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Social Contract for Recovery and Resilience

The New Narrative: Turning the Tide to Inequality | Hawati Abdul Hamid

International Social Wellbeing Conference 2021

24 Nov 2021

Social contract in Malaysia's historical context

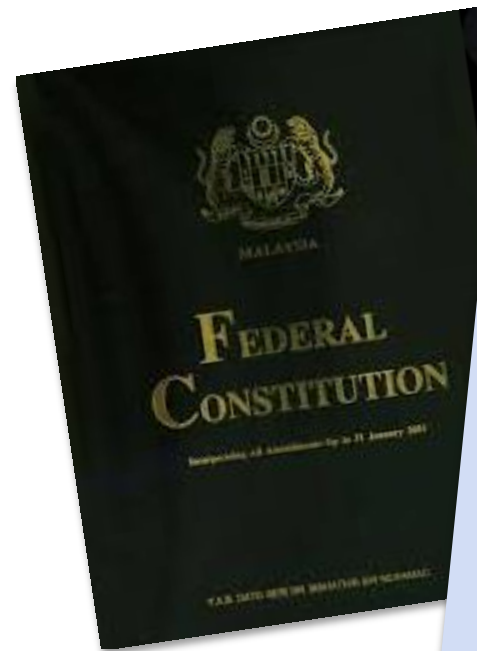
The New Economic Policy was conceived with two aims in mind – eradicating poverty irrespective of race and restructuring society by eliminating the identification of race with economic function.



“ Our Development Plan is national in character, national in intent and in scope.

We carry out development in accordance with priorities because it is our intention first and foremost to give all our people of all races wherever they live the basic amenities of life and to raise their standard of living so that they can live as decent, civilized human beings.”

