

Indonesia Social Protection Technical Seminar (ISPTS)

SOCIAL INSURANCE FOR GIG WORKERS AND SELF-EMPLOYED IN MALAYSIA

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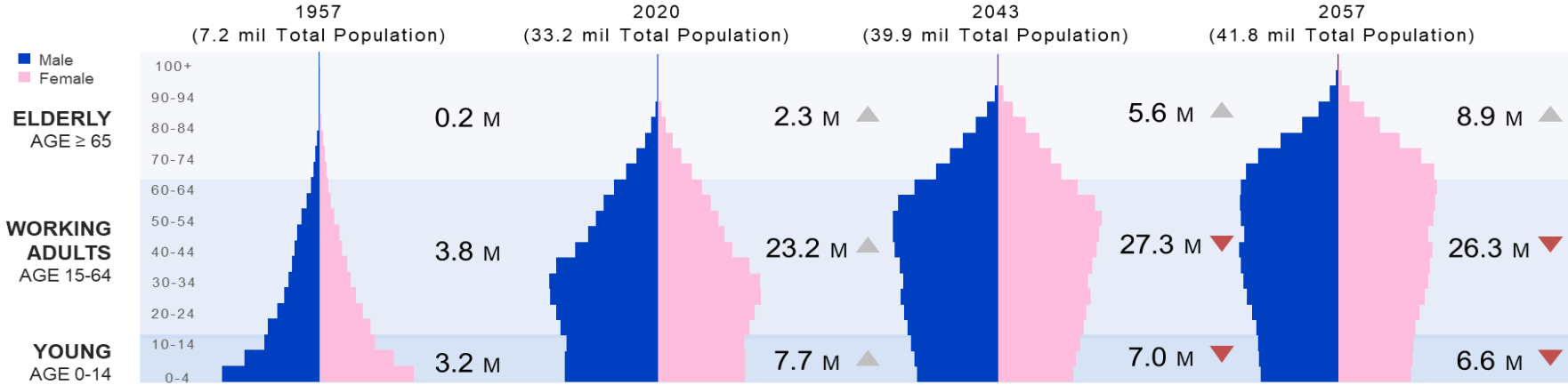


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Malaysia is projected to become an “Aged” nation by 2043; “Super Aged” by 2057

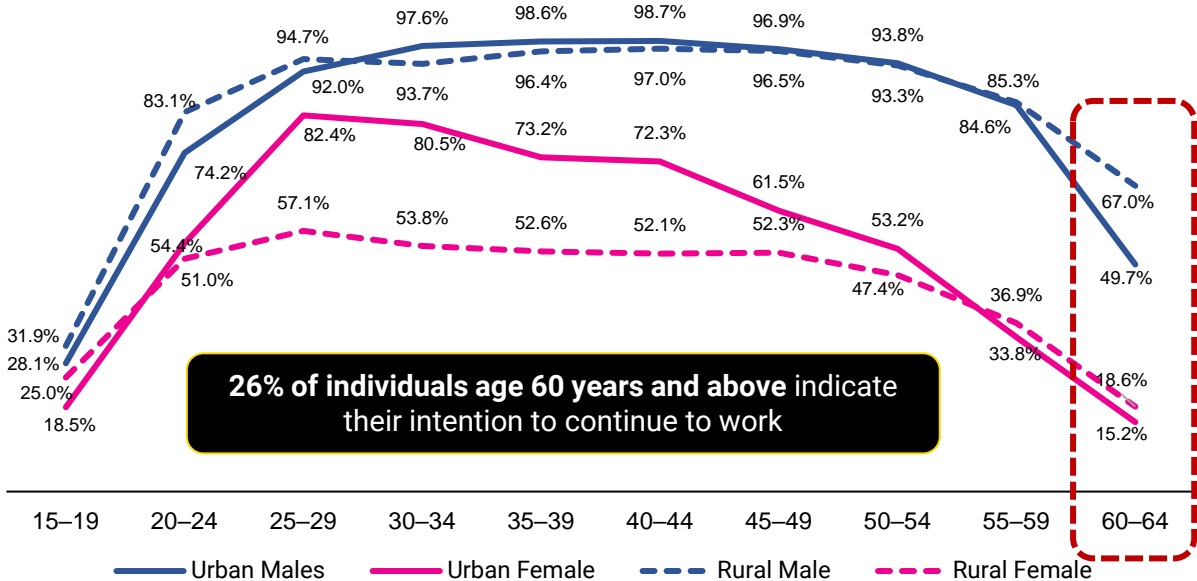


Note: Ageing and Aged Nation phenomenon in this context refer to age 65 and above cohort to be classified as elderly

