

Will

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THE proposal to raise Malaysia's retirement age from 60 to 65 initially sparked sharp criticism and a heated public debate about its fairness and implications.

Now, just weeks later, the conversation has shifted entirely – it's no longer about whether the change should happen, but when and how it will be implemented.

There are always options for contractual work but looking at the bigger picture, this issue should be taken seriously as Malaysia will become an ageing nation by 2040, with 17.3% of the population projected to be over 60 years old.

This is expected to increase to 23.4% by 2050, according to the Statistics Department.

The department adds that in 2023, 7.4% of the population – around 2.5 million people – were aged 65 and above.

What would happen if a large number of people were forced to retire at 60 with no opportunity to rejoin the workforce?

Universiti Putra Malaysia's Malaysian Research Institute on Ageing senior researcher Chai Sen Tyng highlights key considerations for healthcare, insurance, transportation and social welfare.

More importantly is whether those aged above 60 want to continue working.

"While the intention to keep working is often tied to financial concerns, studies show that individuals in higher-paying, white-collar roles are more likely to continue working compared to those in blue-collar jobs or with lower incomes," he tells *StarBiz* 7.

"At a macro level, the focus is more on productivity. We assume that a worker at 60 can perform just as well, if not better, than one at 65."

"While this might hold true in some professions, it varies across industries," he says.

■ Studies show that individuals in higher-paying, white-collar roles are more likely to continue working

■ Retaining an older workforce can help preserve valuable expertise and institutional knowledge

■ The growth of formal economies is more related to a change in public mindset, as well as changes in employer attitudes

Impact on younger workers

Will raising the retirement age impede the hiring or career progression of younger workers?

Chai says this is a weak claim, simply because the labour market pool is not static.

"In a rapidly ageing society with high dependency on foreign labour, it implies that older people are hogging all the good paying jobs and their delayed departure from the labour market is denying younger workers better pay."

"This is, unfortunately, the more common view, often not critically examined," he says.

Moreover, the younger population is shrinking.

The Statistics Department says that in the first quarter of 2025, the number of live births in Malaysia declined by 11.5% from the same period in 2024.

This is certainly something to consider in the argument that older people are an obstacle to the younger ones.

Using the last retirement age increase to 60 in 2012, Chai says it only marginally increased the labour force participation rate for those aged 55 to 59.

"We must also remember that younger Malaysians are delaying their entrance into the labour market due to tertiary education opportunities," he notes.

Malaysian Coalition on Ageing

chairman Cheah Tuck Wing addresses the issues of job limitations and brain drain, which are often raised.

He says there is the notion that in Malaysia, there are many young people who are smart, creative and talented, but they will migrate if there are fewer jobs available.

"The migration of our young talents has nothing to do with seniors taking away their jobs. It is because of a much better pay package with a brighter future for them and their families," he says.

SME Association's National Council member and KSI senior economic advisor Dr Anthony Dass says rather than look at it as competition, why not consider it complementary?

Dass points out that the older and younger generations have different skills and unique experiences to offer, and over time, they would have developed job-specific knowledge.

"Data from 2019 shows that higher employment rates among older workers are associated with higher employment rates among younger workers."

"This implies that a growing economy with opportunities for older workers tends to create more opportunities for all, including youth," he says.

He adds that in fields such as education, healthcare and the civil service, retaining an older workforce can help preserve

valuable expertise and institutional knowledge, which is beneficial for national development and mentoring younger generations.

Another major factor is how the living costs, healthcare and savings might pan out for people who are no longer in the workforce.

Added to that is the life expectancy rate that has gone up to 75.2 years, according to the Statistics Department's publication on Abridged Life Tables for 2022 to 2024.

This means that as a result of improved healthcare, nutrition, sanitation and disease prevention, people in this century are living longer than before.

University of Malaya Social Wellbeing Research Centre director Prof Datuk Norma Mansor says keeping the retirement age at 60 is not sustainable.

"As the aged population grows, more will become dependent on their children who are already working. This plus the 0 to teens age group that is already dependent on their parents, can be quite difficult," she says.

She says productivity may be affected if this middle group is stretched thin.

