Mitigating the effects of the COVID-19 crisis on Malaysia’s children: Immediate and longer-term social protection policy options

Key messages

- COVID-19 has the potential to generate significant and long-lasting negative impacts on children, including exacerbating pre-existing socio-economic disparities.
- Strengthened social protection is critical to mitigating the impact of the COVID-19 crisis on children, reducing the spread of the virus and supporting economic recovery.
- Countries around the world are experimenting with a range of different social protection policy instruments. The global social protection policy response offers key lessons for Malaysia.
- Malaysia has taken bold and rapid steps to mitigate the impact of the COVID-19 crisis on families. However, many of the most vulnerable families with children are not being reached. This issue needs to be proactively addressed, actively monitored and new policies evaluated to ensure that lessons learnt are captured.
- Malaysia should take the opportunity created by COVID-19 to establish child-focused social protection mechanisms as part of its long-standing commitment to establishing a comprehensive, life-cycle-based social protection system.
- A national child allowance could help enable a gradual winding down of certain short-term policy responses to the COVID-19 crisis while also protecting the most vulnerable children and families and making a decisive contribution to Malaysia’s socio-economic recovery.

Introduction

COVID-19 is creating a significant and unprecedented challenge for Malaysia, as with other countries across the globe. The crisis is having a profound impact not only on public health but could also lead to the loss of 195 million jobs, mostly in Asia and the Pacific. Children risk being invisible victims of the crisis both in terms of their immediate wellbeing and their long-term life chances. Children in lower income families are particularly badly affected as they and their families are more likely to contract the virus and less able to cope with its socio-economic consequences. This paper provides recommendations on how to ensure the effectiveness of the short-term response while also highlighting options for strengthening Malaysia’s social protection system with a view to avoiding exacerbation of existing socio-economic disparities among children and ensuring that all children get a good start in life.
Understanding the consequences of COVID-19 for children in Malaysia

COVID-19 has emerged in a context where a significant proportion of children in Malaysia are already experiencing multiple forms of deprivation and where family income plays a major role in determining children’s life chances. Although Malaysia has been highly successful in reducing absolute poverty, including among children, it should not be forgotten that tens of thousands of people are still deprived of the most basic needs. Furthermore, attention is rightly turning to measures of poverty that are more relevant to Malaysia’s upper-middle income status. When using the OECD measure of relative poverty, one in five children (20%) in Malaysia are living in poverty – higher than most OECD countries and significantly above the OECD average of 13% (Figure 1).

The two million Malaysian children who live in relative poverty are more likely experience a range of deprivations relative to their wealthier peers. This includes the likelihood of being stunted, experiencing developmental delays, being out of school, suffering from diarrhoea or acute respiratory infection and giving birth before reaching adulthood. Meanwhile they are far less likely to access organised early childhood education or transition from primary to secondary school. Poverty is also a well-established driver of child marriage. Although other factors, such as parental education level, also affect these outcomes, social science research has long confirmed that low incomes have an independent negative impact on children’s developmental outcomes. Internationally, financial insecurity has been shown to affect the quality of parental engagement and care and even lead to maltreatment and neglect.

Unless significant measures are taken, COVID-19 will increase child poverty, exacerbate socio-economic disparities among children and undermine Malaysia’s long-term vision for a less unequal and more cohesive society. Children in low income families are at greater risk of being directly affected due to the reduced economic and physical feasibility of social distancing measures. These families are also less able to cope with the direct and indirect effects of the COVID-19 crisis, with fewer resources to fall back on and lower access to employment protections, unemployment insurance or sick pay. Meanwhile, COVID-19 comes on top of the challenges posed by the high cost of living in many parts of the country. In this context, an even larger proportion of lower-to-middle income families with children are at risk of falling into poverty and being forced to adopt coping mechanisms that have long-lasting negative impacts on children’s wellbeing. These mechanisms include children dropping out of school to undertake paid or domestic work or reducing consumption of good quality foods.

Child refugees, children of migrant workers and stateless children are particularly vulnerable to extreme deprivation at this time. Parents of such children are often in the most precarious and low paid forms of employment, have little or no access to social protection and may face considerable barriers in accessing social services.

