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Micro Pension for Sustainable Financial Security Malaysia Experience

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Agenda

- Malaysian Social Security & Demography
- Micro Pension Initiatives in Malaysia
- Lessons Learned, Way Forward and Conclusions

Malaysian Social Security & Demography

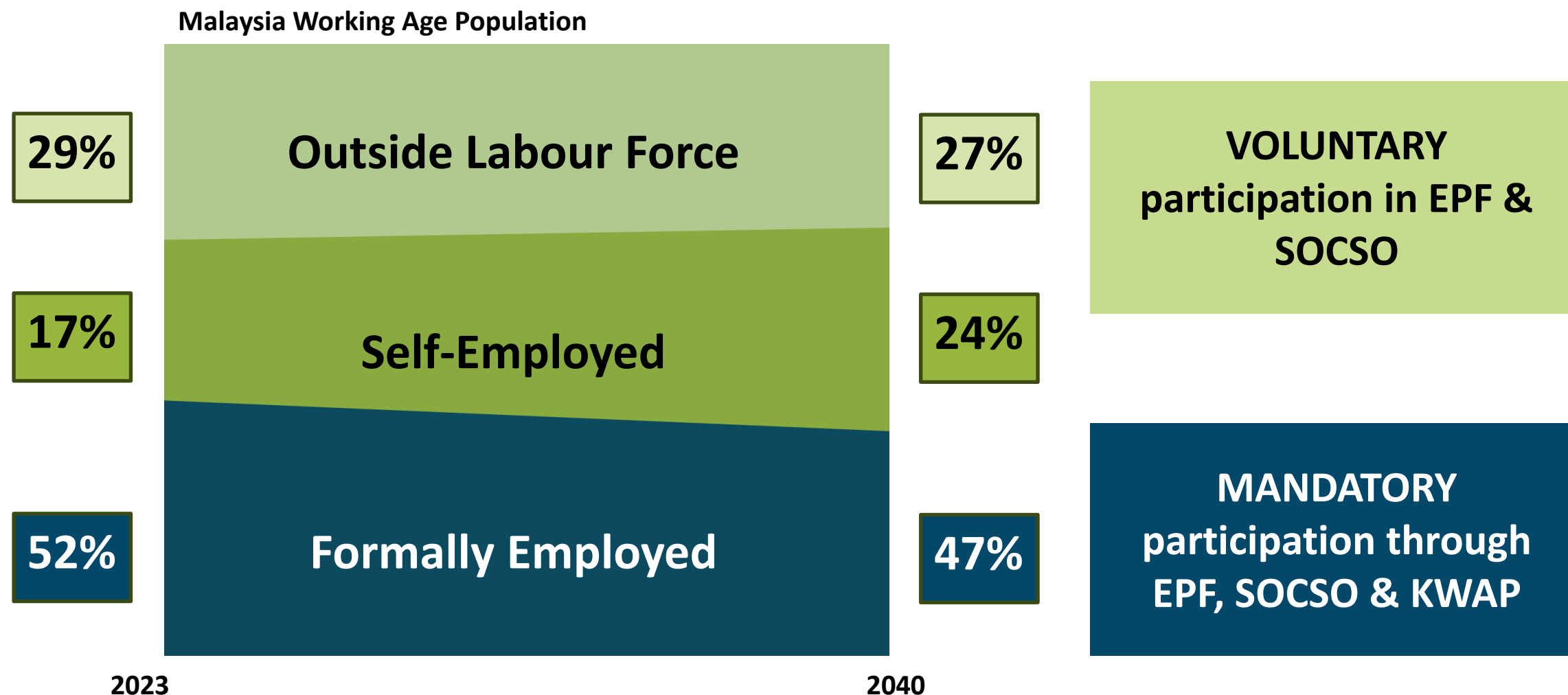
Malaysia's Demographic and Economic Landscape

- Malaysia has 34.2 million population
- Rapidly ageing – by 2040, 15% aged 60 and above
- Working age population (15 to 64) is 24.5 million
 - Labour Force Participation Rate – 70.8%
 - ✓ Labour Force – 17.4 million
 - Unemployed – 0.5 million (3%)
 - Employed – 16.9 million (97%) of which **25% or 4.1 million are in the informal sector**
 - **Outside Labour Force – 7.1 million**
 - ✓ Housewives, students, retired, disabled persons, those not interested in looking for jobs



