

TARIKH : 15 FEBRUARI 2022
AKHBAR : THE STAR
MUKA SURAT : 1 (STARBIZ)

Managing an ageing nation

Managing an ageing nation

Sustainable pension system crucial, say economists

ECONOMY

By THOMAS HUONG
huong@thestar.com.my

SHAH ALAM: The trend of an ageing population combined with an increasing urbanisation rate may see the country looking at higher tax rates to fund an increasing demand for health, social welfare and pension systems in the coming years, according to economists.

Bank Islam Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid pointed out that an ageing population has implications in terms of how resources would be used as well as a negative effect on productive capacity.

"From a textbook argument, an ageing population may impact fiscal policy and is commonly associated with higher taxes going forward," Mohd Afzanizam told *StarBiz*.

Based on the "Key Findings Population and Housing . Census of Malaysia 2020" or MyCensus 2020 launched by Prime Minister Datuk Seri Ismail Sabri Yaakob, 6.8% of Malaysia's population is aged 65 and above, 69.3% of working age (15 to 64 years) and the balance 24% is young (newborn to 14 years).

"Senior citizens or those aged 60 and above account for 10.4% (3.4 million), compared with 8% (2.2 million) in 2010. The young age-group showed a drop, from 27.6% in 2010 (to 24% in 2020)," said Ismail Sabri.

Based on the census, Malaysia's population is 32.4 million (compared with 27.5 million in 2010).

According to the Statistics Department, the country's population grew at a slower rate of 1.7% a year between 2010 and 2020 com-

"It will never be a straightforward solution. It is very difficult to raise taxes at a time when the economy is uncertain."

Dr Mohd Afzanizam Abdul Rashid

pared with 2.2% a year between 2000 and 2010.

Meanwhile, the urbanisation rate in Malaysia increased to 75.1% (24.3 million persons) in 2020 compared with 70.9% (19.5 million persons) in 2010.

The population in rural areas declined to 24.9% in 2020 compared with 29.1% in 2010:

However, Mohd Afzanizam noted that in reality, raising or introducing new taxes is a great challenge.

"It will never be a straightforward solution. It is very difficult to raise taxes at a time when the economy is uncertain. In the years to come, we do not know what sort of economic shocks that might happen," he said.

Dr Yeah Kim Leng, professor of economics at Sunway University Business School said: "Malaysia still has a small, shrinking demographic surplus - we still have a younger population group and it's still growing, but at a slower pace. We have not encountered what economists call the demographic twist, which will happen when there is an increase in the number of dependent population (those below 16 years old and those above 65)."

Economic growth will be more difficult if a country's population sees an increase in the number of dependents or a rise in the

dependency ratio.

"We still have about a decade or so before the dependency ratio starts to increase, and the working population will start to decline," opined Yeah.

He pointed out that an increase in the older age group would mean that the government would need to focus on looking into their welfare.

"We are already seeing many government programmes implemented to help the vulnerable and those affected by the pandemic, especially because of the disproportionate impact on low income groups, which also resulted in an increase in old age poverty," said Yeah.

Meanwhile, Centre for Market Education CEO Dr Carmelo Ferlito said the main challenge of Malaysia's ageing population would be the sustainability of the welfare and pension system.

"Malaysia is still 'young' if we compare it with the West, but the trend is set to make it an ageing country. This is due to the process of modernisation which brings higher life expectancy associated with lower population growth," said Ferlito.

> TURN TO PAGE 2