The global role of social protection in combating the COVID-19 pandemic

Social protection programmes (Box 1) play a critical role in addressing the COVID-19 crisis through three key mechanisms:

1. Preventing hardship and long-term damage to human capital development: Effective social transfers and social insurance programmes can significantly limit the negative impacts of self-isolation, movement restriction and job losses on individuals, households and communities. They are particularly important for low-income households and prevent short term crises from causing lasting damage to human capital development and inter-generational social mobility.
Box 1: What is social protection?

Social protection programmes address economic and social risks that individuals and families face across the life course, including socio-economic shocks such as epidemics and pandemics. Although social protection programmes include social transfers, social insurance, labour market policies and the social service workforce, this paper focuses on two areas: 7

1. Social transfers: including child allowances, disability benefits, family benefits, social pensions and tax-credits. These schemes may cover some, most or all members of a certain demographic group, depending on policy choices and are usually funded by general government revenue. Social transfers in Malaysia include the Bantuan Sara Hidup (BSH) as well as a number of financial assistance schemes managed by the Department of Social Welfare.

2. Social insurance: schemes funded by contributions that pool risks among members. Examples in Malaysia include SOCSO for work injury and unemployment. The Employees Provident Fund does not provide a risk-pooling function but may be considered as part of social protection.

2. Ensuring the social and political feasibility of virus containment and suppression measures: Providing income protection in the context of a pandemic will increase the likelihood that households will comply with movement restrictions, thereby making a critical contribution to ensuring that COVID-19 prevention and suppression measures are effective.

3. Supporting economic stability and recovery: By putting money into the hands of those who will spend it, social protection programmes boost aggregate demand, help businesses stay afloat, keep people in jobs and maximise the chances that the economy can recover after the crisis passes. This is particularly relevant given Malaysia’s economic growth is highly dependent on consumer demand.

A growing number of countries are mobilising a significant social protection response to COVID-19. Key policy innovations include:

1. Increasing payments or relaxing eligibility criteria under existing social transfer programmes, including child allowances and family benefits (Box 2). Given that recipients are already registered and payment systems are already established, existing programmes provide mechanisms for delivering support rapidly.

2. Providing cash, vouchers or take-home rations to children who would otherwise be accessing free school meals. At least 19 countries have adopted this measure including Argentina, Brazil, Colombia, Chile, Spain and the UK.

3. Providing one-off or short-term payments to populations not receiving social transfers before COVID-19 (Box 3). Many of the individuals and households affected by COVID-19 are neither covered by contributory social insurance (discussed below) nor were receiving regular social transfers before the crisis. Registering and paying beneficiaries of these new schemes is more challenging than topping up existing benefits, although the ease and feasibility depends significantly on the strength, coverage and nature of existing civil registration, tax and social protection databases. Schemes vary significantly in terms of their duration (e.g. one-off or covering a number of months) and their adequacy.

4. Strengthening social insurance: Countries such as Albania, Belgium, Norway and Thailand have boosted the adequacy and/or duration of their unemployment insurance benefits in response to COVID-19, while others have made adjustments to scheme design. Many countries in the region have also implemented wage subsidies (usually considered a labour market policy) to cover part of the salary of employees on leave without pay, while keeping them on company payrolls. Countries adopting this approach include Thailand, South Korea, Japan, Singapore and the UK.18 Many countries have also made adaptations to sickness benefits in support of self-isolation for individuals who are suspected of having COVID-19. Examples of modifications include increasing benefits (Russia), reducing the waiting period (Australia, the UK and Canada), expanding eligibility and modifying the division of payments between employers and the government.19

Box 2: Countries are leveraging child and family benefits to combat COVID-19

Australia is providing a one-off top up of AUS$750 (around RM 2,000) to recipients of a range of existing benefits related to family/children, old age, disability, unemployment and low incomes.

Canada’s COVID-19 Economic Response Plan, includes an increase in the country’s child allowance which is expected in to benefit the average family by $550 (RM 1,700).