Source: Labour Force Survey report Second Quarter 2025, Department of Statistics Malaysia

A Significant Portion of Workforce is in the Informal Sector and They Lack Access to Formal Employment Benefits



The Existing Pension Pillars

- Pillar 0 (Basic Social Pension)
 - Limited means-tested social assistance for the elderly
- Pillar 2 (Mandatory Savings for Retirement)
 - The Employees Provident Fund (EPF) for private sector workers
 - The Pension Trust Fund (KWAP) for public sector employees
- Pillar 2 (Mandatory Social Security Protection)
 - Social Security Organisation (SOCSO) provides employment injury benefits, invalidity pension and spouse pension for private sector workers
- Pillar 3 (Voluntary Retirement Related Products)
 - Products offered through approved Private Retirement Scheme (PRS), insurance, takaful, unit trust and retirement benefit provided by employers

EPF, SOCSO & KWAP – Cornerstones of Malaysian Pension System

Employees Provident Fund (since 1951)

- Defined contribution savings scheme
- Mandatory participation for all formal private sector employees
- Relatively high contribution rates
- Savings withdrawn as lump sum at age of 60 years old

Social Security Organisation (since 1972)

- Defined benefit (protection) scheme
- Mandatory participation for all formal private sector employees
- A “community rated” contribution, relatively low
- Main benefits are paid as pension (in certain cases as lump sum) upon death upon all causes whilst in service, permanent and temporary disability arising from workplace accident

Pension Trust Fund (since 2007)

- Defined benefit pension scheme that covers almost all civil servants (Federal and State government employees)
- Non-contributory

The Critical Gap

- Our strongest Pillars – EPF, SOCSO and KWAP were designed for the formal sector.
- This left a large, growing and vulnerable segment of the population without a retirement safety net.
- This harsh reality prompted Malaysian institutions and the Government to innovate.
- The goal is to create inclusive, voluntary, flexible and affordable schemes to bring everyone into the pension ecosystem.

Micro Pension Initiatives in Malaysia

EPF's Trilogy of Inclusion

i-Saraan



- A **voluntary** defined contribution scheme for self-employed individuals
- Government tops up contribution 20% of member's own contribution (limited to MYR500 a year and RM5000 lifetime limit)
- **As of 2024, a cumulative 800,000 members from the informal sector (gig workers/self-employed etc.) have participated in the scheme**
- **Of these, 520,000 were actively contributing in 2024 (16 – 17% of Malaysia's 3.0 million self-employed), amounting to RM2.6 billion contributions (average RM5k/person for the year).**

i-Suri



- A **voluntary** defined contribution scheme designed for housewives, widows, single mothers and single women.
- Government's incentive matching contribution of 50% for every RM1 contributed, capped at RM300/year
- **As of 2024, 74,000 women enrolled.**

i-Sayang



- A **voluntary** defined contribution scheme for which allows husbands to channel 2% of their own EPF employee contribution to their wife's EPF account.
- Once opted-in, cannot be cancelled and it will only stop if the wife divorces or passes away.
- **As of 2023, 35k members (husband) contributed to wives' accounts.**

SOCSSO's Shield of Protection

Self-Employment Scheme (Lindung Kendiri)

- Covers few sectors (e-hailing, online business, household services etc.)
- Benefits cover work injury, medical treatment, disablement (temporary/permanent) etc.
- Contribution level is low and vary based on declared monthly earnings
- In 2023, the number of Self-Employed Persons who participated was 668k persons (16% of 4.1 million total number of self-employed).

Scheme for Housewives (Lindung Kasih)

- Protects housewives against domestic injury, accidents and illness
- Contribution is RM120/year paid in advance
- Benefits cover medical treatment, disablement (temporary/permanent) etc.
- In 2023, the number of active contributors for housewives was slightly more than 200,000 persons.

Scheme for Domestic Workers (Lindung Pekerja)

- Designed for personal driver, housemaid, caregiver, bodyguard etc. of local domestic workers (Malaysian/PR) and foreign domestic workers
- Employers must register domestic workers with SOCSSO
- Benefits include employment injury, invalidity (unable to work permanently due to non-work/work causes)
- In 2023, the number of active employees contributed was 31,712 persons.

