

# Rethinking of Old Age: The Emerging Challenge for Malaysia

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**Abstract.** The increase of ageing population has pushed the Malaysian government to increase the legal retirement age in the public sector. Even though the number of this ageing population is not greater than Japan and Australia, it has placed a burden on the government's shoulder. This issue could affect the country in achieving its vision to be a developed nation by year 2020. However, the ageing can also bring the country forward by offering their competencies, knowledge, skills and experiences. The active ageing can continue to participate in social, economic, cultural, spiritual and civic affairs, and it is not just the ability to be physically active or to participate in the labor force and it can be realized through an ageing approach called *right-based approach* (RBA). An age-inclusive culture is a good indicator in dealing with this cohort and can be practiced by the organizations that are hiring ageing workforce

**Keywords:** Age-inclusive Culture, Ageing Population, Productive Ageing.

## 1. Introduction

Many countries have undergone ageing phenomenon and this trend seems to be an alarming trend for the world population and many have doubted on the ageing's capacity. Many agreed that this issue would affect the development process of the country, and to some extent it also denies the ageing's contribution towards the development of the country. Most of the developed countries have accepted the chronological age of 65 years as a definition of elderly. However, this may be arbitrary for certain countries and it is many times associated with the age at which a person can begin to receive his pension benefits. United Nation has agreed that the standard numerical criterion for aged is 60 years old and above. In Malaysia, the country has decided that the new retirement aged is 60 years old (effective year 2012) where one is eligible to receive pension benefits, compared to the previous retirement age which is 58 years old [1]. An increase of aged population in Malaysia has created a new outlook for the country especially in the public sector even though it is not as quick as other countries such as Japan, and Australia [2]. An effective reform needs to be made in order to cater to the needs of this cohort. In a meeting on being a developed nation by year 2020, the Malaysian government should provide more opportunities to this vulnerable group so that they are much aware of their contributions to the country. The Malaysian life expectancy has increased with the average of 73.8 years or equal to 71.1 years for males and 76.7 years for females. The median age for Malaysia population has also increased from 23.6 years to 26.8 years for year 2000 and 2012 respectively [3]. Remarkably, the dependency ratio has contributed to the amount of burden of support which is placed on the existing workers which is 15 to 59 years regardless of public or private sector. As a developing country in South East Asia, it would be tough for the country to bear the operation cost on the aged workforce. Many considerations have to be made, not only for the short term, but there is a need to pursue as the long term goal.

## 2. Retirement Scheme

Apparently, the age at which people choose to retire has increased over the last decade and it has urged the Malaysian government to re-consider the existing retirement age. The public sector which has been affected by this unwelcoming trend, forced the Malaysian government to increase the legal retirement age for 1.4 million public servants due to the fact that the life expectancy of Malaysians has gradually increased which led the people to live and work for longer. However, this pensionable age is still lower compared to other countries such as Japan, Singapore, Iceland and Norway [4], [5]. About one third of the people who has

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an early retirement had been involved in doing some work to continue their life [6]. It shows that, an early retirement is not a good decision especially for those people who have greater obligations. They might be agonized in terms of earnings and would create more problems in the future such as in poverty incidents. Therefore, with the new retirement age, this cohort has a greater opportunity to pursue their lives due to the high cost of living and changes in the family structure from an extended to a nuclear family and it might affect their source of income. Many ageing population have received income from their family such as from working children, personal savings, pensions and other contributions [7]. The extension of retirement age is only applicable in the public sector, but the private sector can also proceed with this policy. There has been examples such as during the 2011 Malaysian Budget, where to ensure private sector employees and self-employed to have sufficient savings upon retirement, the Malaysian government had announced a tax relief up to RM6, 000 for Employees Provident Fund (EPF) and that life insurance will be extended to Private Pension Fund [8]. Starting 2012, the Private Pension Fund is known as Private Retirement Scheme (PRS) and it is more user-friendly. PRS is a voluntary long-term investment scheme to help individuals accumulate savings upon retirement. It complements the mandatory contribution made to EPF (Budget 2011) [2]. Through this way, the individuals may choose to invest in based on their retirement needs, goals as well as risk appetite. The introduction of this scheme was due to recommendations made by the Securities Commission Malaysia (SC) to the government in order to accelerate development of the private pension sector especially in Malaysia [9]. The government also has taken initiative in ensuring the welfare of retirees upon retirement age, and to enable them to live comfortable lives, by introducing tax relief up to RM3, 000 on contribution to a Private Retirement Scheme and insurance annuity for 10 years. To encourage the private sector in committing to this scheme, tax deduction on employers' contribution to Private Retirement Scheme had been imposed. Presently, most of retirees have insufficient savings to bear the cost of living upon retiring. According to Malaysia's Prime Minister, Dato Seri Najib Tun Razak, nearly 70% of Malaysian retirees used up all their savings within 10 years of their retirement. As a response to this incident, the government had executed the increment of 12% to 13% by the employers for employees who earn RM5, 000 and below. About 5.3 million EPF contributors will receive this benefit.