Tun Abdul Razak Hussein
Second Prime Minister of Malaysia, 1970-76

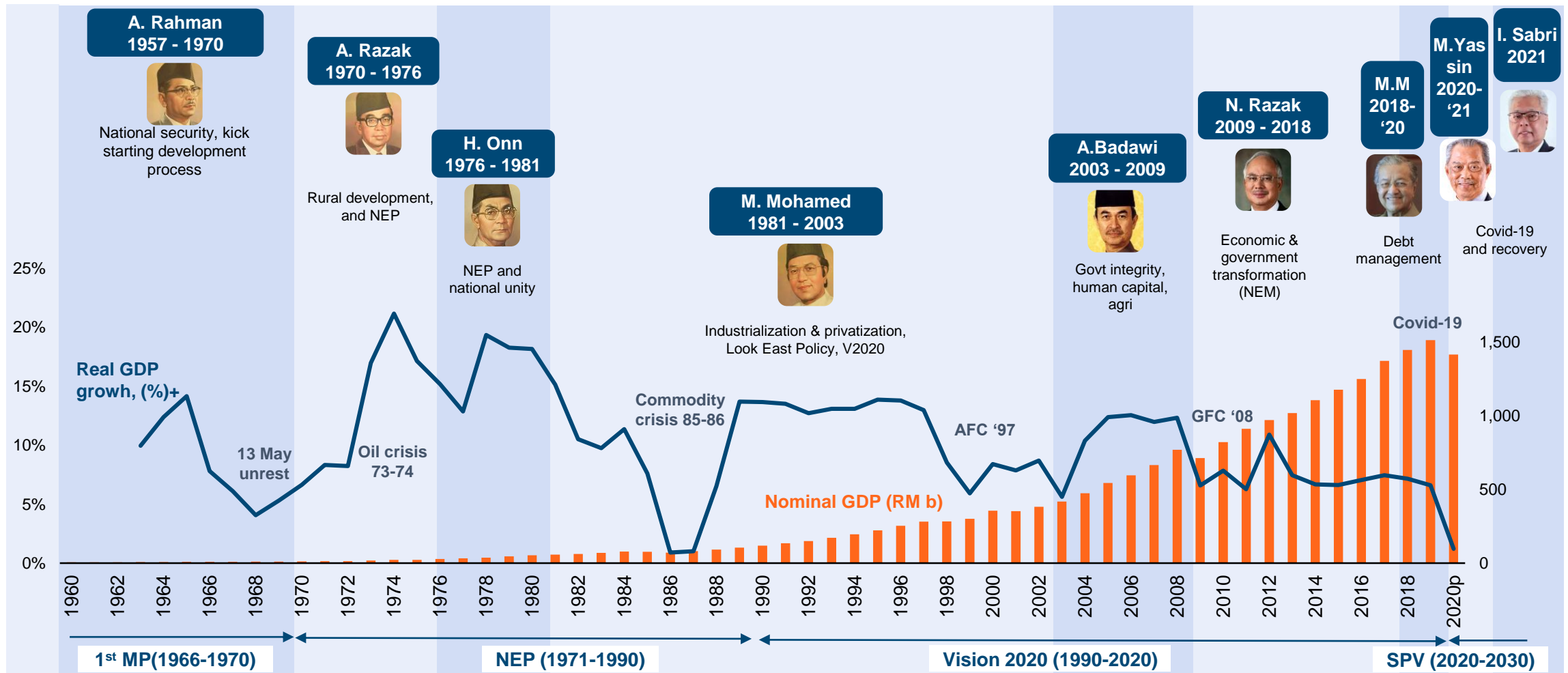


Prinsip Rukun Negara (National Principles)

- Kepercayaan kepada Tuhan
Belief in God
- Kesetiaan kepada Raja dan Negara
Loyalty to King and Country
- Keluhuran Perlembagaan
Supremacy of the Constitution
- Kedaulatan Undang-undang
Rule of Law