Hong Kong is providing an extra one-month allowance to recipients of old age, disability and social assistance allowances (existing benefit levels vary from HK$1,385 (RM 770) to HK$3,585 (RM 2,000)).

Argentina is providing recipients of child and maternity benefits with an extra payment in April, amounting to up to 3,000 pesos (RM 200).

Mongolia has increased the benefit of the child benefit by 50% for three months.
Box 3: Countries extending temporary social protection to previously uncovered groups

**Thailand:** A transfer of 5,000 Baht per month (RM670) for three months will be provided to 9 million workers not covered by the Social Security Organisation, including part time, freelancers and unemployed.¹⁰

**Singapore** is implementing a package of temporary programmes including:
- A one-off transfer of between S$600 (RM1,830) and S$1,200 (RM3,660), depending on income, for all residents aged 21 and above. Parents with at least one Singaporean child aged 20 and below this year will each get an additional S$300.¹¹
- Eligible self-employed persons will receive S$1000 (US$695) every month for 9 months.
- A COVID-19 Support Grant will provide lower and middle income workers who lost their jobs with S$800 every month for 3 months.¹²

**Philippines:** A transfer of between P5,000 (RM420) and P8,000 (RM680) a month for two months to 18 million low-income families and households working in the informal economy.¹³

**Brazil:** Cash transfer for informal workers, self-employed and vulnerable families of BRL600 (RM 510), equivalent to 60% of the minimum wage.¹⁴

**South Korea:** “Emergency disaster relief payment” of up to 1 million won (RM3,500) will be made to all households except the richest 30 percent.¹⁵

**Hong Kong:** A one-off transfer of HK$10,000 (RM5,580) to all residents over the age of 18.¹⁶

**USA:** A one-off payment of US$1,200 (RM4,330) for each adult and US$500 (RM2,160) for each child, phasing out for individuals with higher incomes ($75,000 for singles). The scheme is administered by the Internal Revenue Service.¹⁷

Box 4: Core components of Malaysia’s social protection response

**Social transfers**
- **The Bantuan Prihatin Nasional (BPN)** will provide short-term income support for the months of April and May. The total sum of the payments will be:
  - RM1,600 to nearly 4 million households earning less than RM4,000 a month.
  - RM1,000 to nearly 1.1 million households earning between RM4,000 and RM8,000 a month.
  - RM800 to 3 million single individuals aged 21 and above, earning less than RM2,000 a month.
  - RM500 to 400,000 single individuals aged 21 years and above, earning between RM2,000 and RM4,000 per month.
- **Financial assistance** and food aid for poor families provide by the Department of Social Welfare.
- **One-off assistance** to be provided to students (RM200 in May) and e-hailing drivers (RM600 in April).
- **BSH:** Phase 2 payment (RM200) brought forward to March 2020 (previously scheduled for May.) An additional cash transfer of (RM100) will be paid in May, and a final payment of RM50 in July 2020.
- RM25 million will be disbursed to support vulnerable groups in shelters (children, people with disability, elderly, homeless).

**Social insurance**
- **Employees Provident Fund:** EPF members under the age of 55 can make withdrawals in Account 2 subject to a maximum of RM500 per month for a period of 12 months. EPF contribution rate also reduced from 11% to 7%.
- **Employment Retention Programme and Wage Subsidy:** Administered by SOCSO, these schemes provide a temporary monthly subsidy of RM600 per month for employees given leave-without-pay. The scheme is eligible for employees and employers contributing to the Employee Insurance Scheme (EIS).²¹
- **Sickness:** quarantined B40 patients under investigation can claim income replacement fee of RM50 per day for a maximum of 14 days, as with mySalam hospitalised patients.