### **3. Productive Ageing**

Since the Malaysian government announced the new retirement age, many believes that this would provide more chances for most of public servants. Undeniably, public servants are able to have prudent financial security as a preparation upon their retirement. However, this issue has turned to be a tense debate among the policy makers, and the private sector as well. Some opinions believe in the capacity and productivity of ageing population and some might not due to certain determinants. The mature employees will bring greater stability especially towards the organization [10]. A stable workforce has many benefits that will gear up the organization to higher level. By maintaining mature or aged workforce it could reduce turnover rates and at the same time be able to reduce recruitment costs. Besides, the greater work experience and problem solving ability possessed by them will contribute to better improvement within the organization. The superordinate also can focus on the other aspects of the workplace since the aged workforce has the ability to work with minimal supervision. These reasons are good for the organizations and it is hoped that it would be implemented for the sake of this cohort.

As Malaysia is moving towards being a high-income nation, this workforce indirectly could help in achieving the objective by offering themselves to be hired, to share the knowledge and skills possessed. It would be such waste to ignore competent and experienced workers. In additions, it can be a solution for the country in curbing the higher labour supply from exporting labour countries such as Indonesia, since the number has placed a greater burden on the Malaysian government. Economically speaking, too much labour-supply of foreign workers is not good for the country's growth, opening up more problems in the future, and allowing more money outflow. To attract and retain mature employees in an organization become challenges towards organization, because it is crucial in building awareness of the impacts of changing workforce demographics. Many have argued that maintaining the aged workforce would place a burden on the organization's shoulder since they need to consider the obligatory costs of the aged. Hence, many organizations especially private companies for profit-concentration refuse to recruit aging workforce due to

several reasons, such as having health problems and being less productive since they are reaching the retirement age, delay in technology, innovation absorption and many more [11]. According to the research that has been made by the Public Sector Commission, Government of Western Australia, there had been several implications of an ageing workforce such as the health and education sector which are most likely to be affected by this group. Tense competition of skilled staff between agencies and future shortage in particular skills could also result in a significant skill drain.

#### **4. Rethink of Old Age**

There are many stereotypes on the ageing workforce which consequently creates a peculiar and negative thinking towards this cohort. Marginalizing this group does not help anymore and does not benefit the country. Creating innovative ways is needed to pursue the country's objective. Even though life expectancy has increased, however, the employment opportunity for the aged is very limited. The active ageing can continue to participate in social, economic, cultural, spiritual and civic affairs, and it is not just the ability to be physically active or to participate in the labor force [12]. Active ageing can be defined as the process of optimizing opportunities for health, participation and security in order to enhance Quality of Life as people age. Active ageing can be realized through an ageing approach called right-based approach (RBA). This approach recognizes the rights of people to equality of opportunity and treatment in all aspects of life. In another definition, RBA is a framework that integrates the norms, principles, standards and goals of the international human rights system into the plans and processes of development [13]. It is considered by techniques and accomplishments that link the human rights system and its inherent belief of power and struggle with development. RBA is able to produce independence, participation, dignity, care and self-fulfillment of the aged after reaching the retirement age, yet the active ageing is a lifelong process.