"Several countries are already extending retirement ages so people can work longer and contribute to tax revenues while improving productivity. Longer employment will increase indi-

cut it as the new 60?

vidual and national savings," she says.

And she is right. A Google search shows that neighbouring countries like Singapore have a minimum retirement age of 63, while re-employment can be offered up to the age of 68 if employees meet certain criteria.

Denmark has taken it up a notch. It will raise the retirement age to 70 by 2040.

In fact, according to the Organisation for Economic Cooperation and Development, Denmark will lead by 2060, with people retiring at 74.

Besides the gender gap, there's also the issue of social welfare and managing the costs of unemployment, particularly healthcare.

EPF savings gap

Savings in the Employees Provident Fund (EPF) gained over many years of work might suffice, but is this the case?

Cheah says it is commonly believed that to retire comfortably, one would need EPF savings of RM240,000 at the age of 55.

"This figure is grossly inadequate, especially for city dwellers. It will be worse if the retiree has commitments like rental, instalments or insurance payments. Even with this, just over 10% of EPF contributors aged 30 to 54 have met the RM240,000 target."

"The recent Belanjawanku 2024/2025 guide has since revised the basic retirement savings to RM390,000 by Jan 1, 2028," he explains.

Low wages have been a major factor for low retirement savings.

"Our minimum wage is set at RM1,700 per month which is way below the RM3,100 living wage set out by Bank Negara," he says.

Adding to that, Chai says without a pension-like payout, EPF essentially is providing a zero

replacement rate in retirement as lump sum payouts are risky, especially if the money is used irresponsibly.

Rethinking retirement

What needs to change, and who needs to lead that charge? Cheah is advocating for the implementation of labour market reforms, including reviewing all 28 labour laws in line with raising the retirement age.

He says some of the laws are outdated and have to be aligned with current needs.

It starts with viewing older workers as an asset that can possibly resolve the nation's manpower requirements.

"What is more important is tax incentives and other motivation to employers for them to employ seniors. There must be specific legislation to protect older workers against discrimination at the workplace."

"Currently, we only have spe-

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Dass: Targeted support is crucial for a smooth transition and opportunities for junior positions.

cific legislation to protect women and children, but not seniors," he says.

Norma says taking the immediate five-year leap is not advisable.

"It might shock the system. A gradual plan will be better, perhaps reviewing it every two years or so. Proactive policies to respond to the ageing population need to be in place," she says.

According to Norma, if the private sector will be most affected by this, then they can plan ahead, so they don't have to worry about replacing the workforce when the time comes.

Chai is advocating for a gradual retirement.

He explains that a re-employment policy that preserves older workers in the workforce but allows them to transition into a more flexible and reduced role should be the core idea.

Chai says it is very important to apply a re-employment age law before raising the mandatory or minimum retirement age.

"When Singapore did it in 2007, there was broad expectation and acceptance of older workers retiring gradually. Taking into consideration the labour force participation rate for people aged 65 and above in Asean, one can conclude that the growth of formal economies is more related to a change in public mindset, as well as changes in employer attitudes."

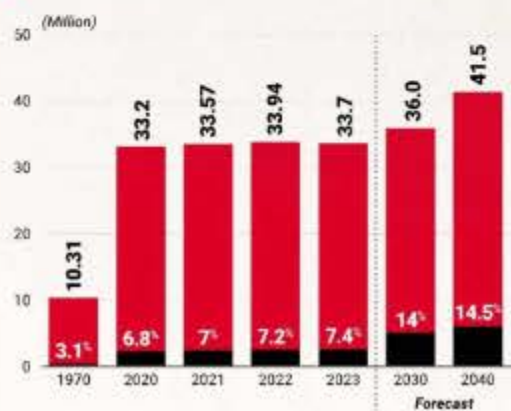
Dass recognises that career progression stagnates if an older workforce remains, especially in sectors with strict promotion pathways like the public sector.

To address this, he emphasises the importance of strategic inter-generational planning and flexible workforce structures.

"Targeted support, such as phased retirement options, flexible working arrangements, and upskilling programmes for older workers, is crucial to ensure a smooth transition. This will create opportunities for junior positions," he says.

Malaysia's aged population statistics

■ Total population ■ Aged 65 and above (%)



Source: Department of Statistics Malaysia (DoSM)

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