

EXTRAORDINARY INITIATIVES FOR UNPRECEDENTED TIMES

The EPF is mandated under the Employees Provident Fund Act 1991 to safeguard and grow our members' retirement savings. However, in light of the COVID-19 outbreak, the EPF was compelled to move swiftly and develop bold and unprecedented initiatives to assist our members and employers in facing the headwinds of 2020.

Here, we provide an overview of the measures implemented by the EPF including innovative products and facilities that provided relief for those who faced financial hardship during the year.

A THREAT TO LIVES AND LIVELIHOODS

The COVID-19 pandemic, which began as a health crisis, created an unprecedented global economic crisis in 2020. International trade, travel, and many other cross-border commercial activities were severely disrupted, while economies contracted on the back of lockdown orders and standard operating procedures (SOPs) that constrained domestic spending and production.

Malaysia was not spared from the pandemic and its devastating impact on our economy and livelihoods. Businesses, especially small and medium enterprises (SMEs), struggled to keep their financial wheels turning. SMEs account for more than 90% of companies in Malaysia and repercussions of the financial difficulties faced by this sector were severe and far-reaching.

A series of surveys by SME Corporation Malaysia, conducted between March and May 2020, found that nearly 60% of the SMEs in the country did not generate sales, during the first movement control order (MCO) implemented in March 2020. Severe cash flow constraints necessitated the need to cut jobs and/or pay and this was reflected in Malaysia's unemployment and underemployment rates.

According to the Department of Statistics Malaysia, the unemployment rate increased 1.2% to 4.5% in

2020. This is the highest rate recorded since 1993. Correspondingly, the number of poor households increased to 639,800 from 405,400 in 2019. Meanwhile, the slowdown in economic activity was reflected in the country's gross domestic product (GDP) which sharply declined by -5.6% in 2020 from a gain of 4.3% in 2019.

CHALLENGES FACED BY EPF MEMBERS AND EMPLOYERS

The EPF represents almost 50% of the Malaysian population, with a total of 14.89 million members. We were immediately aware of the increasing financial difficulties faced by our members and employers at the onset of the pandemic and moved quickly to assist them throughout the year.

Besides launching a range of unprecedented products and facilities in 2020, the EPF also conducted surveys to determine if our initiatives were able to address the needs of our members and employers.

The EPF's "Impact of COVID-19" survey in July 2020 found that the effects of the pandemic on EPF members were highly uneven. This trend was seen around the world as the pandemic highlighted vulnerabilities of population groups, such as workers in the informal sector, that are often less visible. Those working in the local informal sector, such as the self-employed, casual workers, and daily wage workers, were found to have suffered the most during the year.

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The EPF's Impact of COVID-19 survey found that employment within the informal sector was much more volatile compared to the formal sector. One in two (approximately 50%) respondents from the informal sector reported reduced working hours or were asked to take unpaid leave. Additionally, about 20% have been retrenched or unable to work.

Meanwhile, in the formal sector, two in five (approximately 40%) survey respondents reported reduced working hours or were asked to take unpaid leave. Only 2% were retrenched or unable to work.

In terms of job security, 50% of the survey respondents in the informal sector held the same job as before the pandemic, compared to 96% of respondents in the formal sector.

To the EPF, this highlights the increasingly important issue of job security in the informal sector, where workers are rarely given written contracts, health benefits, or social security. Insufficient or not, the lack of emergency savings further compounded the many challenges facing our members in the informal sector.

➤ **The Impact of COVID-19 survey revealed that 16% of informal sector respondents were earning below the individual median wage of RM2,500 and had lost their job during the pandemic. Without a source of income, this vulnerable group is likely to be pushed into absolute poverty as they face challenges in paying for basic necessities such as food and shelter.**

In totality, the EPF's Impact of COVID-19 survey found that a majority of our members suffered financial hardships, directly or indirectly, because of the pandemic, and their top three concerns were income security, health, and job security.

Survey respondents also indicated that alternative financial resources were limited, with only 18% having enough savings to sustain their expenses for more than six months. In the event of a prolonged pandemic, individuals and households with limited savings may also fall into poverty.



