

Together We Stand: Onwards to Inclusive Social Protection

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■ Introduction

The Covid-19 pandemic and the recent floods has highlighted longstanding issues in Malaysia's social protection system. After two years into the pandemic, the current system remains unable to provide adequate security to a significant segment of the population. This is illustrated by relief measures favouring formal sector workers compared to their informal counterpart despite the disproportionate impact of the pandemic on vulnerable groups and marginalised communities.

As an act of social solidarity, many Malaysians, individuals and civil societies alike, stepped up to deliver aid—including cash and voucher assistance—to those in need. The crisis highlights the altruistic and helpful nature of Malaysian society and underscores the fact that many of us care for society's wellbeing, regardless of religion, race or social class.

While such efforts should be recognised and appreciated, they should not be seen as indicative of an ideal model of a sustainable welfare state (or social protection system). Instead, it is an indicator of a system in need of reforms as establishing foundational support ensures no one would fall through the cracks rather than having to rely on the act of voluntary kindness alone.

Thus, now is an opportune time to promote a more inclusive system that guarantees everyone's protection in the event of a crisis, and against other risks we may face throughout our lifetimes.

This article discusses the need to revamp and strengthen Malaysia's social protection system to ensure it is inclusive for all (see Box 1 for the definition of social protection). In the march towards inclusive social protection, we propose that the federal government installs and maintains a “social protection floor” that guarantees everyone has access to at least a basic level of support during childhood, old age, sickness and unemployment¹. Once this “floor” is in place, other entities such as authorities at the state and local levels, as well as the third sector² can leverage on this system to supplement the support over and above the basic level. The strengths of working on the ground also give opportunities for these groups to help ensure those excluded from the mainstream system are included and integrated.

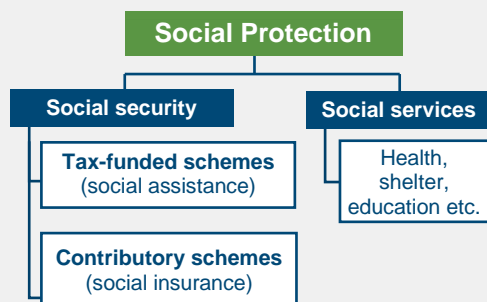
¹ This recommendation is based on KRI's latest report 'Building Resilience: Towards Inclusive Social Protection'.

² The 'third sector' is an umbrella term that covers a range of different organisations with different structures and purposes, belonging neither to the public sector (i.e., the state) nor to the private sector (profit-making private enterprise). Other terms used to describe them include 'the voluntary sector', 'non-governmental organisations', and 'non-profit organisations'. Source: Northern Bridge Doctoral Training Partnership (n.d.)

Box 1: What is social protection?

Social protection can generally be understood as a set of public policy measures that intend to achieve three key objectives:

- (1) ensuring basic income security for all;
- (2) ensuring universal access to basic needs; and
- (3) enhancing people's capability to be productive and resilient to vulnerabilities.



Social protection can be grouped further into **social security** and **social services**. Social security emphasises on income security through the delivery of social assistance (i.e. distribution of transfers by the state often funded by public resources) or social insurance (i.e. contributory forms of social provisioning). Social services are the provision of essential services and basic amenities such as health and education.

Three elements of social protection

There are three main elements of social protection interventions, namely **protective**, **preventive** and **promotive** (3Ps). As society progresses, social protection evolves beyond serving “protective” functions of poverty relief and provision of basic needs, and advance towards “preventive” and “promotive” measures to mitigate risks and build resilience.



Protective

Protective measures are intended to provide relief for individuals who have fallen below what is considered a socially-acceptable minimum standard of living. Reliefs are often provided through welfare assistance in the form of income and consumption transfers as well as free access to basic amenities and social services³. Examples: BR1M/BSH/BPR unconditional cash transfers by MOF, welfare benefits by JKM.

