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Age is not a factor

AT the age of 50, a country is considered young but if you are a worker, your tenure as an employee is almost up. In Malaysia, you would have up to six years before you are expected to retire.

With the Budget 2008 scheduled for tabling this Friday, many government workers are keeping their fingers crossed for the good news of an extension of the mandatory retirement age to 60 from the existing 56.

In fact, the Congress of Unions of Employees in the Public and Civil Services (Cuepacs) president Omar Osman has even labelled it as the best 50th Merdeka gift that could be granted for Malaysians.

Cuepacs has been fighting for an older retirement age for civil servants for more than a decade now, and had submitted a memorandum on the matter to the Government in 1998.

"It is too early for one to retire at 56, especially now that the population enjoys a longer lifespan and better health care," he had noted, adding that the time was right for the retirement age to be increased to 58 or 60 in view of the better health care, longer lifespan and higher cost of living in the country.

Citing the older retirement age in different countries in the region, Omar stressed that it was a sheer waste of human potential and capital to retire civil servants at 56.

"The retirement age in Indonesia, Singapore, Thailand and South Korea is 60 and above. Malaysia is relatively more advanced than some of its neighbours. But our workforce retires much earlier."

According to a study of the perception of executive, managerial and supervisory personnel towards older workers conducted by Assoc Prof Dr Jariah Masud from the Universiti Putra Malaysia's Gerontology Institute (GI), a majority of companies in the private sector use the cut-off age of 55 years (70%) and 56 years (10%) in accordance to the mandatory age of retirement practised in the government sector.

The institute's director, Assoc Prof Dr Tengku Aizan Hamid, concurred, pointing out that contrary to common belief, there was actually no stipulation for retirement age in the Employment Act 1955.

"Not many people know this. It is very clear that the private sector is taking the Government's lead in setting the retirement age for its workers, so we believe that if the Government makes a change in the retirement age, the rest will follow suit," she said.

An ageing world

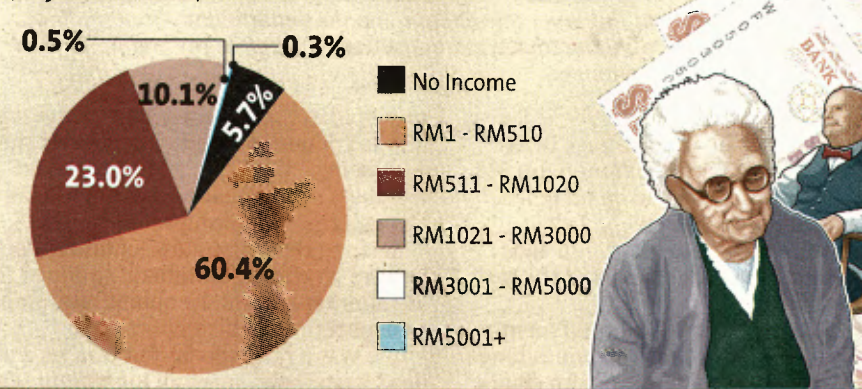
An older person is specified by the United Nations as an individual aged 60 years and over. GI acknowledged that Malaysia uses the UN's cut-off age, which correlates with the Asean definition of the elderly.

Ironically, argued Dr Tengku Aizan, as the majority, if not all, Malaysians retire from the workforce at the age of 55-56, this means that Malaysians retire before they reach old age.

"An implication is that they have to wait for four to five years before they are entitled to the Old Age Persons'

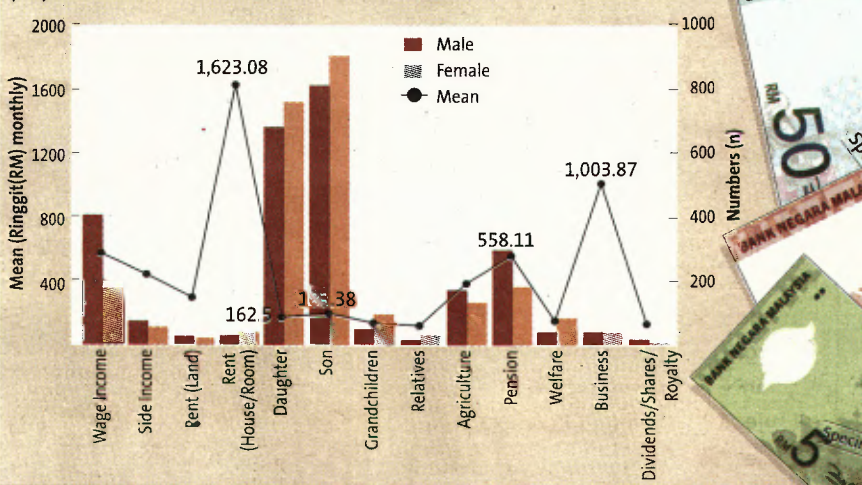
The retirement age in Indonesia, Singapore, Thailand and South Korea is 60 but in Malaysia, it is 56. By United Nations' definition, an 'older person' is an individual aged 60 years and over, thereby making Malaysians retirees before they reach old age.

