

OPINION

GLOBAL CHALLENGES

Planning for the future

Malaysia has an ageing population; the government will need to come up with innovative policies to ensure the wellbeing of the older generation

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GLOBAL challenges are neither respecter of years nor national borders. 2016 saw the world awash with global problems that bedevilled 2015. They will inexorably do so in 2017 and beyond, differing in only scale and magnitude. Being an open economy, many of these global troubles also wash up on our shores.

This year, Malaysia will be 60 years old. As a nation, we are not that old, but for the population at large, it is the dangerous threshold of an ageing population. The United Nations reports that the number of those over 60 years will double in size from 1.4 billion in 2015 to 2.1 billion by 2030. In 2015, one in eight was old; by 2030, it will be one in six, and by 2050, one in five will be old.

Malaysia shall be inching towards 2035, where we shall have 15 per cent of our population over 60 years, that is, one in seven will be old. This is a natural consequence of rising life expectancy and declining fertility rate. At the turn of the century, the average lifespan was 64. Today, it is 75. Twenty-five years ago, our average family size was six. Now, it is two.

The government will need to come up with innovative policies and public services to ensure the wellbeing of the older generation. These include healthcare, employment and housing. But, we cannot forget the younger generation. They, too, need the resources for better education and healthcare.

As we live longer, we need to save more for our old age. Recently, the Employees Provident Fund (EPF) found that many workers do not have enough savings to sustain them through old age. Technically, they will be living below the poverty line of RM830 per month. What's worse, with two-thirds of EPF contributors having less than RM50,000 in their accounts, many exhaust their savings within five years of retirement; some within a month.

Perhaps, as in Singapore, the government will have to offer old-age cash aid to supplement retirees' income. Increasing the age of retirement to 67, as in Norway, is an attractive option to soften the negative impact of inadequate retirement funds, but such policies have their downsides. Besides worsening the government's fiscal situation, they

impact negatively on youth employment. A balance must be struck.

What about government pensioners? Can the government afford pension payments in the future? Today, the government pays RM23 billion in pensions. By 2050, with periodic salary reviews and increments, and increased longevity, that figure will quadruple to roughly RM100 billion or 40 per cent of the government's budget today. Employees will have to increasingly take charge of their retirement income while the government mulls converting its pension system into a scheme similar to the EPF.

Urbanisation is another silent operating global force that we need to grapple with. By 2050, half the world will move to cities. Ninety per cent of the global increase will be in Africa and Asia. Compounding the problem, the aged population is growing three times faster in urban than in rural areas.

With roughly three-quarters of its

population urban, Malaysia is among the most urbanised countries in Asia. Urbanisation is growing at four per cent per year — among the fastest in Asia. By 2020, 90 per cent of Malaysians will be urban dwellers. Just imagine what urbanisation can bring in its wake: environmental pollution, traffic congestion, inadequate transportation and housing, and deforestation. The monkeys may not have trees to climb anymore!

With this in mind, local authorities have a central role to play in ensuring the wellbeing of the urban population. Managed well, local governments and their cities can be powerful magnets for investments and job creation while alleviating other urbanisation-induced problems.

But, all is not despair. Robert Frost, an American poet, says: "The best way out is always through."

We need to build momentum on the good work that has been done in the past on the many challenges confronting the nation. Let 2017 be another year where we continue to put our foot on the pedal; for momentum builds progress. Happy New Year!

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