To those who support me, believe in me, and love me, I dedicate this work, it represents the culmination of a long journey.

Perpustakaan Universiti Malaya
A511375158

GLOSSARY OF ABBREVIATIONS

Armed Forces Provident Fund (AFF)

Capital Output Ratio (COR)

Employees Provident Fund (EPF)

Gross Domestic Product (GDP)

Matrix Laboratory (Matlab)

Organization for Economic Co-operation and Development (OECD)

Overlapping Generations Model (OLG)

Pay-As-You-Go (PAYG)

Pension and Provident Funds (PPFs)

Pension Trust Fund (KWAP)

Social Security Organization (SOCSO)

South-East Asian Central Banks (SEACEN)

ACKNOWLEDGEMENTS

The author wish to acknowledge the invaluable assistance of Prof. Dr. Cassey Lee Hong Kim, who has created the inspiring atmosphere by supporting my research in the analysis of social security to perform the simulation models. He has also devoted a considerable amount of time and effort in evaluating the research proposal. Also, the author is very grateful for the valuable comments given by the examiner when evaluating this research paper.

A special thank-you to Prof. Dr. Tan Poo Chang in the class of Demographic Techniques, whose presentation and research report has given a tremendous impact on the development of this research.

The author is indebted to the proofreaders, Ms. Uma Thevi and Mr. Low Joo Ann for their invaluable comments and suggestions on the draft and Ms. Low Yee Hooi in verifying the Matlab scripts of the research paper. The author is very grateful for the technical advice provided by Mr. Francis Lee from Hewlett Packard in the programming part.

An expression of gratitude is due to the Universitat Bonn in sending the discussion paper, also to a number of individuals: from the Department of Statistics, the Employees Provident Fund (EPF), the SEACEN Centre, the class of Demographic Techniques, the library of University of Malaya and the National University of Malaysia (UKM), who, in one way or another, contributed to the research.

ABSTRACT

This paper develops and simulates an Overlapping Generations Model (OLG) to investigate the macroeconomic impact of social security. We compare the simulation results of the OLG model with and without social security. Calibrated simulations of both the OLG models with and without social security yield steady states path for macroeconomic variables such as capital stock, productivity output, savings, wages, real interest rates and consumption. When social security contribution rates increase, the path of macroeconomic variables will also change accordingly. Thus, employee social security tax reductions will have an impact on the economy. When the rate of population growth changes continuously, steady states paths are not obtained for the macroeconomic variables. Even though we conclude that social security will erode savings, in the aspect of demographic structure in Malaysia, there is still a need to implement social security system in Malaysia.

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