Malaya *Alternative Pension Systems: The Profit Share Pension Model*
11.25am - 11.40am	**Ms. Ros Idayuwati Alaudin** School of Mathematical Sciences, Faculty of Science & Technology, Universiti Kebangsaan Malaysia *Determinants of Retirement Adequacy: Case Study In Malaysia*
11.40pm - 12.00noon	Q&A Session
12.30noon - 2.00pm	Lunch
2.00pm – 3.40pm	***Session 6: Theme 3*** **Implementing Social Policies in an Increasingly Unstable World: The Integration Challenge for Sustainable Development.** **Chair: Dr. VGR Chandran Govindaraju, University of Malaya.**

2.00pm - 2.15pm	**Dr. Halimah Awang** Social Security Research Centre (SSRC), Faculty of Economics and Administration, University of Malaya *Return-to-Work (RTW) Program in Malaysia: Exploring its Economic Impacts*
2.15pm - 2.30pm	**Dr. Saidatulakmal Mohd** School of Social Sciences Economic Section, University of Science Malaysia *Gender Differences in Elderly Poverty: Evidence from Malaysia's Household Income Expenditure Survey*
2.30pm - 2.45pm	**Dr. Rafat Beigpoor Shahrivar** Social Security Research Centre (SSRC), Faculty of Economics and Administration, University of Malaya *Pension Scheme: Comparison of pension systems between Iran and Malaysia*
2.45pm - 3.00pm	**Dr. Lau Wee Yeap** Faculty of Economics and Administration, University of Malaya *Benchmarking Against the Best: A comparative study of Malaysian Pension System with selected Asia-Pacific countries*
3.00pm - 3.15pm	Q&A Session
3.15pm	**End of Day 2**
4.00pm	**Conference Gala Evening**

Day 3: December 5, 2014 (Friday)

9.00am	Arrival of Delegates
9.00am – 9.45am	**Keynote Address by Dr. Donghyun Park** **Asian Development Bank, Philippines** *Implementing Social Policies in an Increasingly Unstable World The Integration Challenges for Sustainable Development.* **Chair: Dr. Muhammad Ikmal Mohd Said, University of Malaya**
9.45am – 10.50am	***Session 7: Theme 3*** **Implementing Social Policies in an Increasingly Unstable World: The Integration Challenge for Sustainable Development** **Chair: Dr. Muhammad Ikmal Mohd Said, University of Malaya**
9.45am - 10.00am	**Dr Yong Chen Chen** Faculty of Economics and Administrations, University of Malaya *Financial Literacy and Education among Undergraduates in Malaysia*
10.00am - 10.15am	**Mr. Patrick O. Eke** Banking & Finance, Covenant University. Ota, Nigeria. *Interest Rate, Capital Market and Pensions Management: Lessons from Nigeria*
10.15am - 10.30am	**Mr. Olanrewaju Atanda Aliu** School of Accounting, Universiti Utara Malaysia *Pension Plans Sustainability. A Proposed Conceptual Framework*
10.30am - 10.50am	Q&A Session
10.50am – 11.10am	Coffee Break
11.10am – 12.15pm	***Session 8: Theme 3*** **Implementing Social Policies in an Increasingly Unstable World: The Integration Challenge for Sustainable Development.** **Chair: Dr. Mario Arturo Ruiz Estrada, University of Malaya**
11.10am - 11.25am	**Dato' Dr. Mohammed Azman bin Dato' Aziz Mohammed** Social Security Organisation (SOCSO) *Dynamic Social Security - A Need to Have a Sustainable System*
11.25am - 11.40am	**Dr. Shamsulbahriah Ku Ahmad** Social Security Research Centre (SSRC), University of Malaya. *Could Malaysia Afford Universal Social Protection?*
11.40am - 11.55pm	**Professor Dr. Niaz Asadullah** Centre for Poverty and Development Studies (CPDS), University of Malaya. Development Studies (CPDS), University of Malaya. *Conditional Cash Transfers (CCTs) Schemes in South and East Asia: Policy Lessons and Future Challenges.*
11.55pm - 12.15pm	Q&A Session
12.15pm – 12.45pm	**Presentation of Awards to Winners of Best Paper Awards** **Closing Remarks by Professor Dr. Noor Azina binti Ismail** **Dean, Faculty of Economics and Administration, University of Malaya**
12.45pm - 2.00pm	**Lunch**
2.00pm	**End of Conference**