

# Tackling Aging Population and the Labor Law Policy in Malaysia

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## 1. Introduction

The Malaysian employment market is dynamic and evolving, reflecting the country's status as a leading emerging economy in Southeast Asia. With a population of over 34 million and a youthful workforce, Malaysia's diverse industries—manufacturing, services, agriculture, and the expanding digital economy—drive economic growth.

Recent efforts to position Malaysia as a regional technology hub have spurred growth in startups, e-commerce, fintech, and IT services, supported by government incentives and a tech-savvy workforce. However, challenges remain, including skill mismatches between graduates and industry needs. Employers cite gaps in critical thinking, digital skills, and technical expertise, increasing demand for reskilling and upskilling programs.

While the Malaysian job market offers growth potential, addressing challenges like graduate unemployment, automation in traditional sectors, and global talent competition will be key to ensuring sustainable development.

## 2. Elderly defined

Aging is subjective, influenced by factors such as trauma, poor nutrition, and disease exposure. These elements can accelerate aging in marginalized communities, leading to age-related challenges even in those under 60.

Mortality rates vary between countries, with standard of living being a key determinant. In regions with lower life expectancy, individuals in their 50s may be considered elderly, impacting national policies. Therefore, a universal approach to aging is not feasible.

The term "elderly" lacks a universally accepted definition. In Malaysia, as per the 1982 World Assembly on Aging definition, an older person is considered as someone who is over 60 years of age.

## 3. The Scale and Changes in Aging from Macro Statistics

According to the annual report produced by the Department of Statistics Malaysia in 2024<sup>1</sup>, Malaysia's elderly population was approximately 6.5 million (approximately 19% of the total population).

Despite the growing elderly population, Malaysia has the lowest labor force participation rate among seniors compared to other age groups. This is largely due to the prevailing belief that individuals should retire at 60, a notion reinforced by various retirement options in both the public and private sectors. In 2023, approximately 445,000 individuals aged 60 to 64 were employed.

Out of Malaysia's total employed population of 16.08 million in 2023, those aged 60 to 64 made up around 2.77%. This represents a decline from the 5% to 10% range recorded in 2022. Many elderly individuals, however, continue to engage in informal or semi-formal work, such as agriculture, trade, and small businesses.

There are many reasons why the number quoted above represents a minute fragment of the Malaysian society. As mentioned above, this could be attributed to retirement policies and the physical limitations of an elderly person itself. A recent judicial review in the case of *Dr. Satwant Singh Gill v. Hospital Assunta* [2019] 3 ILR 564 overruled the application of the Minimum Retirement Age Act 2012 in Malaysia. Briefly, the court

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<sup>1</sup>Annual population and demographic reports, labor force surveys, and statistics on aging trends - <https://www.dosm.gov.my>

decided that the assurance given to Dr. Satwant by one Mother Mary Xavier that he is able to practice in the hospital for as long as he wishes (made in the 1970's) superseded the legislation.

However, the case of *Dr. Satwant*<sup>2</sup> is peculiar to its facts. Although the retirement age in Malaysia is 60, this applies very distinctly in formal employment and/or professional jobs. On the contrary, many continue to work post-retirement, mostly in non-professional fields such as agriculture and machinery and recently, in the gig industry. The trend of the elderly working post-retirement is also more evident in rural areas compared to urban areas.

As a developing nation, Malaysia tremendously improved and advanced its healthcare which then yielded a higher range of population aging as the average life expectancy also increased. This coupled with the fact that there are lower birth rates plays an important role in the influx of the aging population.

Besides that, some notable changes could also be observed due to economic transitions. Industrialisation and urbanisation have shifted family structures, reducing traditional care for the elderly and encouraging some to remain in the workforce. As cost-of-living increases, certain elderly population are forced to remain in the workforce to stay afloat. The fear is that if they opt to retire, they will lose their stream of income causing them to fall within the poverty bracket after exhausting all their financial reserves.

To sum up, employment in Malaysia is akin to the FILO ("**F**irst in **L**ast out") principle. To seize the opportunities presented to them to tide over the waves of life, many Malaysians find themselves being employed at a younger age whilst retiring the latest possible.

As a result, there will and ought to be a systemic change in Malaysia to protect the growing aging population in Malaysia.

#### **4. The Typical "Retirement" Process for the Average Worker**

**Section 4 of the Minimum Retirement Age Act 2012** provides 60 years old as the minimum retirement age (previously 55 years old). This legislation generally applies across the board for both the private and the public sector. However, the general observation in Malaysia is that the retirement age of 60 years is adhered to the letter by the public sector i.e. mandatory retirement upon reaching the age of 60. The private sector does not impose a strict mandatory retirement age, however, an employee is unable to retire before attaining the age of 60. This is non-negligible.