- Kesopanan dan Kesusilaan
Good Behaviour and Morality

Transformations over the years

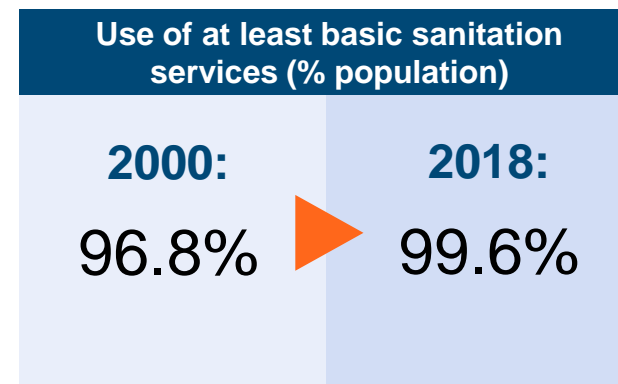
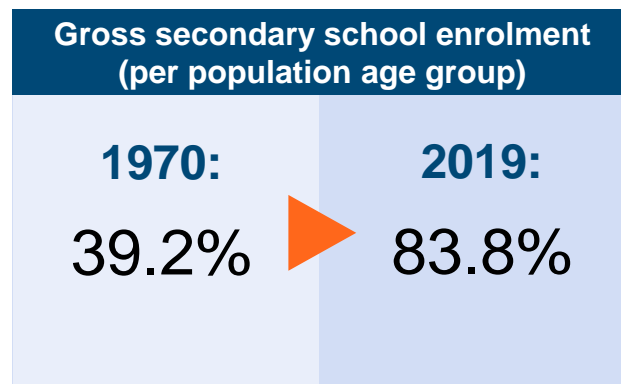
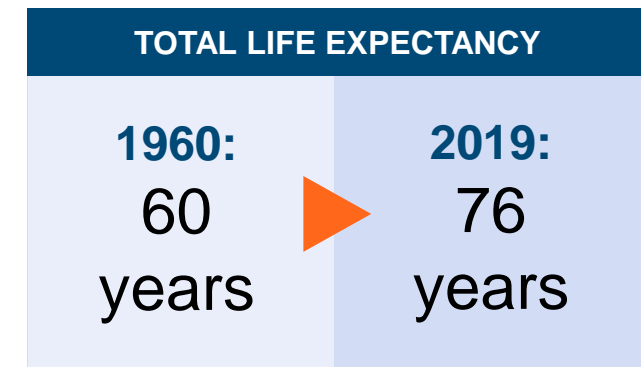
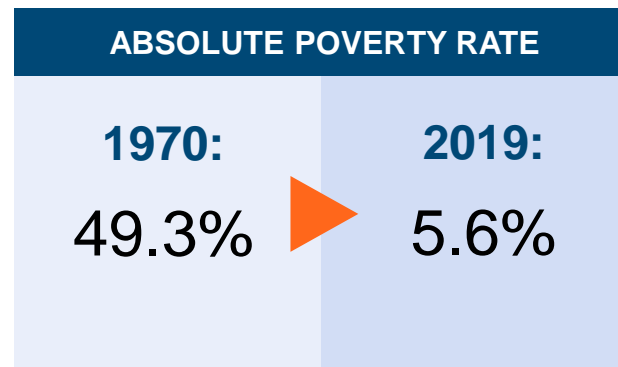
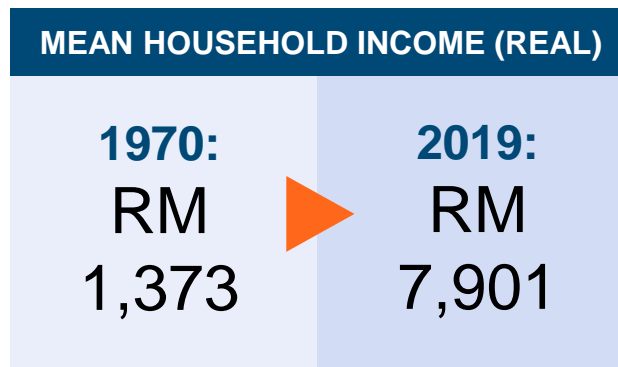
Policies evolved to meet new challenges and changing environment