RISING DEPENDENCY RATIO		SHRINKING WORKFORCE	INCREASING HEALTH SPENDING
2022	1 elderly per 9 working age adults	5.5%	Estimated decline in GDP growth per capita with every 10% increase in population aged 60+
2060	1 elderly per 3 working age adults		
		33%	of total increment in health spending (by 2030) attributed to ageing-related health expenses

A large cohort of individuals are still working beyond the age of 60 years, mainly as self-employed or platform workers

Labour Market Participation Rate



26% of individuals age 60 years and above indicate their intention to continue to work

NATIONAL LEVEL

70.1%

2022: 69.3%



83% Male
(2022:82%)



56% Female
(2022:56%)

3.8M

Malaysians aged 60 years and above

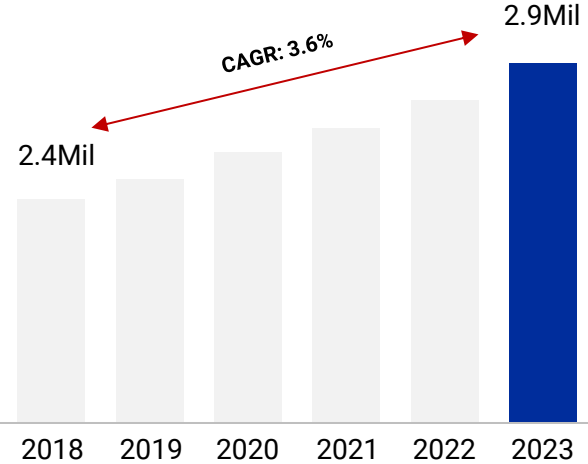
360K

EPF Active Members aged 60 years and above

Overview of the self-employment landscape in Malaysia

Steady growth highlighting the increasing shift towards self-employment

Self-employed in Malaysia from 2018 - 2023



5%

estimated annual growth
15% y-o-y growth in platform-based self-employment

10%

contribution to Malaysia's economy generated by micro-enterprises, which are largely driven by the self-employed sector

25%

of self-employed **use digital platforms**

- 48% e-Commerce and online retails
- 29% e-hailing and p-hailing drivers
- 18% Freelance and digital services
- 5% Content creation and influencers

Self-employed are exposed to financial vulnerabilities

LOW INCOME

75%

earns monthly income of **RM4,000 and below** (\leq RM2,000: 40%)