Promotive



Preventive measures represent the forward-looking approach that serves to avert the risk of falling below the floor due to contingencies and livelihood shocks. Preventive measures, often provided in the form of insurance, is grounded by the solidarity value in which society as a whole pool resources in coping with contingencies. Example: the disability, survivorship and unemployment insurance provided by SOCSO.

Preventive



Promotive measures focus on investment for an individual's human development. The measures are designed to enhance productivity and build resilience of the population to safeguard against potential vulnerabilities. Examples: skills development programmes and early childhood education.

Source: KRI (2021)

³ There are many sets of administrative social protection data that exist across different ministries and institutions in Malaysia, with specific target demographics and objectives. For this reason, the design and delivery of assistance in the event of shocks (e.g. disasters and crises) is a challenge due to database inflexibility and cross-database verification issues. Source: UNDP (2021).

We are in the same storm, not in the same boat

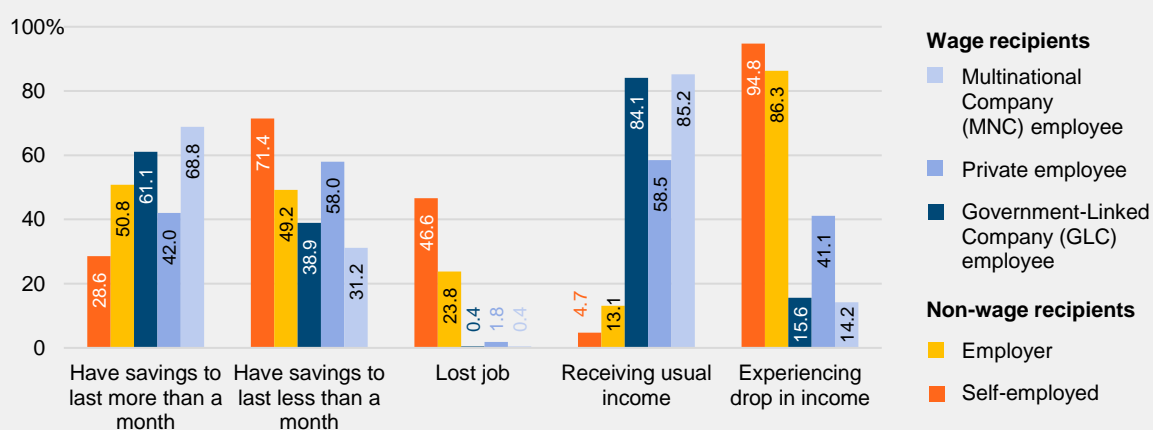
There is a phrase going around that “we are all in the same boat” during the pandemic, but in reality, we are in the same storm, not in the same boat. Some people are equipped with steady lifeboats, some barely surviving with lifebuoys, while the rest have to rely on their swimming abilities to weather the storm.

To curb the spread of the virus, the government imposed the Movement Control Order (MCO) which limited economic activities, allowing only key essential services to operate. Due to the persisting resurgence in infections, the country had reinstated different MCOs at various phases that was meant to curb the spread of the disease, but which also had unintended consequences on the economy and the *rakyat*.

It is evident that the pandemic has impacted people differently, and those in the vulnerable group such as the self-employed and informal workers face the brunt of the storm. Those working in the informal sector are often characterised as having low or irregular incomes, long working hours, experiencing unsafe and unhealthy working conditions, among others⁴.

Figure 1 depicts the results of a survey by the Department of Statistics on the effect of Covid-19 on the economy and individuals conducted in March, last year, during the early onset of MCO⁵. It shows that self-employed (or non-salaried) workers are more impacted, with almost half reporting a higher percentage of job loss (46.6%), the majority experiencing a drop in income (94.8%), and 7 out of 10 having savings that can sustain them for less than a month (71.4%). Conversely, employees (or salaried workers) were in a much better position, experiencing less effect on their income, stronger job security, and higher savings.

