GE15: Three social protection policy directions every party manifesto should have — Edwin Goh, Ooi Kok Hin and Nelleita Omar

OCTOBER 31 — The recently tabled Budget 2023 is now put on hold following the dissolution of parliament as the country gears up for the 15th General Election (GE15). But the RM372.3 billion budget provides us with a glimpse into the state of social protection spending by the government. Slightly more than 10 per cent of the budget (approximately RM42 billion) was proposed for subsidies and social assistance, with the bulk allocated to blanket subsidies for fuels, cooking oils and other essential goods.

The government is under increasing fiscal pressure to rethink its social protection strategy. Alternative policy measures suggested by experts include better-targeted subsidies, increased cash transfer amounts, and a universal basic income scheme. A few months before Budget tabling, Caretaker Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz had indicated that the government plans to shift from blanket assistance to targeted schemes. And Budget 2023 did see some increase in the quantum of targeted assistance for vulnerable groups such as low-income families, unemployed youths, farmers, fishermen, and gig workers.

Going by the pronouncements and the proposed Budget by the current government, there appears to be a shift in policy direction towards more targeted assistance though no clear steps towards removing blanket subsidies as yet. Will this direction also be taken up by other parties in their GE15 manifestos? What should be the policy direction on social protection moving forward?

Based on our analysis of social protection spending, there are three directions that aspiring policymakers and those who seek public office should offer to improve our social protection strategy.

Direction 1: Prioritise effectiveness

The government's spending on subsidies and social assistance has almost doubled from RM23 billion in 2013 to RM42 billion in 2023. However, a significant proportion of this spending has gone to blanket fuel subsidies which disproportionately benefit the wealthy. Caretaker finance Minister Tengku Datuk Seri Zafrul Abdul Aziz previously told the Parliament that for every RM1 of fuel subsidy, 53 cents benefited the T20 — hardly effective nor efficient as a form of social assistance for low-income groups.

By focusing on improving the effectiveness of assistance-related allocations, the country's social protection strategy would gradually wean off blanket subsidies. Based on 2022 data, moving from blanket fuel to targeted fuel subsidies could save up to RM20 billion or 53 per cent of RM37.7 billion which was spent on fuel subsidies benefiting T20 households. The savings could increase the fiscal opportunities to implement more direct policy measures for social protection such as cash transfers.

There is a growing body of literature showing that cash transfers are a more scalable and effective poverty alleviation strategy than daily essentials subsidies for developing countries like Malaysia. Contrary to popular belief, direct cash transfers do not make people spend more on temptation goods like alcohol and cigarettes nor change whether or how they work. Instead, numerous studies have consistently shown the positive impacts of cash transfers on recipients' education, health, income and more.

Direction 2: From fragmentation to integration

The billions of ringgits pumped into consumption subsidies, social assistance and many more are part of a massive and complicated social protection system. As of October 2022, there are 17 ministries and agencies overseeing 167 social assistance schemes compared to 95 initiatives in 2012. The same problem is also observed in Malaysia's skills development system, where skills courses and targeted schemes are spread across multiple ministries, agencies, and state governments.

This fragmented social protection system has caused a two-fold impact. Firstly, this incurs additional costs for managing multiple databases, targeting beneficiaries, and operating and maintaining different schemes. Secondly, it also restricts policymakers from having a cohesive view of all recipients to calibrate with each other in analysing programme effectiveness, identifying coverage gaps, and improving the protection for recipients.

Currently, the government is working to address this by forming the Social Protection Council (MySPC). Early this year, MySPC launched the Social Protection Database (PDPS) compiling recipient profiles from all federal government social protection schemes in March this year.

While we commend the effort to centralise different databases into a primary reference for social protection, we should also improve the service delivery of our social protection system by creating a single national social protection institution and a unified registry. It will allow for a clear and strong policy mandate to the national social protection institution to improve our welfare policies' coordination, design and alignment. This has been proposed by Bank Negara Malaysia (BNM), as well as eminent sociologist, Emeritus Professor Abdul Rahman Embong.

An option is to have the Social Security Organisation (Socso) be transformed into a national social protection institution that acts as a custodian to a unified social protection registry. Having a one-stop centre, where everyone can check their eligibility, register, and apply for a leaner set of social protection programmes using a single ID (linked to the Tax Identification Number proposed in Budget 2023) will facilitate access to existing and new schemes.

Direction 3: Social protection as a human right, not charity

Pandemic, floods and inflation have highlighted the increasing inadequacy of our social protection system. The current 'charity' model for social protection, i.e. targeting the poor and the vulnerable, leaves many Malaysians ill-prepared to anticipate life-cycle risks, income shocks, and major crises.

After four rounds of EPF withdrawals, Malaysia — soon to be an ageing society by 2030 — is facing a retirement crisis lurking on the horizon. At the time of writing, the **Department of Statistics Malaysia (DOSM)** just reported that Malaysia's birth rate has hit a 10-year low in 2021, underscoring the need to be prepared for changing demographic needs. We are sorely in need of a new narrative to guide and drive policy reforms in ensuring adequate social protection for all Malaysians as we become an ageing society.

As established by the International Labour Organisation (ILO), policymakers and future legislators should view social protection as a human right and ensure a safety net that catches every Malaysian whenever they fall into poverty and hardships at any point in life. Ultimately, this policy paradigm shift calls for a life-cycle approach to social protection, which had been advocated continuously by BNM, KRI and Social Wellbeing Research Centre (SWRC) in the past. Any election manifesto should combine and strengthen measures on maternity and childcare support, employment protections, career transition programmes, healthcare contributions, and old-age pensions for every major shock from cradle to grave.

As we transition to an ageing nation and in the run-up to GE15, we hope that political parties can move away from exchanging political rhetoric to debating policy ideas that urgently matter. Showcasing an in-depth understanding of, and promoting the ways to reform, our social protection system in their election manifesto will make a compelling case to increase support and confidence in political parties and coalitions who vie to govern Malaysia for, arguably, the next five years in a time riddled with instability and uncertainty.

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