Median monthly income: RM2,100

LOW BUSINESS SURVIVAL

1 in 2

businesses will not survive **beyond five years**

But, **55% are the main income earners** for their families

LOW EMERGENCY SAVINGS

55%

do not have sufficient savings to cover three months of expenses

Due to **inconsistent income** and **highly dependent of seasonal work**

POOR HEALTH

60%

do not have adequate insurance coverage

25% reporting significant **out-of-pocket expenses** for healthcare

LOW ACCESS TO FORMAL CREDIT

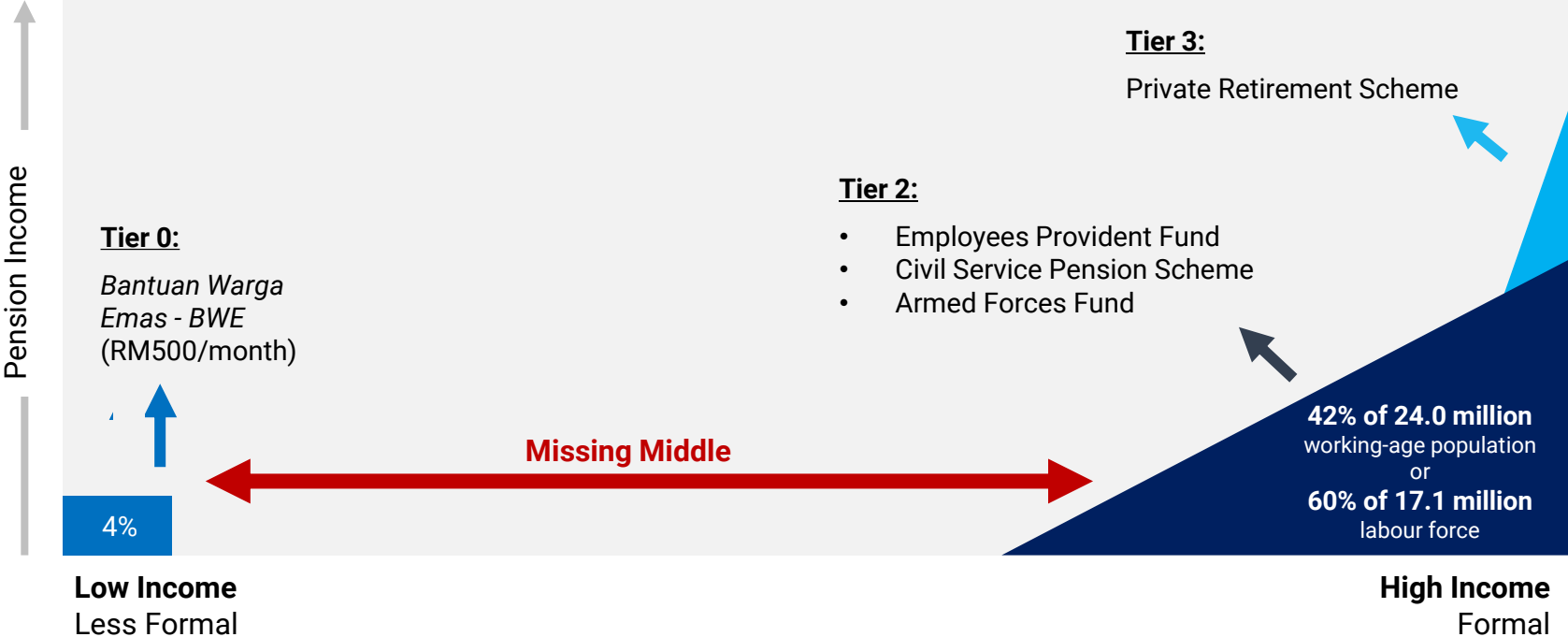
1 in 3

carry high levels of personal debt (credit card and informal loans)

Due to the lack of access to **formal credit facilities**

Approximately 15% to 20% of self-employed households are living below the poverty line, particularly in informal sectors like agriculture and small-scale retail

Diagnosis of the pension and retirement system in Malaysia reveals significant gaps across all tiers



Only a small proportion of the self-employed individuals contributing voluntarily to the EPF

The existing framework allows self-employed individuals to make **voluntary contributions to the EPF** - with those aged 60 and below **eligible for a government incentive of up to RM500** under the **i-Saraan programme**

578k

9% of the uncovered segment of the labour force (6.2 million)

Voluntary Contributors in 2023



383k

i-Saraan incentive recipients in 2023

Total Contribution: **RM 7.02 bil**

Informal workers have shown preference to save in EPF for their retirement security

~70%

of the informal sector agrees to contribute through **auto-deduction at source** for retirement

91%

would prefer contribution rates that **differ from workers in formal employment**

45%

cited **low and uncertain income** is one of the main reasons that hinders savings for retirement

Source: UNCDF (2020)

The changing world of work calls for a **different approach in ensuring informal workers, including the self-employed are protected from vulnerabilities**

Strategic response to the challenges faced by the self-employed



1

COVERAGE EXTENSION

to informal workers,
including the self-
employed

Phase 1:
**Voluntary Opt-out
Mechanism** (Auto-
enrolment and auto
deduction at source)



2

ACCOUNT RESTRUCTURING (accumulation and decumulation phases) and **BENEFITS ENHANCEMENT**



3

EDUCATION AND AWARENESS CAMPAIGNS

to promote financial
and retirement literacy
through programmes,
tools and publications



4

ADVOCACY

to promote wellbeing
of aged workers,
including self-
employed, such as
policies preventing
age discrimination
and protecting rights
of older persons



5

NATIONAL PENSION REFORM

to ensure
old-age income
security for all



*Kementerian PPN/
Bappenas*



WORLD BANK GROUP

SUPPORTED BY:



Australian Government

The EPF is collaborating with six (6) platform providers in order to boost the retirement income security of informal workers

PLATFORM PROVIDERS



foodpanda Malaysia



TROOPERS

TROOPERS



Go Coach Global Sdn Bhd



SOLVNEX Digital Sdn Bhd



Bateriku (M) Sdn Bhd



halo food delivery

AREAS OF COOPERATION

- 1 **Auto-Opt in for registration of partners** working under the platform provider to the EPF, including the i-Saraan programme
- 2 **Auto-Deduction mechanism for retirement savings contribution at source**, including:
 - Fixed monthly contribution; or
 - Percentage of income earned through the platform (minimum 1%)
- 3 **Cooperation in conducting financial literacy programmes** with partners and dissemination of **financial literacy content** via the platform provider