Figure 1: Effect of Covid-19 pandemic by employment status, 2020



Source: DOS (2020)

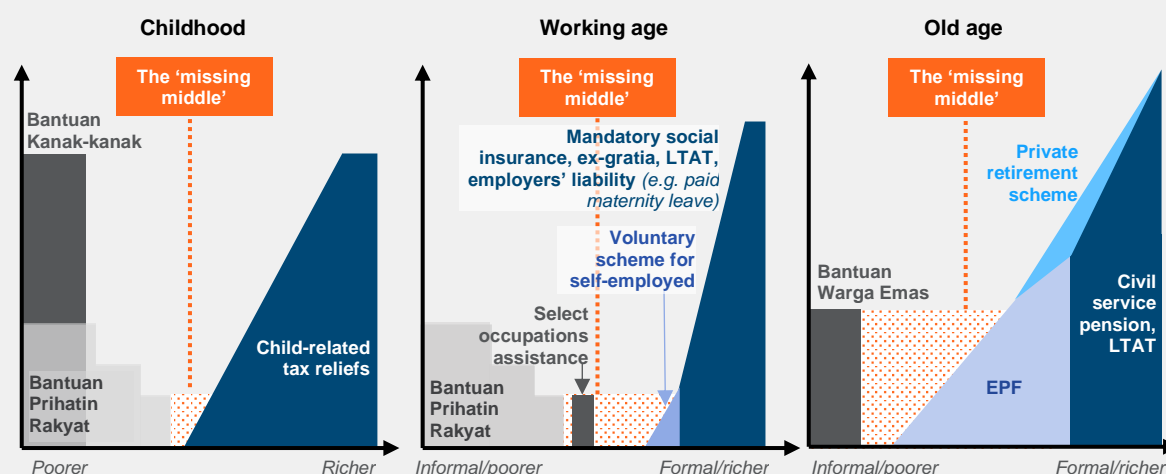
⁴ ILO. (n.d.)

⁵ The survey is not nationally representative and thus should be interpreted with caution. Nevertheless, it is useful in understanding the impact of Covid-19 in Malaysia. A total of 168,182 respondents have participated in the survey.

While the government has attempted to lessen the pressure on households and firms by introducing multiple relief assistance and stimulus packages, the existing structure inhibits aid to be effectively channeled to those in need. KRI's latest report, [Building Resilience: Towards Inclusive Social Protection in Malaysia](#)⁶ showed how targeted, means-tested⁷ social assistance programmes and social insurance schemes limited to those in standard employment have resulted in the issue of the “missing middle”.

This “missing middle” is a phenomenon where a segment of the population is left out of the existing social protection schemes because their income (or other eligibility criteria) does not qualify them to get social assistance, but at the same time they are not earning high enough to pay income and benefit from tax-relief initiatives. Those that work in the informal sector may also be left out as they may not be contributing to the social insurance schemes themselves and do not have any employers to contribute on their behalf. Figure 2 shows the “missing middle” issue persisting across the life stages in Malaysia, from childhood, working age, and old age. To address this gap, the government temporarily expanded the coverage of social assistance during the crisis such as by extending the coverage of Bantuan Prihatin Nasional up to middle-income group households and providing one-off cash assistance to e-hailing drivers⁸.

Figure 2: Population coverage and adequacy of social protection in Malaysia



Note: Only key schemes are shown. Values are only illustrative.
Source: KRI illustration.

