

COMMENTARY

One Step Forward, Two Step Back: The EPF Account 3

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The introduction of Flexible Account 3 by the Employees Provident Fund (EPF) has been met with mixed reactions. Some people are concerned that it will allow for easier access to retirement savings, which could leave people with less money in the long run. The current government, painting itself as the champion of the people, argues that this new account empowers citizens with more control over their finances, potentially acting as a lifeline during hardships. However, critics see it as a reckless gamble, a raid on retirement funds that could leave Malaysians financially exposed in their later years. They fear this could destabilize the entire EPF system, jeopardizing the financial well-being of millions and potentially impacting the national economy.

A Repeat of History?

The primary concern lies in the easy accessibility of funds within Account 3. Allowing for unrestricted withdrawals echoes the problematic EPF withdrawal schemes implemented during the Covid-19 pandemic. These schemes, while seemingly offering temporary relief for struggling Malaysians, ultimately eroded retirement savings and created long-term financial anxieties. This new policy appears to be a continuation of this irresponsible approach, prioritizing short-term solutions over sustainable financial planning.

The implications of Account 3 extend beyond individual contributors. Easy access to retirement savings could lead to a significant dip in the total funds managed by the EPF. This, in turn, could negatively impact the national investment landscape, limiting resources available for infrastructure development and economic growth. Additionally, reduced retirement savings could burden the government with increased social security costs in the future.

The Minimum Wage Conundrum

The policy decision highlighting the insufficiency of the current minimum wage of RM1,500 is a welcome acknowledgement of a pressing issue. However, the proposed

solution of Account 3 clearly misses the mark. Instead, the government should focus on raising the minimum wage to a level that constitutes a living wage. Bank Negara's 2016 estimate of RM2,700 for minimum wages in Kuala Lumpur is likely outdated, and a more recent assessment is crucial.

The lack of updated living wage estimates from Bank Negara raises concerns about its independence from political influence. A central bank functioning free from such pressures is essential for sound economic policymaking. The government must ensure Bank Negara's autonomy and empower it to fulfil its role of providing accurate and unbiased economic data.

The Need for Leadership

The Human Resources Ministry's silence on the effectiveness of current social protection programs is concerning. As the government body responsible for worker well-being, their stance on the recent EPF decision and their plans for future reforms are essential to understanding the government's commitment to Malaysians' financial security

This silence is especially troubling considering the potential negative impact on the B40 and M40 income groups. These demographics already face financial hardship. While Account 3 might offer short-term relief, it could ultimately widen existing inequalities by jeopardizing their long-term savings. This policy risks pushing these crucial segments of society further to the margins, potentially leading to social and political unrest.

Conclusion

INSAP believes that the EPF Account 3 policy might address immediate needs, but it is still posing significant risks to long-term financial security and economic stability. The government must prioritize more sustainable solutions and should focus more on raising the minimum wage, investing in skills development programs for better employment opportunities, and exploring alternative avenues to alleviate cost-of-living pressures. While the proposed policy might garner short-term political gain, the long-term consequences for individuals and the nation are too high a price to pay.