Distribution of monthly income for older Malaysians (60 years and over)



Source: Assoc Prof Dr Tengku Aizan Hamid, Gerontology Institute, UPM

Sources of income and mean value among older Malaysians by sex (RM)



Source: Assoc Prof Dr Tengku Aizan Hamid, Gerontology Institute, UPM

benefits in the country, including medical benefits and other discounts or services," she said.

This, she added, is not only a waste of Malaysia's most valuable asset - manpower - but in the long run could also be a burden.

"If you calculate it, you can see how much the Government spends on pension and how much they would save if they shift the retirement age to 58 or 60."

Last year, the Government paid out RM5bil in pensions while another RM6bil, which included gratuity payment, was disbursed to an average of 1,000 newly retired civil servants. This is estimated to reach RM30bil by 2020.

For the private sector, Malaysian Employers Federation (MEF) noted that some 80,000 workers retire every year.

AARP (formerly the American Association of Retired Persons) estimates that by 2050 there will be two billion older persons in the world, compared to 600 million today. Every month, approximately one million per-

sons reach 60 years of age.

While the percentage of older persons is said to rise to 21% worldwide by 2050, up from 8% today, forecasts show that the percentage of children will decline from 33% today to 20%.

Malaysia is a relatively young country, but the number of older persons in Malaysia has doubled in the past two decades to almost 1.4 million. By 2020, this number is expected to grow to more than 3.4 million. According to a UN definition, Malaysia will be an aged society in 2019 when 7% of her total population is 65 years and older.

Valuable asset

Much has been reported in the press of how a majority of Malaysians are unprepared for retirement. According to another study by GI, more than 60.4% of those aged 60 years and above have a monthly income below RM500 a month while 5.7% have no income. Their main source of income is con-

tribution from children (see chart).

Technician Yeoh Yan Sun, 50, is one civil servant who is hoping for a retirement age extension. "All the recent media coverage of how retirees have not saved enough for retirement has made me nervous about my impending retirement. If the retirement age is extended, I have more time to prepare."

Dr Tengku Aizan said the institute had shared its research findings with the Government, proposing an extension of the retirement age.

She strongly believes that fears of the move incurring a higher salary ceiling or depriving fresh graduates employment were unfounded.

"As for graduate unemployment, it is more complex and needs to be seen in totality as it involves different levels of skills. They are not competing for the same jobs as those near retirement have skills that can only be gained from experience while fresh graduates only have entry level skills," she said.

She stressed that the main issue for government service is to develop a method to purge non-performers from the system.

"Currently, once you hire a person, that's it; you are stuck with the person until his retirement. It's difficult to get rid of deadwood. That is why the VSS (Voluntary Separation Scheme) for non-performers that was proposed recently might be a good idea," she added.

To help the old help themselves, she proposed that the Government look into providing skills training for the elderly to help them meet the current needs of the employment market as well as to keep their minds and bodies agile.

She added that another measure is to implement flexi- or part-time hours and housebound work for the elderly to empower them to be financially independent.

Echoing this, MEF executive director Shamsuddin Bardan said it was a better alternative to implementing a blanket retirement age hike for the private sector.

"Most companies are extending the contract of good employers when they retire anyway. Imposing a higher retirement age will be a burden for the private sector, especially if they have to keep the deadwood on longer."

He, however, stressed that it is important for the Government to legislate this.

"Employers are interested in hiring staff on flexi-hours but it will be better if it is legislated. At the moment, companies are doing it on an individual basis.

"Another measure is for the Government to reduce employers' EPF contributions for retirees. It would encourage more employers to re-hire retirees and retain older workers."