Source: DOS (n.d.) and EPU (n.d.)
+ YoY, 3-year rolling

Economic development improved wellbeing of the people

..in both economic and non-material well-being from health to education and access to amenities.



Notes: Data based on earliest and latest available year
Source: DOS (n.d.) World Bank (n.d.)

Pressures on the social contract

Enabling opportunity for all and social mobility as part of social contract

Changing family structure and demographic shift



- Changing role of women
- Low mortality & longer life expectancy
- Low fertility rate
- Population ageing

External challenges and changing environment



- Urbanisation & Globalisation
- Technology & innovation
- Climate change

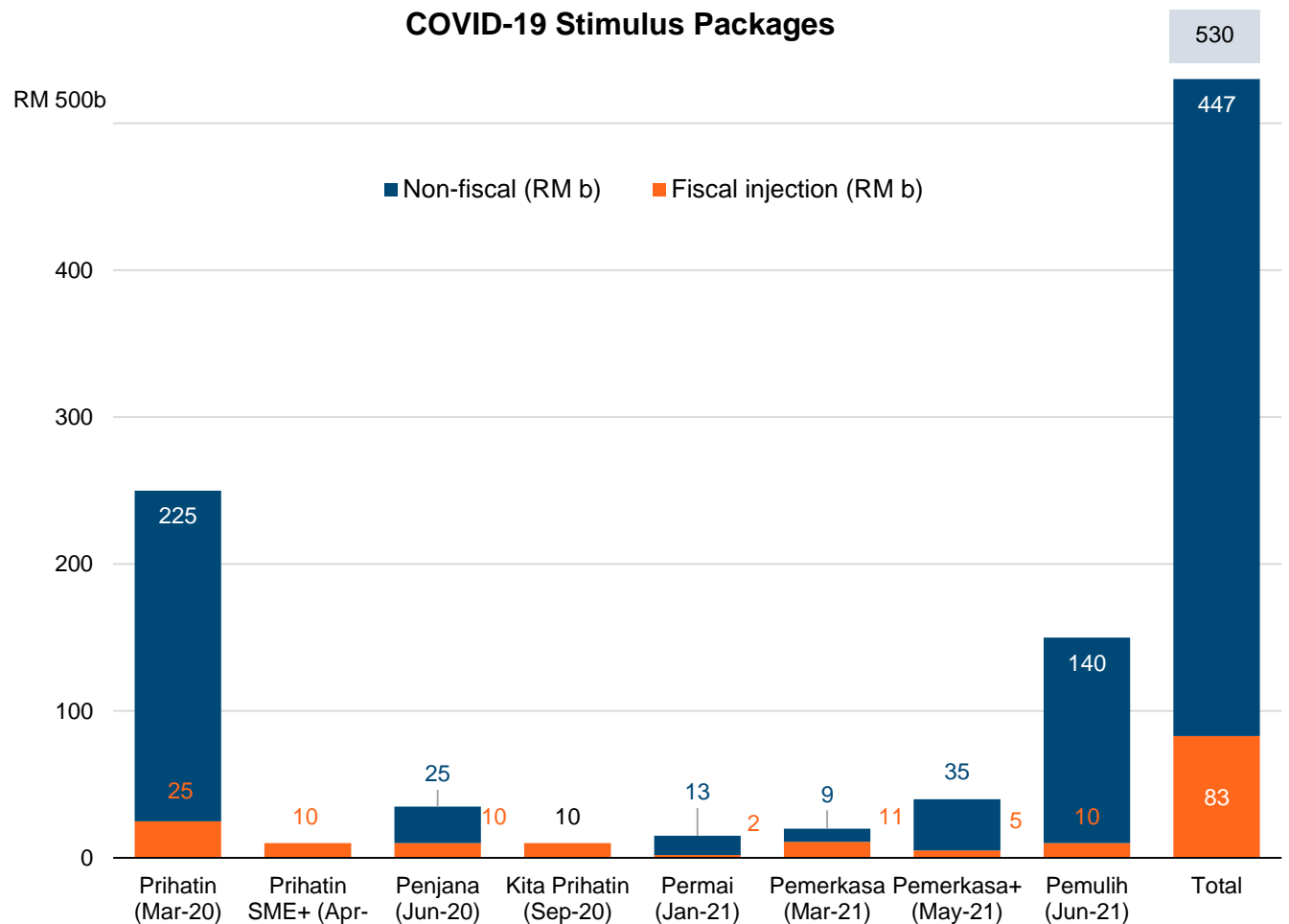
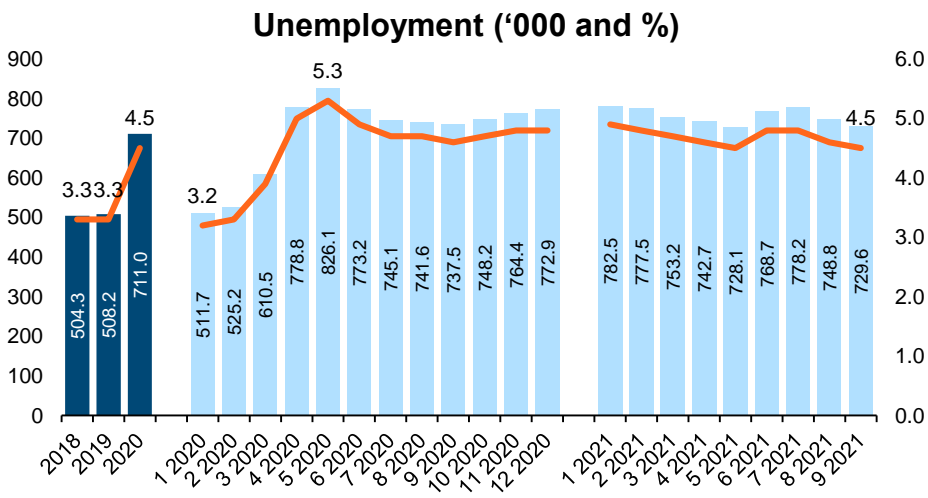
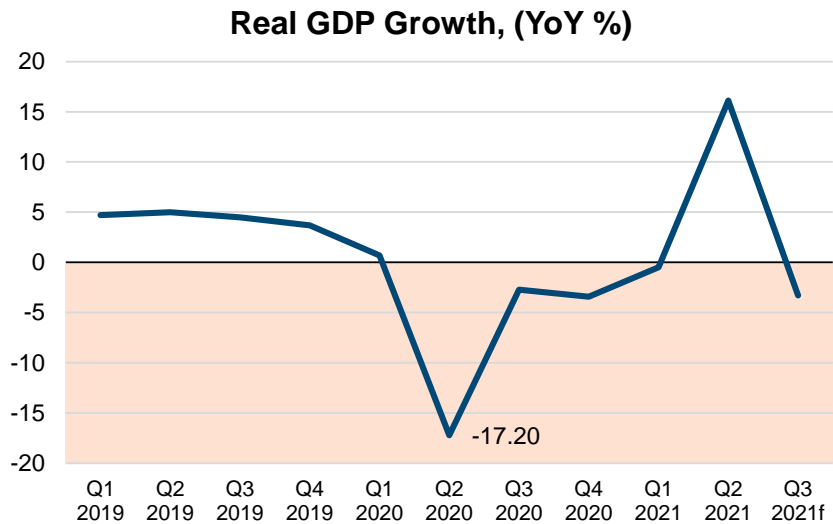
Prospect of upward social mobility?



- Slower pace of growth
- Inequality
- Societal challenges and changing expectations

Covid-19 exposed vulnerabilities and gaps

Stimulus packages were launched to help alleviate the pressure on the economy, labour market and health system



Source: DOS (n.d.) and MOF (n.d.)

