

Possible Implications of Raising the Retirement Age to 65 In Malaysia

Lately, there has been some discussion in our country about raising the retirement age from 60 to 65, and this proposal has potential implications for the country's workforce, economy, and society.

According to the **Department of Statistics Malaysia**, the labour force participation rate for individuals aged 55-64 was 67.5% in 2020, compared to 81.5% for individuals aged 25-54. By encouraging older workers to remain in the workforce, the country could increase its overall labor force participation rate.

An increased labour force participation rate could lead to improved economic productivity. According to a report by the World Bank, a 1% increase in the labour force participation rate in Malaysia could result in a 0.5% increase in GDP per capita.

The report also notes that increasing female labour force participation could have significant benefits to the country's economy and society.

Besides, individuals who continue to work past the age of 60 would have additional years to save for retirement, which could help them build a larger nest egg. According to a survey by the Employees Provident Fund (EPF) in 2020, the average retirement savings for EPF members aged 54-59 was RM240,800, while the average retirement savings for those aged 60-69 was RM307,500. This suggests that individuals who work beyond the age of 60 may be able to accumulate additional retirement savings. In addition, if more individuals remain in the workforce past the age of 60, there may be a reduced need for social welfare programmes such as old age pensions.

This could help to reduce the burden on the government and taxpayers.

However, there are also potential challenges associated with raising the retirement age. Older workers may face age discrimination in the workplace, which could make it difficult for them to find or keep employment. In the context of raising the retirement age to 65 in Malaysia, some employers may view older workers as less productive or less capable than their younger counterparts. This perception could lead to discriminatory practices such as not hiring older workers or offering them fewer opportunities for career advancement.

Some employers may also have concerns about the higher cost of employing older workers, such as health care and pension benefits. This could lead to discrimination against older workers, as employers may choose to hire younger workers who are perceived as being less expensive to employ.

Furthermore, age discrimination can also occur in the form of harassment, where older workers may be subjected to comments or jokes about their age or stereotyped as being unable to keep up with the pace of work.

This creates a hostile work environment and makes it difficult for older workers to feel valued or respected in their jobs.

These forms of age discrimination can make it difficult for older workers to find or keep employment, even if they are highly qualified and experienced, especially for those who may need to work longer to supplement their retirement income or want to remain active in the workforce for other reasons.

It is important for employers to recognise the value that older workers can bring to the workplace and to avoid discriminatory practices that could limit their employment opportunities.

Some older workers may experience a range of common health issues including physical health problems, cognitive health problems and mental health problems that could make it difficult for them to continue working beyond the age of 60. Working for an extended period could lead to mental health issues, such as burnout and depression, for some older workers.

On the flip side, reduced job opportunities for younger workers can occur when older workers remain in the workforce longer and delay their retirement. This can create challenges for younger workers who are entering the workforce or looking for new job opportunities. Not to mention that the youth unemployment rate in Malaysia has been increasing in recent years as evident by data from the Department of Statistics Malaysia, which saw a rise from 10.8% in 2019 to 13.8% in 2020 for youths aged 15-24.

This marked a significant increase that can be partially attributed to the impact of the COVID-19 pandemic on the labor market.

The same concern was also mirrored by the World Bank report which highlighted that youth unemployment in Malaysia has been a persistent challenge, with a youth unemployment rate of 10.9% in 2018. The report noted that this is higher than the overall unemployment rate in Malaysia, which was 3.3% in 2019. The reduction in job opportunities for younger workers could also result in increased competition for available jobs, leading to lower wages and fewer benefits for younger workers.

This could have a long-term impact on their financial stability and career prospects, as they may struggle to establish themselves in the workforce and advance in their careers.

Ultimately, any decision to raise the retirement age needs to balance the needs of the country's economy and workforce with the well-being of individual workers. It is important to consider the impact on all sectors of society and to ensure that appropriate policies and measures are in place to support workers of all ages.

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