Options for strengthening Malaysia’s short-term social protection response to COVID-19

Malaysia has acted rapidly and decisively in building a substantial social protection response to COVID-19 (Box 4). The various stimulus packages announced between 27 February and 27 March amount to RM250bn (approx. 17% of GDP) making it one of the largest fiscal responses in global comparative terms. Social protection forms a major component of the package, with RM128bn aimed at boosting the welfare of the population.²⁵ The package of measures aims to reach a variety of different income and household groups including the B40 and M40, self-employed and retrenched workers. If implemented as designed, the Bantuan Prihatin Nasional (BPN) should ensure that all households including children with a monthly income below RM8,000 receive support covering two months. In many cases, BPN payments will also be complemented by other schemes for students, e-hailing drivers, employees protected by employment insurance and wage subsidies, and EPF members able to make withdrawals.
Although the government has made significant efforts to ensure that eligible households are aware of, and able to access, the benefits to which they are entitled, there remains a significant risk that vulnerable households will not receive the support they need and are eligible for. Means-tested social benefits such as those introduced as part of Malaysia’s response to COVID-19 are often subject to considerable exclusion errors (see Box 5). Although the BPN has been accompanied by a strong media campaign, experience suggests that key marginalised communities – such as the urban poor, indigenous communities and people with disabilities – often require more targeted communications. Similarly, not all Malaysians have access to the internet via a mobile phone and the MCO limits the feasibility of relying on family and friends for support in applications. The launch of the BPN is also likely to result in a sharp increase in applicants who will be in urgent need of the income support provided. Similarly, a large number of households should be expected to fall below the eligibility threshold for the BSH and financial assistance schemes managed by the DSW. The MCO will create challenges for accessing all of these documents. It is therefore important that the adequate administrative capacity is allocated to undertake registration, payment, awareness raising and to support access.

**The Government of Malaysia will therefore need to be proactive in ‘pushing’ these new initiatives out to of the most vulnerable families and children.** Key options include:

- **Strengthening monitoring and evaluation** for the BPN and other financial and in-kind assistance schemes managed by the Department of Social Welfare. This could include: (i) developing an automated dashboard system to monitor applications and payments. Such a system would disaggregate applications and payments data by geographic location and key demographic indicators such as sex, age and disability status of a household head, ethnicity etc; (ii) evaluating the impact of these new schemes using large-scale household surveys; and (iii) commissioning participatory research on the adequacy, accessibility and effectiveness of these new policies.

- **Temporarily easing administrative requirements** associated with applications for the BSH, BPN, children’s financial assistance.

- **Targeted awareness-raising**: The Department of Social Welfare should consider ensuring that all social workers and para-social workers are equipped with the latest information on available benefits and are able to actively support eligible households to apply. This should include careful planning of household outreach activities to focus on families most at risk. Indeed efforts should be made to ensure that all community-level service providers, including civil society and community-based organisations, are aware of available benefits and referral pathways. Existing B40/BSH and social welfare databases could also be used to target information and support to the most vulnerable households.

**Children in low income families who had previously benefitted from school feeding programmes are no longer able to access these due to school closures.** The lowest income families will therefore be incurring additional expenditures on food just at the time when their income sources are significantly reduced. These additional burdens, if unmitigated, will have significant impacts on family wellbeing and child nutrition. **The Government should therefore consider**:

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**Box 5: Exclusion errors in social protection programming.**

Instinctively, targeting social protection to poorer individuals seems like a more effective and efficient way to allocate public resources. But experience shows the reality is more complex. Internationally, evidence shows that schemes targeting poor households commonly exclude more than half of the intended recipients. Higher coverage (more inclusive) schemes on the other hand tend to reach the most vulnerable more effectively.22 In Malaysia, analysis of the national Household Income Survey suggest that only 64% of BR1M recipients were in the poorest 40% of the population.23 Similarly, UNICEF’s 2018 study of children living in low-cost flats in Kuala Lumpur found that a third of households with a household income below RM4,000 did not receive the BR1M (now BSH). Notably, the greatest exclusion was for households with an income below RM1,000 and those closer to RM4,000.24 The study found that eligible households were often unaware of the programme, did not understand eligibility criteria or struggled with the application process.

When designing targeting policies for social programmes, decision-makers also need to consider:

- **Relationship between targeting policy and benefit level**: it is often problematic to provide sufficiently generous income support to low income families when other families, especially those just above the eligibility threshold, are excluded. Thus poverty targeted schemes are often forced to provide benefits which are too low to achieve their desired objectives.

- **Stigma**: The process of applying for social support and demonstrating one’s poverty has been shown to be humiliating and often leads to exclusion of eligible families. Where families are able to tolerate this stigma, the broader empowerment agenda of social policies is clearly undermined.