⁶ KRI (2021)

⁷ Means-tested is when a programme provides benefits upon proof of need and targets certain categories of persons or households whose means fall below a certain threshold. Source: ILO (2017)

⁸ The programme's predecessor, Bantuan Sara Hidup (BSH) provides cash assistance for households with monthly income up to RM4,000. In contrast, assistance under the Bantuan Prihatin Nasional under the Prihatin Rakyat Economic Stimulus Package provides assistance for households with monthly income up to RM8,000. Source: MOF (2020)

Many social assistance programmes in Malaysia adopt a targeting approach, which seeks to aid those with low income (by identifying them using the poverty or B40 threshold) or other groups deemed vulnerable (such as agricultural workers and the indigenous population). Although the argument for this approach is to prioritise those most in need given limited fiscal space, such an approach can be costly to administer⁹, exacerbates programme fragmentation¹⁰, is limited in terms of coverage, and usually results in exclusion errors, where those that are eligible for the benefit are excluded from the programme. Another criticism of targeting is that the threshold set can be subjective, arbitrary and does not fully reflect the households' predicament¹¹.

The current social protection system also favours formal sector workers and individuals with higher and consistent incomes. For instance, the existing social insurance schemes which require regular contributions from the working population leave out many informal workers and those outside the labour force, such as unpaid homemakers. This means that in the event of unforeseen circumstances—be it major events like a pandemic or natural disasters, or individual risks such as unemployment and injury—some people are less equipped to handle those risks.

Malaysians Stepping Up to the Plate

The unpredictable and inadequate assistance by the government during the lockdown period has led to many individuals, communities, and non-governmental organizations stepping up to provide aid to those negatively impacted by the pandemic¹². Some of these initiatives come from long-established organisations that are familiar with humanitarian and charity efforts such as Mercy Malaysia, but many have come out from smaller, local communities. Malaysia has also seen the #benderaputih (white flag) movement gaining prominence, where those in need are encouraged to hang a white flag or cloth in front of their homes so that they can be identified and rendered immediate assistance.

However, these efforts are not without setbacks. While the community groups can be more agile and faster in delivering aid due to less bureaucracy, they may be constrained by a lack of information and resources to do so effectively. For instance, there may be overlaps in aid delivery due to a lack of transparency or data sharing on the assistance programmes. In the event of unprecedented disasters such as the recent floods, those delivering aid also struggle with the delicate balance between assessing the needs of those affected versus the needs of affected communities to move quickly to avoid worse outcomes. The diversity in aid design can also lead to disproportionate effects

⁹ The nature of poverty is dynamic, which means that anyone can move in and out of poverty over time. Adopting a targeting approach to determine who is “deserving” also means that the assessment process has to be conducted frequently to reduce exclusion and inclusion errors. This practice involves administration costs, time and human resource inputs, which may be pressured further in times of crisis—due to the longer duration and wider geographical spread of the response. Source: O'Brien et.al (2018)

¹⁰ A targeting approach leads to fragmentation, which feeds into the administrative burden. When the focus of a programme is too narrow and leaves out another marginalised group, a new programme is created, sometimes at the expense of the allocation of existing programmes. This practice exacerbates fragmentation and contributes to the cycle of endlessly needing new programmes.

¹¹ The Poverty Line Income (PLI) threshold to determine the “deserving poor” can be sensitive to subjective judgments of what constitutes the basket of goods that represents the minimum standard of living. Another threshold that is commonly used is the B40 (Bottom 40) demarcation, which is arbitrary and does not account for the household's composition, economies of scale and economic disparities in different geographical locations. Source: Hawati Abdul Hamid, Gregory Ho and Suraya Ismail (2019)

¹² Serina Rahman (2020)

on the impacted communities, with some aid presented in the form of a healthy and well-balanced food package, while others provided more basic (and sometimes less nutritious) options such as instant noodles. Another concern that arises from the mushrooming community efforts is that these groups can unintentionally contribute to the spread of the virus due to increased movement and sometimes lack of adequate protective procedures (e.g. not wearing proper PPEs when delivering aid)¹³.

■ Towards an Inclusive Social Protection System

The pandemic has highlighted the altruistic and helpful nature of Malaysians. It is an illustration of empathy as well as the solidarity within our society, going beyond religion, race, and social classes. Now, we must institutionalise the same spirit in revamping our social protection system, where we must design it to be more inclusive, equitable and sustainable. The country can no longer afford to keep doing reactionary and band-aid policies, but be more forward-thinking and deliberate in our policymaking.