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The survey results alerted the EPF to the immense financial difficulties faced by our members in 2020. It also confirmed that the initiatives to assist our members was a much-needed step in the right direction. It is also clear that more of such initiatives would be needed if the pandemic continues and the economy takes longer than anticipated to recover from its impact.



THE EPF'S BOLD INITIATIVES TO ADDRESS FINANCIAL HARDSHIP

The Malaysian Government rolled out a series of stimulus aid packages to mitigate the economic fallout of 2020. These include the first financial support package, the Prihatin Economic Stimulus Package (Prihatin), announced on 27 March 2020.

This was followed by more economic packages throughout the year, including the Prihatin Package for Small and Medium Enterprises (Additional Measures) on 6 April 2020, the National Economic Recovery Plan (Penjana) on 5 June 2020, and the Prihatin Supplementary Initiative Package (Kita Prihatin) on 23 September 2020.

Many other initiatives were implemented by the Government to assist the rakyat including a moratorium on all bank loans and Bantuan Sara Hidup cash payments, while businesses received grants and subsidies as well as aid such as a special relief facility offered to SMEs for working capital and a micro-credit scheme for companies in affected sectors.

The EPF was one of the first pension funds in the world to assist our members and employers during the pandemic by implementing initiatives, which complemented the Government's economic packages in 2020. Our aim was to provide financial relief to our members and employers that faced financial hardship following the first MCO when most economic sectors were closed. A snapshot of the EPF's COVID-19 related initiatives are set out in chronological order below:

Initiatives	Effective Period	Purpose	Approvals*	Total Value*
Reduction of employee contribution rate from 11% to 7%	1 April 2020 – 31 December 2020	To allow an increase in take-home pay for members	3.3 million members	RM3.4 billion
 i-Lestari Withdrawal facility	1 April 2020 – 31 March 2021	To alleviate the financial burden of members by allowing monthly withdrawals of between RM50 and RM500 from Account 2	5.1 million members	RM14.55 billion
 Employer COVID-19 Assistance Programme (e-CAP)	1 April 2020 – 30 June 2020	To allow eligible SMEs to apply to defer/ restructure the employers' portion of EPF contributions for April, May, and June 2020	13,090 applications	RM84.95 million

* Data as of 31 December 2020

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Initiatives for Members

(a) Contribution rate for 2020 and 2021

As part of the Government's first economic stimulus package, the EPF declared a reduction in the employees share of the statutory contribution rate from 11% to 7% in February 2020.

The reduced contribution rate of 7% was automatically applied for all members below the age of 60, starting from April until the end of 2020, unless a member opted out. This initiative was aimed at increasing the disposable income of members to cushion the impact of COVID-19 and stimulate economic growth.

A total of 3.3 million members opted for the rate reduction in 2020. At the end of 2020, 3.1 million members opted for the rate reduction for 2021.

(b) i-Lestari Withdrawal facility (i-Lestari)

On 23 March 2020, the Prime Minister announced that members under the age of 55 may apply to withdraw funds from their EPF Account 2 — for up to 12 months starting from 1 April 2020 until 31 March 2021 — to assist them during these uncertain times. Under i-Lestari, members were allowed to withdraw between RM50 to RM500 per month, subject to available funds in their Account 2.

To serve our members during lockdowns, the EPF introduced i-Lestari online to enable submissions of withdrawal applications by members. Funds of approved applications will be electronically credited into members' accounts, thus eliminating the need to visit EPF branches. This enabled members to utilise this facility while complying with lockdown orders.

The technical development of i-Lestari was done by the EPF employees in just 10 days. Because the MCO prohibited the IT vendors from operating at the premises, the i-Lestari development process had to be done internally, with steps taken to enhance security of this facility and protect it from potential cyber threats.

Initiatives for Employers

(a) Employer Advisory Services (EAS)

On 15 April 2020, the EPF introduced EAS to provide customised advisory services for employers towards helping them fulfil their obligations to contribute to the EPF during the COVID-19 economic slowdown.