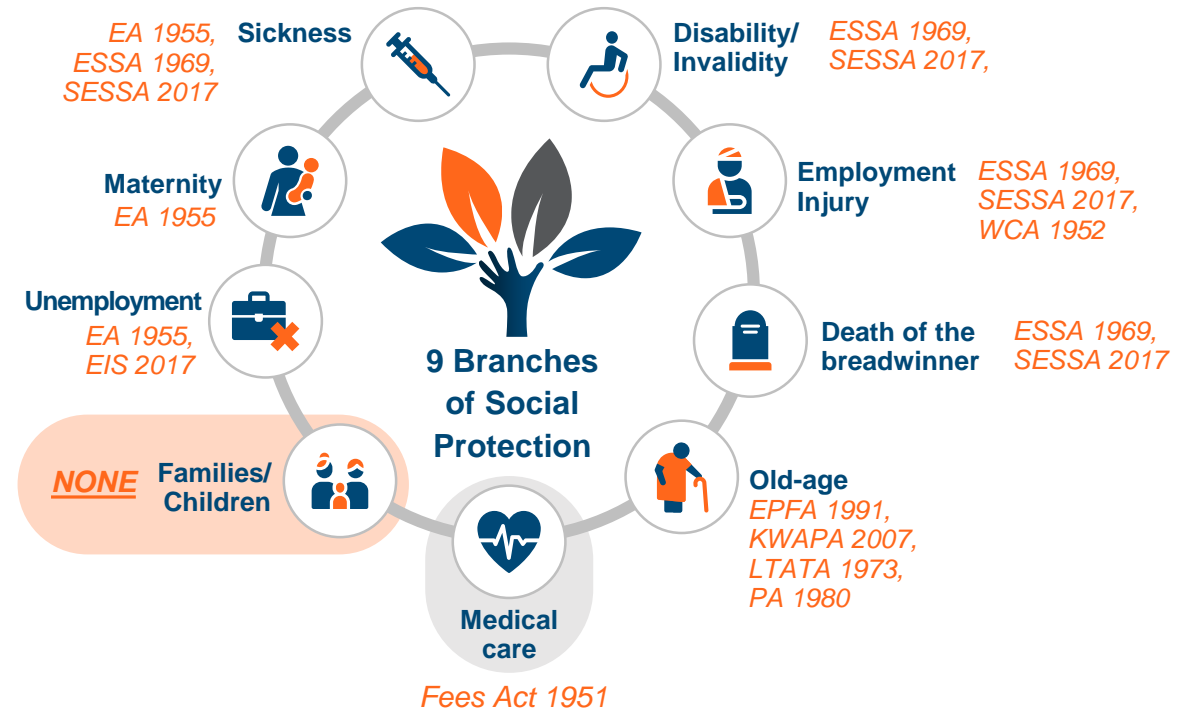
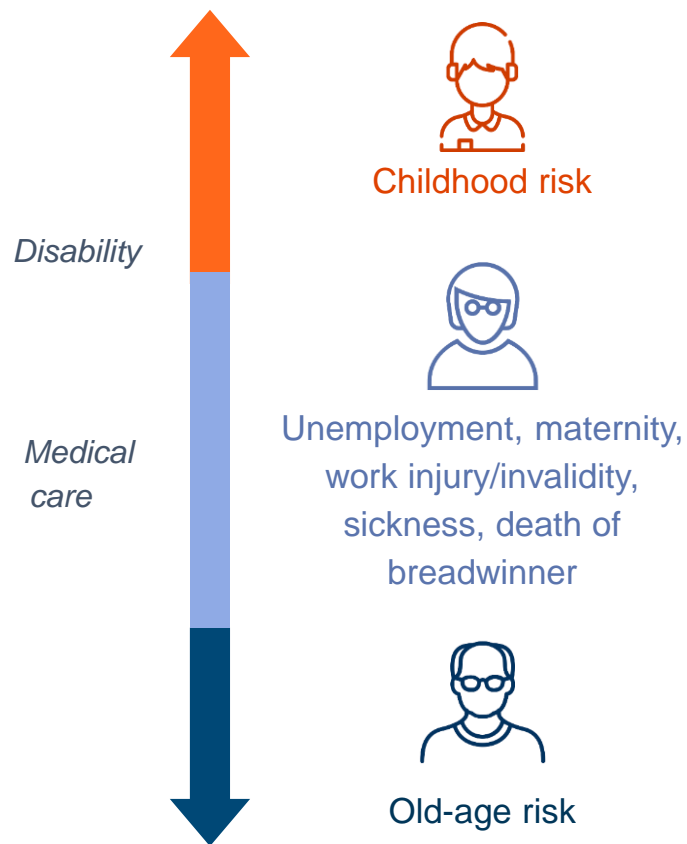
Social contract for recovery and resilience

“Build back better” by “going back to basics”

Promises in the provision of fundamental protections from cradle to grave.