Start with creating a Social Protection Floor

To create an inclusive social protection system, the government must start with creating a social protection floor that ‘prevents’ and ‘protects’ everyone. How this floor looks like may differ between countries, but the idea is that all individuals should have access to basic income security as they face major risks throughout their lifecycle—from childhood to working adulthood and then retirement. KRI’s social protection report has discussed in detail what the floor can look like for Malaysia, and proposes that the country invest in universal basic income for children, expand social security to all working-age individuals, and establish social insurance pension for old age¹⁴.

The government must be in charge of providing the floor, given that they have the authority, resources, and scale to do a more broad-based execution. It is difficult for other entities, such as the third sector, to replace this function, given their more narrow focus and fewer resources compared to the government. The third sector also does not have the same financial stability and sustainability as the government, as they rely on grants from the government and the private sector, as well as public donations. For instance, a survey by Yayasan Hasanah on the impact of Covid-19 on civil society organisations (CSOs) last year found four out of five respondent organisations (83%) were currently facing or are expected to face financial difficulty¹⁵.

By having a social protection floor system in place, other agencies such as state governments, corporations, philanthropists, and civil society organisations can play a more strategic role in providing deeper, more specialised, and promotive forms of assistance. Given their closer ties to the communities, they can also help to identify people that are overlooked and excluded in the current system and to participate in the new social protection system.

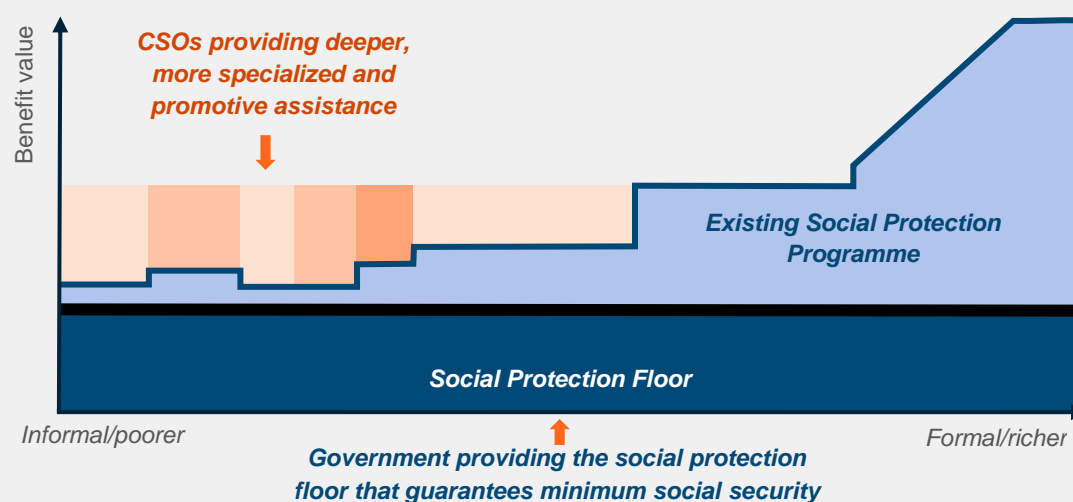
¹³ Yayasan Hasanah (2020a)

¹⁴ Refer to the report for more detailed discussion on the policy design and funding mechanisms. Source: KRI (2020)

¹⁵ Yayasan Hasanah (2020b)

Aside from the major risks highlighted, other risks may be faced by key vulnerable groups who may require greater assistance. This assistance can be in the form of deeper income aid, or provision of other social services and basic amenities such as shelter, health, education, water, and sanitation. By not having to focus on providing minimum income security, other agencies and entities can better utilise their resources and focus on these critical areas.