Many considerations should be addressed properly in order to mitigate the impacts. There are several elements that must be studied in producing an active ageing especially in Malaysia. It is deemed important to leverage maintenance of intergenerational solidarity. The dissimilarities between baby boomers and Generation Y should be put aside, focusing on how to create intimacy and together achieve the objectives. Since Malaysia is one of the multiracial countries which comprises of Malays, Chinese and Indians (three main races), therefore, we need to respect national and cultural diversity. Living in different settings can enhance esprit de corps; instilling love towards each other and the ability to understand each other where the most important part is the elderly. Empowering the elderly can be done through multidisciplinary community engagement that enhances the wellbeing, independence as well as entrepreneurship among elderly with the existing community. National Policy for Elderly is one of the efforts taken by Malaysian government in creating a society of elderly who are contented and possess a high sense of self-worth and dignity [14]. It has been done through optimizing their self-potential and ensuring that they enjoy every opportunity as well as care and protection as members of their family, society and nation. Private sector need to take part in this decision making. They must be more sensitive in changing the socially needed corporate responsibility. Hence, the continual commitment can be done such as by creating conducive environment for the employment for aged workforce and services.

#### **5. An Age-Inclusive Culture**

Workplace culture plays pivotal parts in assisting old age, since this group of people shares the same objectives and promises success of age diverse strategies. Organizations that embed innovative culture or working style with their employees are capable to achieve the most effective ways in producing their end-products. A work environment that is not pretty effective and supportive could restrain employees' growth. The support and camaraderie older employees gain in the work place is significant in their decision to continue their effort. Some ideas proposed that older employees often have less success in obtaining work compared to their young counterparts. This negative stereotype that employers still believe will affect the age inclusive culture execution. They are supposedly developing a culture that will be robust in managing this emerging challenge. The ageing population has become the main concern in the present situation. Therefore, the organization should move some miles ahead and place a bottom thinking of that. According to the research done, the proportion of old age in Malaysia has been projected to increase from 6.3 per cent in year

2000 to 12.0 per cent or 4.9 million persons by year 2030 [15]. Hence, ageing workforce is not a new phenomenon, and it must be accepted by the whole members or the country. The introduction of flexible work practice should be received as a good solution towards this issue. Flexible work practices will covers a wide variety of working patterns, benefits and facilities in the workplace, and most important it allows staffs to balance their work and life commitments while meeting the employers' expectations. Flexible work may be suitable for old age employees if they intend to work reduced working hours, and with the assumption that they wish to have more flexibility to meet caring responsibilities or lifestyle preferences. Indeed, this approach could help in attracting and retaining existing employees and studies have shown positive effects for both parties [9], [10]. As a result, it can create a positive employer branding, increased job satisfaction, and the ability to manage knowledge loss within the organizations.

Health wellbeing and aged are positively interconnected each other. Health and wellbeing are vital to individuals, families, communities, organizations and society as a whole. Getting infected by illness could increase pressure among aged workforce and result in costs to organization. Many researches agreed that chronological age is only a rough indicator of health or performance capacity. In fact, aged workforce over 45 years takes fewer sick leaves/days and they experience less work-related injuries compared to young entrance [9], [10] Universal approaches must be taken into account in order to reduce work-related accidents such as by reducing workplace hazards, and improving work of job design that could benefit employees of all ages. In addition, an ergonomic study of existing workplace should be carried out consistently and must be reported to identify any physical, environmental, and organization risk factors. The organizations must to ensure that employees are using proper tools and equipment's during working hour, in order to reduce injuries such as repetitive strain injuries, is substantial.

## 6. Conclusion

Aged population issues prompt the Malaysian government to rethink its old age. Ignoring the welfare of this aged will spawn out more problems in future. An effective solution should be considered since it does not only happen internally, but has also become an external concern. The innovative employment perks for old age should be given an appropriate attention. The organization must fully understand their current position so that it is easier to determine existing workforce profile, identify what age group are over or under represented, and provide future direction for the aged workers. An aged is an asset for the organization and country, possessing skills, knowledge and full of experiences that could derive the country into the higher level as meeting national objectives in producing a pool of talented workforces.

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