Core risks as guided by ILO C102 (1952), R202 (2012)

LIFECYCLE RISKS



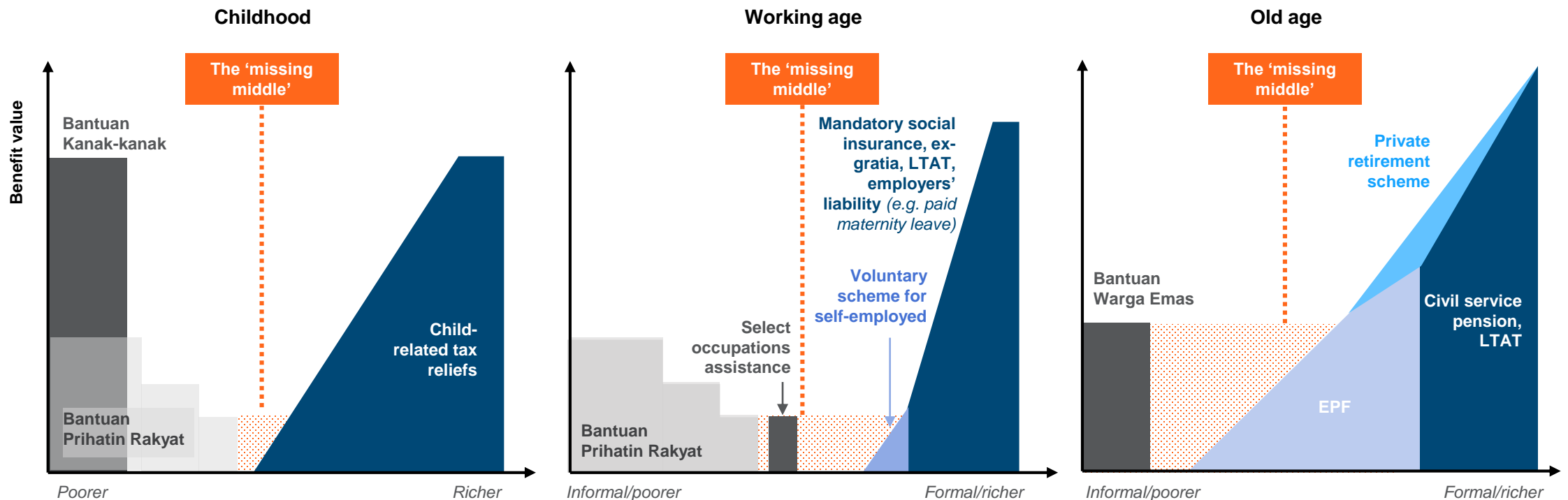
EA 1955 = Employment Act 1955
 EIS 2017 = Employment Insurance System 2017
 ESSA 1969 = Employees' Social Security Act 1969
 SESSA 2017 = Self Employment Social Security Act 2017
 WCA 1952 = Workers Compensation Act 1952

EPFA 1991 = Employees Provident Fund Act 1991
 KWAPA 2007 = Kumpulan Wang Persaraan Act 2007
 LTATA 1973 = Lembaga Tabung Angkatan Tentera Act 1973
 PA 1980 = Pension Act 1980

Universal provision of social security and services

Addressing the 'missing middle' requires a shift from charity to dignity, and from the poor relief model to a universal social security model

Population coverage and adequacy of social protection in Malaysia



Note: Only key schemes are shown. Values are only illustrative.
Source: KRI illustration. See [KRI \(2021\) – Building Resilience](#).

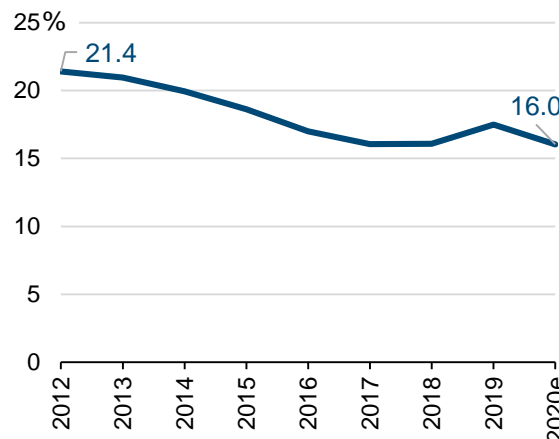
Social protection as an investment

Malaysia's spending on social protection remains **low** and **declining**.