Dedicated EPF officers would assess the financial condition of affected companies and advise them on a customised EPF contribution schedule. This may be a restructured contribution schedule or staggered payments for outstanding contributions.

EAS is expected to benefit over 480,000 SMEs and other corporations. By providing advisory services and a customised contribution schedule, the EPF looked to better position these SMEs in facing the economic slowdown and, in doing so, minimise the need to retrench workers. These SMEs are estimated to provide approximately 7.6 million jobs across the country.

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(b) Employer COVID-19 Assistance Programme (e-CAP)

In April 2020, the EPF launched the e-CAP to complement the EAS. This allowed eligible SMEs to apply for the restructuring of the employer's share of EPF contributions for the months of April, May, and/or June 2020.

The contribution payments for the month applied for can be deferred for three months, and thereafter may be settled over an additional period of up to three months. For example, an eligible employer may choose to defer the contributions for April 2020 for three months until July 2020 and spread the payment over three months from July to September 2020.

SMEs were eligible for e-CAP if they had:

200 or less employees on their payroll

Paid all monthly contributions (both employee and employer portions) up until February 2020 contribution date (i.e., contributions for January 2020)

Paid the employee's portion of the contribution for the months applied for (April, May, and/or June 2020)

e-CAP provided SMEs some respite from their cash flow constraints during the critical months. As of 31 December 2020, a total of 13,090 applications were approved amounting to RM84.95 million.

(c) Changing employers' contribution payment date

To provide further assistance to employers facing cash flow constraints during the MCO, the EPF allowed employers to delay the remittance of their monthly mandatory contributions which are usually due on the 15th, to the 30th of the month for the months of May 2020 to July 2020.

This flexibility helped employers to honour their obligations to pay both the employees' and employers' portions of EPF contributions. Due to further extensions of the MCO, we extended this delayed remittance plan to 31 December 2020.

MEETING EXPECTATIONS IN UNCHARTERED WATERS

For decades, the EPF has delivered on its mission of safeguarding member's savings towards helping them achieve a better future.

However, in light of the COVID-19 pandemic, the EPF was compelled to move quickly and introduce unprecedented initiatives such as i-Lestari. These facilities gave our members early access to their retirement savings to meet their immediate subsistence needs.

To assist our employers, the EPF made concessions such as e-CAP to ensure business continuity especially for SMEs that were badly affected during the lockdown periods.

2020 was uncharted waters for all of us and difficulties inevitably arose. For example, the EPF's online platforms were inundated with huge amounts of traffic as members and employers reached out to us during the first MCO. To meet their needs, we had to immediately adapt to the unique and unprecedented circumstances of 2020.

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The EPF rose to the occasion to remain productive in the new normal and serve our members and employers with excellence. We adapted swiftly to working from home and, securely, increased our digital capacity and capabilities. Furthermore, to ensure the safety of our customers and employees at our branches, we developed *Janji Temu* Online to stagger appointments and limit the number of people visiting EPF's branches.

NEXT STEPS

The COVID-19 pandemic has impacted lives in unimaginable ways. With the plight of our members and employers in mind, we provided solutions for individuals and businesses facing financial hardship. These initiatives, however, were for the short term as they serve as stop-gap measures to cushion the impact of COVID-19.

The EPF will remain true to our key purpose as a provident fund. Our top priority will always be to safeguard and grow members' retirement savings for their future social protection.

We believe that we have found a suitable middle ground in providing targeted aid to those in desperate need while protecting their retirement savings.

Moving forward, the EPF will continue to serve our members and employers and support them during the prolonged pandemic. We also intend to take a more active role in assisting the Government and collaborating with relevant organisations through the Malaysia Social Protection Council (MySPC), to enhance the social protection system for all Malaysians.

We will bolster our outreach programmes to educate and equip more members with greater financial knowledge, and support their upskilling efforts so that they can better manage future financial challenges. We encourage members to seek advice from our Retirement Advisory Service (RAS) officers in planning for their finances towards a more secure retirement.

Although it remains unclear when the COVID-19 pandemic will end, we are confident that patience, perseverance, and faith will guide us through this challenging period.