Case Study 1: EPF and e-hailing Private Company (GRAB)



- Strategic partnership between EPF and Grab Malaysia was signed in 2018
- **Targeting a sizeable, identifiable defined group** of gig workers which are precisely the audience of EPF i-Saraan.
- **Leveraging GRAB's extensive digital infrastructure**
 - providing direct digital channel to reach and educate the target group at scale, bypassing traditional more costly outreach method
- **Alignment of stakeholders' goal** in improving the social well being and financial resilience of delivery partners.
- Key features:
 - **Matching contributions** by GRAB (treated as business expense)
 - Government's 15% contribution incentive to encourage take up rates
 - Awareness and education
 - Simplified registration – **seamless process**

Case Study 1: EPF and GRAB Lessons Learned

- Despite the incentives and seamless process there are challenges
 - Take up rate remains lower than desired
 - Fluctuating income making it difficult for many drivers/partners to contribute consistently i.e. persistency issue
- Low and irregular contributions lead to lower benefit than those in formal sector
- Nevertheless, it is a great step in the right direction in embedding pensions into the gig ecosystem promoting financial inclusivity
- Part of a broader micro pension journey
 - exemplifying the immense potential and
 - the stubborn challenges we face

Case Study 2: Collaboration between SOCSO and GRAB

- SOCSO and the Ministry of Human Resources also formed similar strategic collaboration with GRAB
- Under this partnership,
 - the drivers and delivery-partners are covered by SOCSO, against **employment-related injuries**
 - Contributions are paid by the Government and GRAB
 - Zero contribution by delivery partners.
- The participation rate is expected to increase and the contribution structure changes once it becomes mandatory under a new bill (discussed in next slide).

Gig Workers Bill 2025

- The Gig Workers Bill 2025 was passed by lawmakers in August 2025 pending Royal Assent.
 - The Bill provides more rights to Malaysia's gig workers without recognising them as traditional employees.
- With the new Bill, it will be mandatory for platform providers (such as Grab, Foodpanda etc.) to register the gig workers for SOCSO's Lindung Kendiri and make **mandatory** deductions on the gig workers earnings and remit contributions to the scheme on their behalf.
 - Under this Bill, a 1.25% deduction per ride or delivery will be automatically channeled into SOCSO.
- However, the Bill still does not require mandatory contributions to EPF for retirement savings of the gig workers.

Lessons Learned, Way Forward and Conclusions

Success Factors

Trust is the greatest asset

Public trust on EPF and SOCSO, strong brands

Incentives drive behavior

Primary catalyst for participation

Technology Integration

Mobile platforms and digital wallets for seamless experience

Segmentation is critical

One size doesn't fit all. Tailored designs for different group.

Challenges

Low take up rates

Despite the incentives, encouraging long term savings remains a challenge amidst rising cost

Inadequate retirement fund

Arising from low and irregular contributions
Even with incentives, low and unstable income leads to irregular contribution

Persistency challenge

Enrolment is the first step, the next major hurdle is ensuring consistent, long-term contributions

The digital divide is real

While apps ease registration, grassroots outreach remain crucial for true inclusion,

Way Forward

- Bundle micro pension initiatives with **short-term benefits** (health/accident cover)
 - Adding value, driving demand and improving retention
- Simplify further & integrate
 - Creating a single registration portal for multiple pension and social protection schemes
- For those structured self-employment backed by digital platform
 - Explore **Opt-Out System (Auto-Enrolment)**
 - Consider **mandatory** participation e.g. GIG Workers Bill 2025
- Find the **right balance** between contribution rate and participation rate
 - lower contribution rate, higher retention
 - higher contribution rate, higher attrition
- Aggressive awareness campaign & enhanced Financial Literacy
 - Move beyond digital apps to community based programs
- Data-driven targeting
 - Facilitating deeper collaboration between institutions and agencies
- Ensuring sustainability and scale through continuous government fiscal transfer and commitment

Conclusions

- Building bridges that connect the informal economy to the formal safety net.
- Leveraging on trusted institutions and digital infrastructure leading to a more resilient, inclusive and dignified pension ecosystem is being built for all workers.
- Lessons we have learned are a blueprint for other nations facing similar demographic and economic shifts.
- The work continues, but the foundation for a truly inclusive system is now in place.
- A secure future starts with a small step today. Thank you!

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