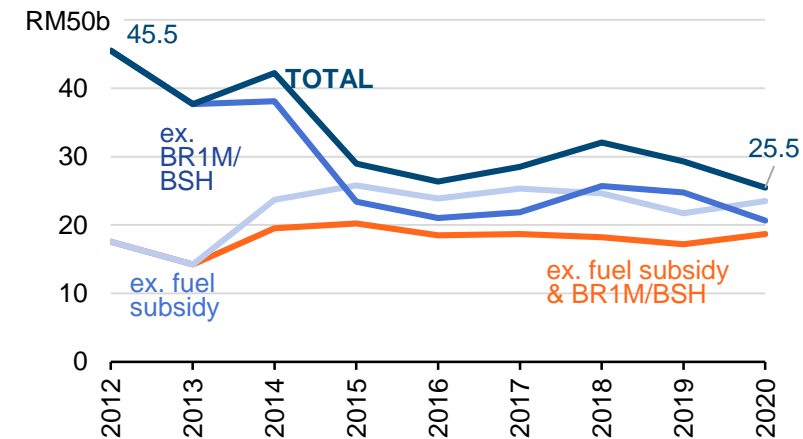
Transformative and universal social protection has a role in building trust in government.

Shifting from low-cost poverty targeted system to higher cost but effective ones will lead stronger social contract

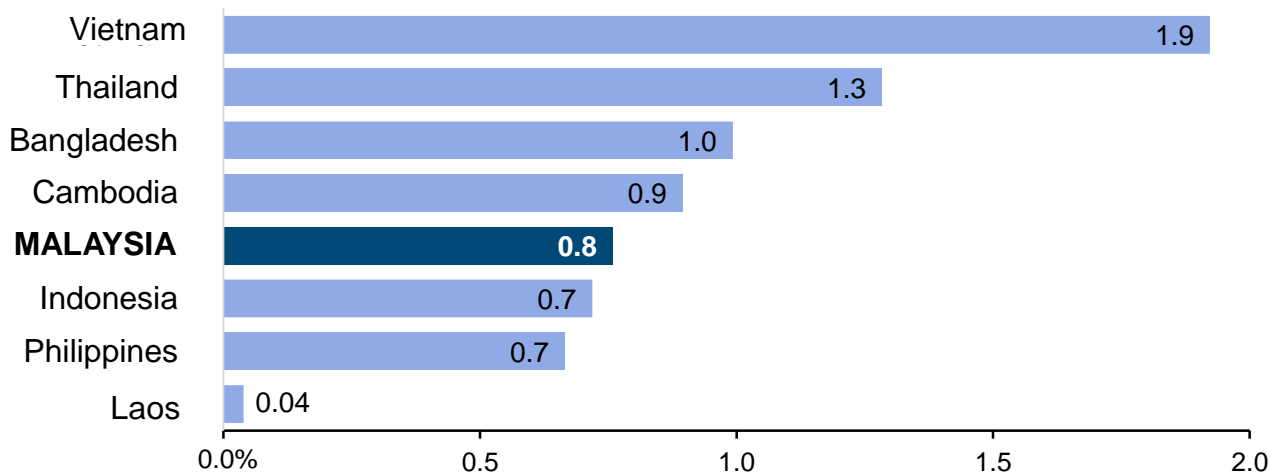
Government revenue as percentage of GDP



Total spending on subsidies and social assistance



Share of social assistance spending from total GDP, by selected country, 2014 – 2019 average

