THE ROLE OF SOCIAL SAFETY NETS IN MALAYSIA: TRENDS AND PROSPECTS

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Introduction

Social Security involves protecting people from economic and social distress caused by sickness, occupational injury, invalidity, maternity and old age. This is to prevent a large segment of the population from falling into a state of poverty. Social insurance has become an important responsibility of modern governments, particularly governments in high growth economies. However, the shape of social security measures and institutions of countries are greatly influenced by local cultural patterns and political history.

The Malaysian social security programmes evolved from the British colonial practices and from the national economic development plans, which are primarily aimed at poverty eradication. Before World War II the Chinese and Indian immigrant labourers who came to Malaysia (then Malaya) had their own informal social security relationship, depending on their own clans, ethnic groupings or employers for their basic survival. Lack of concern by the British Colonial government forced the labourers to organise themselves, which led to the establishment of the Indian Immigration Commission in 1907 and the Labourer Code Enactment in 1911. These were responsible for looking into the working and living conditions of immigrant workers. Before 1945 the British colonial administration totally ignored the welfare of the workers. However, spurred by the strong trade union movement along sectoral and occupational lines, the Employees’ Provident Fund (EPF) was established on the 1st of October 1951.

The main objective of the EPF as a statutory body was to provide certain benefits for the aged upon retirement. This fund was created prior to the establishment of employees’ fund groups, which were mainly for miners and