Figure 3: The role of the government and civil society organisations in social protection



Source: Author's illustration

The prominence of community efforts during the pandemic might also perpetuate the belief that community should play a major role in ensuring the social protection floor. However, this should not be the case as aid in this form is voluntary and provided on an ad-hoc basis. In this model, a person's social well-being would be dependent on the discretion of their better-off neighbours.

Set up a National Social Protection Registry

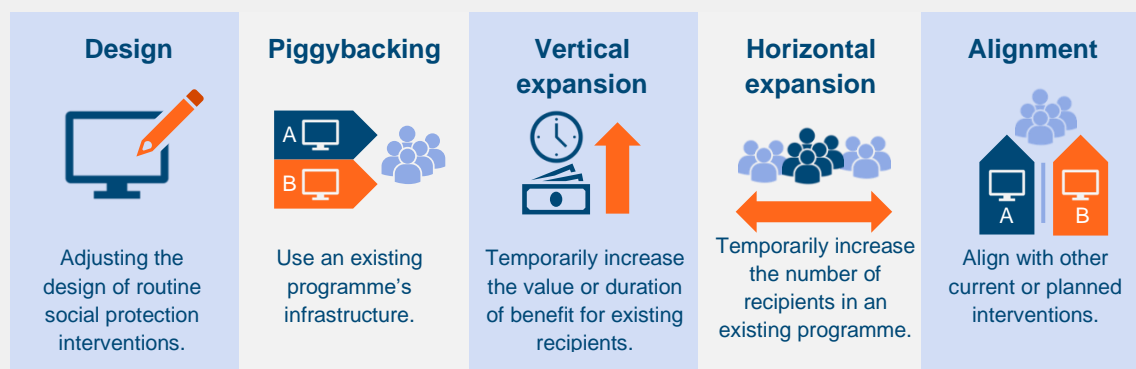
To do this, Malaysia must set up a National Social Protection Registry that covers all individuals and gives them access to different forms of social security benefits corresponding to the risks faced throughout their life course. Having a single integrated system can be very useful in delivering assistance in the event of shocks. Currently, there are multiple sets of administrative social protection data that exist across many ministries and institutions in Malaysia. The existence of multiple data registries that are sparsely located and stored within various agencies impedes social policy planning due to the difficulty of utilising the data. As seen today, this has resulted in duplications and the marginalisation of some underprivileged subgroups not currently recognised by the system¹⁶.

Once the National Registry is in place, it can be leveraged and adapted to strengthen social protection efforts and even go beyond income security. Figure 4 illustrates how the system can be

¹⁶ KRI (2021)

adapted in response to shocks. For example, special needs of individuals such as disability and orphanhood can be better identified and provided with supplementary assistance. Other actors such as the state governments and the third sector can also use this system to provide more specialised assistance or conduct more targeted programmes by using the registry for baseline information.

Figure 4: Adapting the existing system to respond to shocks



Source: O'Brien et al. (2018)

■ Concluding Remarks

The government's recently announced aspiration of *Keluarga Malaysia* (Malaysia Family) focuses on the collaboration among Malaysians to work in tandem regardless of religion and race to recover the country from the negative impacts of Covid-19 and build back better. To realise this, the current social protection system needs to be revamped to ensure it is truly inclusive for all. While the journey is long, we can start by establishing the social protection floor and ensuring everyone is covered via a national social protection registry.

An inclusive social protection system can enhance social solidarity, promotes trust, and strengthen the social contract. This is because the investment in a formal social protection arrangement requires participation from all parties—individuals, employers and the private sector, and the government.

Throughout this pandemic, leaders echo the statement no one is safe until everyone is safe when reiterating the need for a united global response in handling the health crisis. This sentiment is also applicable when discussing social protection. As long as social protection coverage is unequal and inadequate, it leaves room for exclusion, marginalisation, hate, conflict, and violence, creating threats to national recovery and prosperity.

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