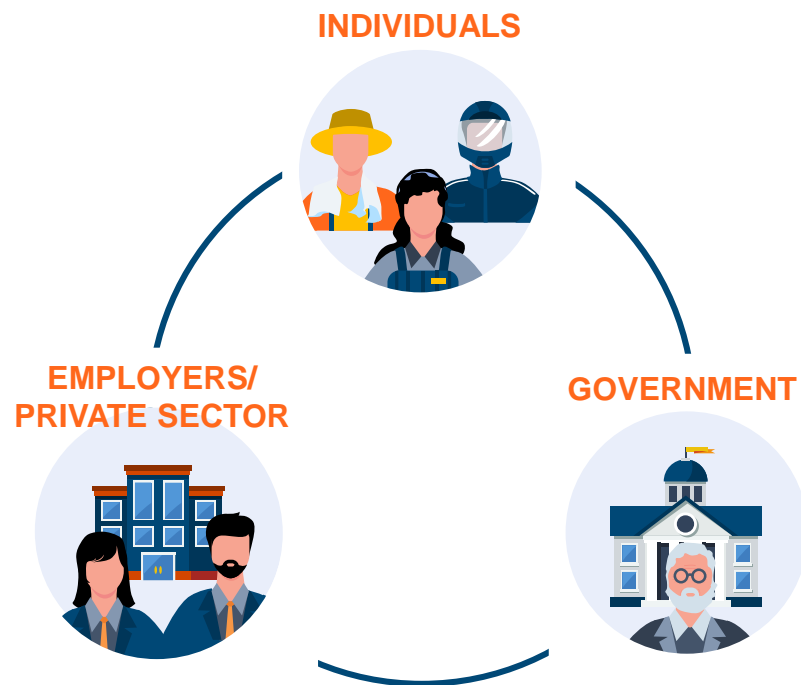


Source: MOF (n.d.), World Bank (n.d.-a)

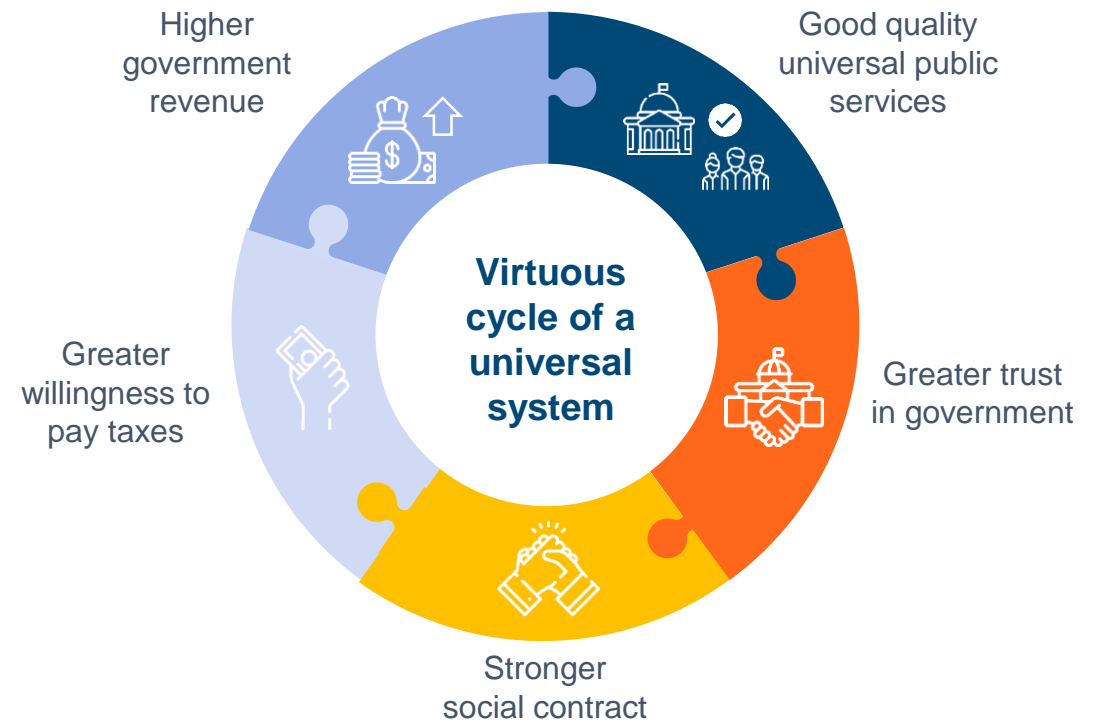
Solidarity, trust and virtuous circle of strong social contract

Cognisant of society's interdependencies, social contract will continue to evolve but it should work towards strengthening the solidarity between individuals, community, employers/private sector and the state.

Tripartite stakeholders in social protection investment



Source: KRI's illustration

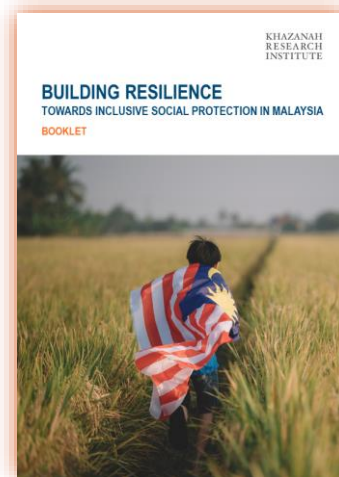


Source: Development Pathways

Social policy must be designed not only residually, to cater for social casualties, but also integrated as a central component of policies, to ensure the wherewithal for their sustainability.

More specifically, social policy must not confine itself to only the 'social inclusion' part but must also directly address the issues of economic development and the consolidation of the democratic order.

Thandika Mkandawire



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Thank you