

Malaysia: does the government understand retirement pensions?

Saturday 16 November 2019, by [DEVARAJ \(Dr\) Michael Jeyakumar](#) (Date first published: 12 September 2019).

COMMENT | The recent statements emanating from top civil servants, namely Public Services Department director-general Borhan Dolah and Chief Secretary to the Government Ismail Bakar, indicate that the proposal to phase out the pension scheme for government servants is being seriously considered at the highest levels of government.

Dr Mahathir Mohamad weighed into the controversy on Sept 7 saying that the total pension bill of RM28 billion per year currently (amounting to about 10 percent of the federal budget) has become a [burden](#) to the country. But he did add that no decision has been taken as yet on the issue of pension.

The casualisation of labour is a global trend that has many negative consequences. It increases insecurity and leads to underemployment and poverty. It also makes people anxious about their own future and therefore more focused on securing themselves and reduces any inclination in helping others.

When applied within the civil service it will lead to a reduction in the civil servant's commitment and pride in serving the nation and might shift their focus to please their superiors (so that their contracts are renewed) or start preparing for alternative carriers while still in government service.

Removal of the pension scheme is part of the neoliberal agenda to trim and squeeze the state apparatus driving it to inefficiency, thus justifying further privatisation of essential services to the people.

The PSM is against any policies that will undermine social security and make the lives of our people more precarious. We are strongly against dismantling the government pension system. On the contrary, we believe that the way forward for Malaysia is to introduce a Universal Pensions System for our elderly.

It is high time Pakatan Harapan leaders reflect seriously. Why do we have a government in the first place? What is your role as government leaders? Of course, maintaining law and order is an important function. So too is making sure that the economy functions smoothly such that goods and services are provided to the people and employment opportunities are generated.

But it appears to us that the Harapan government has become too focused on making Malaysia seem "business-friendly" and on trimming the budget deficit so as to impress the International Credit Rating Agencies.

The government seems to have forgotten that one of the most important responsibilities of government is to ensure that no one is left behind – that our society does not become too unequal and therefore unjust. Surely Harapan recognises that in many instances the free market will not meet the basic needs of certain sectors – especially sectors that do not have much buying power.

In other words, the market mechanism may fail to provide adequately for the basic needs of the bottom 40 percent (B40) of society. Also, Harapan leaders should take cognisance of the fact that corporations augment their profits by keeping wages down.

In these circumstances, a responsible government needs to intervene to ensure that those in B40 are not pushed deeper into poverty by 1) legislating a decent minimum wage and 2) by building a robust safety net for all Malaysians. In both of these important matters, the Harapan government is not meeting the mark.

Many face old age without any savings

The recent proposal from the Malaysian Trades Union Congress (MTUC) that the [retirement age](#) should be shifted from 60 to 65 years should be seen as a cry for help on the part of the working population. Official statistics reveal that 68 percent of Employment Provident Fund (EPF) contributors aged 54 years have less than RM50,000 in their EPF accounts and most retirees use up this amount within a few years of retirement.

Many Malaysians face old age without any savings and when over 70 years of age, are totally reliant on family members who might also be struggling to meet the needs of their own families. This is the backdrop to MTUC's proposal.

This is why the PSM has long been advocating that Malaysia implements a pension scheme for all Malaysian citizens above 70 years of age who do not have government or social security (Socso) pension. Our suggestion is that we start at a pension of RM300 per month.

As there are approximately 800,000 people in this age bracket who are not receiving any pension currently, the total bill will be RM 2.9 billion per year. This is about the same quantum as the BSH programme, and is less than one percent of the total federal budget.

Although RM300 is not enough for an elderly person to live on his or her own, it will be a big help to the family looking after him/her and certainly, add to the dignity of his/her life.

Detractors will argue that our federal budget is already stretched and it would be imprudent to start a scheme that will become more expensive over time as the number of the above-70 group increases. We disagree. One of the principal responsibilities of government is to ensure that the wealth of our country is shared equitably.

We already hold down wages in Malaysia so that we can compete for FDI and so that our exports can compete in the international market. In other words we keep asking our working people to accept low wages for the national good.

This is the main reason why many of our retirees are not able to accumulate enough savings for their old age. Isn't it only fair that we collect part of the wealth generated by the effort and sacrifice of our workers to strengthen the social net and provide a bit of help to them when they are above 70 years of age?

Are these detractors aware that government expenditure has dropped from 43.8 percent of the gross domestic product (GDP) in 1983 to 21.6 percent in 2019.

This decrease is due to several factors including, the race to the bottom in corporate tax rates among the Asean countries engendered by their desperation to attract foreign direct investment - our corporate tax rate was 40 percent of corporate profits in the 1980s. It is now 24 percent of profits and falling.

Another factor is the financial liberalisation brought about by WTO rules and the Free Trade Agreements. These rules enable large corporations to siphon out their handsome profits to tax havens through transfer pricing – thus avoiding paying taxes in Malaysia.

Low corporate tax rates and tax avoidance are not ordained by the almighty. They are the result of the overwhelming power of the richest corporations in formulating trade and financial rules. They are man-made and can be, by men unmade.

This decrease in government revenue is a major reason why the Harapan government is now talking of phasing out the pension scheme for government employees.

The PSM believes that it is the duty of government to address the issues of tax avoidance and the race-to-the-bottom among Asean countries. Then the government will have the funds to expand social expenditure on pension, improving health care, increasing the budget of the welfare department, improving public transport, financing greener sources of energy, etc.

Of course, this will require a multi-national effort and cannot be accomplished overnight. But has the Harapan government embarked on this course of action? Has it even contemplated it?

Currently, Harapan's knee-jerk response to any proposal to increase social expenditure is to say "Sorry, no funds. Our deficit is already too big". This knee-jerk response is simply not acceptable.

The government must apply itself to the task of retaining a larger share of the wealth that Malaysia is contributing to the global economy and use this fund to make Malaysia a more equitable society.

This is the responsibility of the government. Please fulfil it.

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