- **Incentives**: Removing benefits from those with mid-range incomes and assets can reduce incentives to enter the labour market and to save. This can be particularly true for married/cohabiting female workers.

- **National unity and social cohesion**: Social policies that target poor household are often perceived by middle-income households as unfair, discriminatory and politically motivated. More inclusive social policies that support most children are more likely to promote social cohesion and national unity.
• Providing supplementary cash payments to families of all children eligible for school meals.
• Expanding existing food assistance schemes to cover a greater proportion of children and pregnant women in low income families, ensuring that interventions in the health and social welfare sectors are well-coordinated, monitored and evaluated.

Strengthening social protection for children offers a sustainable exit strategy from short-term COVID-19 responses and will help mitigate its long-term effects

Beyond the immediate MCO period, COVID-19 is likely to impede economic activity for a considerable period of time. The MCO may even stimulate changes in production and supply chains that mean that some old jobs do not reappear, thereby necessitating labour force re-allocation. In the absence of a comprehensive social protection policy response, poor households will fall deeper into poverty and many households that were not poor prior to the crisis will fall into poverty. Unless action is taken, the cost of living pressures experienced by many in the B40 and M40 will also be exacerbated and socio-economic disparities among children will increase.

Malaysia’s immediate social protection responses to the COVID-19 crisis, such as the BPN, are critical but will only be in place for a short period of time. Yet economic activity, jobs and livelihoods are likely to be affected over the longer-term, including potentially as a result of recurrent and/or targeted virus suppression measures. In this context a wide range of families, but particularly those on lower incomes and self-employed workers, will struggle to meet their children’s needs. When the immediate crisis subsides, a stronger social protection system will be needed to support families to recover, and to set a foundation for the future.

Malaysia’s existing mainstream social protection system is not designed to rise to this challenge. In developed and less developed countries alike, social protection has been shown to reduce child poverty and inequality, support inter-generational social mobility and promote social inclusion and cohesion. By comparison, the tax and transfer system in Malaysia has barely detectible effects. An important reason for this is the absence of significant social protection programmes specifically designed to support families with the costs of raising children. Indeed, while OECD countries spend an average of 1.1% of GDP on cash benefits for families, Malaysia spends only around 0.3% of GDP. The only dedicated scheme to support children (the Bantuan Kanak-Kanak) reaches just 1% of children, and while around half of households that are eligible for the BSH include children, the scheme provides a very small income supplement and many eligible households appear to be excluded. Meanwhile, unlike in countries such as Thailand, there is no family benefit under the contributory social insurance scheme managed by SOCSO.

Establishing a National Child Allowance would help facilitate an exit from short-term responses while also protecting children from rising deprivation and inequality. In doing so, it would also help secure Malaysia’s development ambitions. Child allowance schemes are common worldwide and tend to provide a benefit to all or most children within a given age range. In Malaysia, given the context of constrained fiscal space, there is a strong case for focusing a child allowance on the first years of life, (e.g. children aged 0 - 5), although a broader range age range (e.g. 0 - 14) would provide a higher level of support to a larger proportion of vulnerable families. Indeed, introducing a monthly child allowance component under the BSH (or expanding the existing Bantuan Kanak-Kanak to all children in the B40) offers an immediate solution for the protecting the wellbeing of the most vulnerable children as part of a comprehensive COVID-19 recovery strategy.

In the longer-term there is a strong case for providing an allowance universally, or at least to all but the children in the richest households. A more inclusive scheme would have the advantages of being (a) less likely to exclude vulnerable families; (b) less likely to create disincentives to work; (c) more in line with efforts to promote social cohesion and national unity; and (d) simpler to administer.

A child allowance could cost between 0.2% and 1.3% of GDP depending on the scenario chosen. Table 1 presents the cost of child allowance schemes for either children 0 - 5 or 0 - 14. For each age range, three targeting options are considered.

