

# Labour market will benefit from late retirement

**FULL SUPPORT:** But there should be a grace period and some exemptions

**Y**OU are 54 years old and it's the "last straight to the finish" as you look forward to your 55th birthday which marks the day you retire.

However, like many of your peers, you only have a balance of about RM150,000 in your Employees Provident Fund account after the withdrawals you made before attaining the age of 55.

Based on an EPF survey in 2003, more than two-thirds of retirees deplete all of their EPF savings after only 10 years of retirement.

Today, the average life expectancy of Malaysians is 71.4 years for men and 76.2 for women.

An employee who retires at 55 could continue living for an av-

erage of 20 more years on a retirement fund that would barely last half that time.

Paradoxically, at the macro level, Malaysia will likely be categorised as an ageing nation by 2030 with the number of people above the age of 60 reaching 15 per cent of the population.



**Datuk Azman Shah Haron** is president of the Malaysian Employers Federation

The percentage of ageing people in Malaysia is steadily increasing due to the increase in life expectancy and low fertility rate.

In 2000, the number of elderly people was 1.45 million or 6.2 per cent of the total population. In 2009, the number increased to 2.03 million or 7.1 per cent of the total population.

Some argue that to insist that 55-year-olds retire should they choose to continue working is discrim-

inatory and an offence to personal freedom.

Malaysia is at full employment level and has about 1.8 million legal foreign workers, 1.3 million illegal foreign workers registered under the 6P programme and perhaps about one million unregistered illegal foreign workers.

In anticipation of the 3.3 million new jobs to be created under the Economic Transformation Programme (ETP) over the next decade, Malaysia's labour market could certainly benefit from about 183,000 private sector employees who currently retire at 55 years annually.

Hence, the Malaysian Employers Federation (MEF) supports the government's proposals to enact the Minimum Retirement Age Act to introduce a statutory retirement age of 60 years for employees in the private sector.

MEF has also proposed that both



employers and employees be given five years transition period from the time of the enactment of the law to allow for some flexibility in implementation.

The rationale is that the employees would not be forced to work up to age 60 years and be able to withdraw their EPF savings at 55 if they choose to retire.

Employers could also benefit during the first five years as they would not be forced to engage employees until they are 60 years old based on issues that may arise due to old age such as health, discipline, productivity and performance.

MEF is also of the view that certain employees should be exempted from the application of the proposed Minimum Retirement Age Act, and these should include employees involved in heavy manual work, and especially those working in construction, planta-

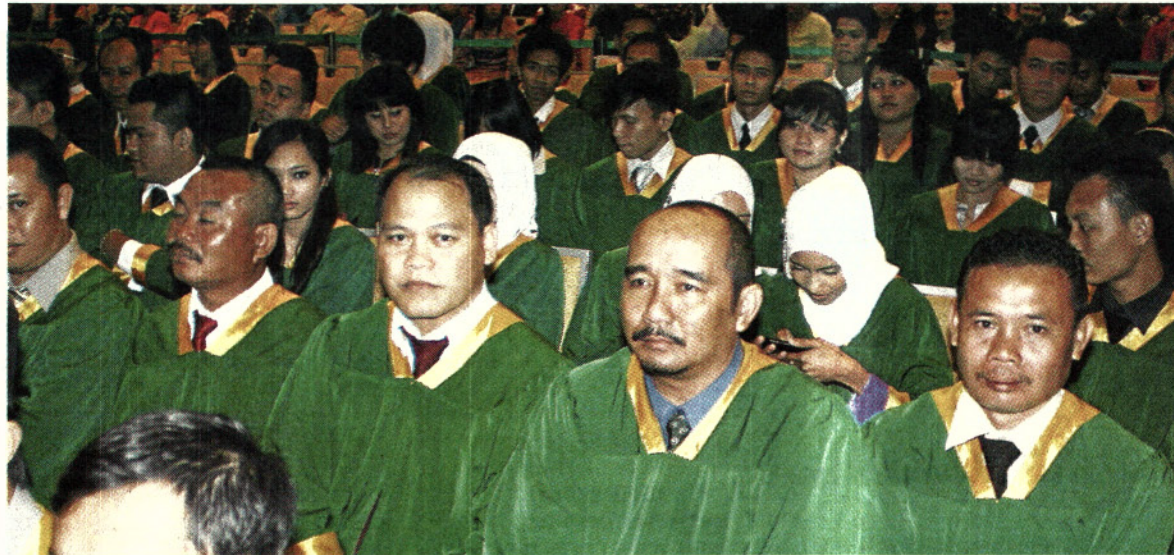
tions, airlines, electronics and textiles and transportation.

Employees as listed above should retire based on the contractual retirement age which may be lower than what is proposed in the Minimum Retirement Age Act.

Such employees may be retrained to acquire new skills to enable them to be qualified employees in other sectors of the economy which do not require heavy physical or manual work.

A person working up to the age of 60 years can boost EPF savings by between RM15,000 to RM20,000. Therefore, if everyone were required to work longer, poverty in old age would gradually be reduced.

Extending working lives also leads to an increase in Gross Domestic Product (GDP). For example in the United Kingdom, extending average working lives by one year could increase GDP by around one



*Military pensioners at a convocation last year.*

per cent.

The proposed Minimum Retirement Age Act would also bring Malaysia up to speed with other markets in the region which have

already set the retirement age at 60 as in Brunei, Indonesia, Philippines and Thailand, while it is 62 years for Singapore.

Older employees offer a wealth

of talent and experience, both as employees and entrepreneurs, and are making a vital contribution to securing Malaysia's recovery and future prosperity.