<table>
<thead>
<tr>
<th>TARGET GROUP</th>
<th>COST (ANNUAL)</th>
<th>RECIPIENTS (# CHILDREN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B40</td>
<td>3.15</td>
<td>1,312,594</td>
</tr>
<tr>
<td>B40 + M40</td>
<td>6.30</td>
<td>2,625,189</td>
</tr>
<tr>
<td>Universal</td>
<td>7.88</td>
<td>3,281,486</td>
</tr>
<tr>
<td>B40</td>
<td>7.60</td>
<td>3,164,720</td>
</tr>
<tr>
<td>B40 + M40</td>
<td>15.19</td>
<td>6,329,440</td>
</tr>
<tr>
<td>Universal</td>
<td>18.99</td>
<td>7,911,800</td>
</tr>
</tbody>
</table>

The benefit level used is RM200 per month (equivalent to 5.4% of GDP per capita) which is in line with benefit levels relative to average income in other countries with similar programmes.

As Table 1 shows, the cost of any of these policy options would...
be relatively low in Malaysia. Indeed, costs in Malaysia would be significantly lower than in a number of other middle-income countries with high-coverage child benefit schemes. For example, Mongolia and South Africa spend 0.6% of GDP and 1.3% of GDP respectively on their inclusive child allowance schemes. It is notable that such a scheme would reach a large share of the most vulnerable households, given that up to 58% of households in the B40 include a child below the age of 15 (Figure 2).

**Figure 2** Coverage of B40 households by alternative child allowance eligibility criteria

- **B40: Equivalised** (sq. root) individual income
- **B40: Unequivalised** HH income

A National Child Allowance should form part of broader efforts to build an effective life-cycle social protection system in Malaysia. The COVID-19 crisis has highlighted that a significant proportion of households in Malaysia are vulnerable to falling on hard times, even in the case of a relatively modest shock to their incomes. In reality, many of these shocks and crises happen on an ongoing basis in normal times, but at a micro household level. Few families in either the B40 or M40 have adequate social protection or savings to weather these crises, be they issues such as illness, old age, disability, losing a job or raising a family. An effective life cycle social protection system that targets risks associated with childhood, disability and old age would provide direct support to vulnerable populations in Malaysia, and a cushion to wider families of all income levels. There would also be important opportunities to link a National Child Allowance to other interventions such as those promoting better maternal and child nutrition.

Malaysia should identify appropriate strategies for ensuring that registered child refugees, registered migrants and stateless children living in Malaysia are protected from poverty and deprivation. Registered child refugees and stateless children who fulfil other eligibility criteria could, for example, be covered by mainstream social welfare programmes or special-purpose social assistance programmes could be established. Documented migrant workers, on the other hand, should at least have access to appropriate contributory social security arrangements (e.g. employment insurance).

**Conclusion**

COVID-19 is the latest in a growing number of global health, climate and economic crises that threaten to increase hardship, widen existing socio-economic disparities and undermine social cohesion. Children are at risk of becoming its silent victims. Although the Government of Malaysia has launched a robust social protection response, the litmus test for such policies is the extent to which they provide timely and adequate support that prevents further harm to children’s wellbeing. Given experience and evidence internationally and in Malaysia, there is a need for increased focus on reaching the most vulnerable and close monitoring and evaluation of these new policies. In the longer-term, stronger child and family-focused social protection mechanisms will be critical to supporting family recovery and preventing further rises in socio-economic disparities and declines in social mobility for children. The scale of cost of a National Child Allowance would be modest and is eminently affordable for Malaysia. COVID-19 may be a crisis, but Malaysia should consider using this historic opportunity to address long-standing equity challenges for its children and implement more inclusive and effective social protection measures that will help secure its vision of becoming a more prosperous and equitable nation.
References


5. See Kerris Cooper and Kitty Stewart, “Does Money Affect Children’s Outcomes? An Update,” CASEpapar (London, 2017). Also, despite their disadvantages, low income parents appear to parent as least as well as their wealthier peers. NHMS data shows that vaccination rates, child injury rates and adoption of parenting practices that are supportive of learning are actually higher among low income families than higher income families (Institute of Public Health, “National Health & Morbidity Survey Report, Volume II: Maternal and Child Health.”).


19. Gentilini et al.