The act applies to every employee except those listed in the **Schedule in Section 2 of the Act**. It is permissible for Malaysians to retire before 60 years of age subject to them having attained a Pensionable status (PTB). Pensionable status is typically granted upon 25 years of service by the employee in the public sector.

##### **4.1 Pre-Retirement Planning**

In Malaysia, pre-retirement planning is primarily supported by the Employees Provident Fund ("**EPF**"), a mandatory savings scheme with contributions from both employees and employers. Workers typically begin withdrawing funds at age 55 or 60, depending on the withdrawal option. Civil servants receive pensions and gratuities, while private-sector employees often rely solely on EPF, underscoring the need for additional financial planning through tools like private retirement schemes (PRS).

Finalising employment in the pre-retirement phase employment involves settling dues such as final wages, unused leave, and entitlements. EPF members also arrange withdrawals, which can be taken as a lump sum, installments, or partial payments.

Many retirees pursue phased retirement, taking on part-time or consultancy roles, or exploring

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<sup>2</sup> [2019] 3 ILR 564

entrepreneurship. This transition is increasingly supported by government initiatives promoting active aging and lifelong learning.

## 4.2 Post-Retirement Trends

Post-retirement life in Malaysia is shaped by key trends, including the growing focus on healthcare. As retirees age, medical expenses become a significant concern. Lifestyle adjustments are common, with many retirees downsizing to smaller homes or adopting simpler lifestyles to manage expenses. In traditional Malaysian households, family continues to play a vital role in supporting retirees emotionally and financially. Urbanisation and changing family structures are slowly reshaping these dynamics.

To address financial challenges in retirement, many workers invest in private retirement schemes (PRS) to supplement their EPF savings. Additionally, government initiatives like Bantuan Sara Hidup<sup>3</sup> (cost-of-living aid) provide financial support for retirees facing economic constraints. These measures ensure retirees maintain a reasonable standard of living.

## 5. General Social Perception and Attitudes Toward "Retirement"

### 5.1 The position before the Covid-19 pandemic

In Malaysia, retirement holds varying meanings depending on individual circumstances, societal expectations, and economic realities. Traditionally, it is seen as a time to rest and enjoy life after decades of hard work. However, evolving socio-economic dynamics and an aging population are reshaping attitudes toward this phase of life.

For many Malaysians, retirement is associated with the ideal of family support, rooted in cultural values that emphasize filial responsibility. Retirees often expect to live with or receive assistance from their children, reflecting strong intergenerational bonds. However, this traditional model is being challenged by urbanisation, smaller family sizes, and the increasing cost of living. Younger generations face financial pressures, making it harder to support aging parents fully. This shift has led to a growing recognition of the importance of personal retirement planning.

Financial preparedness plays a critical role in shaping perceptions of retirement in Malaysia. Although EPF serves as the primary savings mechanism for most private-sector workers, concerns persist about whether these savings are sufficient to sustain retirees. Those without access to formal retirement savings systems, such as informal sector workers, often face uncertainty and may need to continue working into old age. Moreover, the concept of active retirement is gaining traction among Malaysians. Many retirees seek to stay engaged through part-time work, volunteering, or pursuing hobbies and passions.

### 5.2 The position after the Covid-19 pandemic

The pandemic has had a significant impact on retirement in Malaysia, reshaping financial preparedness, altering workforce dynamics, and influencing societal attitudes. It exposed vulnerabilities in retirement planning and highlighted the importance of adaptability in economic and health-related challenges.

One of the effects was the financial strain experienced by many Malaysians. In response, the government introduced measures such as the i-Lestari, i-Sinar, and i-Citra schemes, allowing early withdrawals from the EPF. While these initiatives provided short-term financial relief, they significantly reduced retirement savings for many individuals, raising concerns about long-term financial security. As a result, many retirees and near-retirees are now considering working longer to rebuild their savings.<sup>4</sup>

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<sup>3</sup> <https://bantuanunai.hasil.gov.my/>

<sup>4</sup> <https://www.therakyatpost.com/news/malaysia/2021/11/24/retirees-likely-to-face-poverty-after-covid-withdrawals-says-epf/>

Health and well-being became central concerns for retirees during the pandemic. The heightened health risks of COVID-19, particularly for older adults, emphasized the need for comprehensive healthcare access and insurance coverage in retirement.

The pandemic also brought about a shift in how retirement is perceived. For some, it became an opportunity to reassess priorities, focusing on meaningful activities, family relationships, and personal growth. Others realised the importance of robust financial planning to navigate unexpected challenges.

Finally, the pandemic accelerated digital inclusion among older adults. Many retirees embraced technology for communication, online banking, and accessing essential services. This digital shift has not only kept retirees connected during isolation but has also opened new opportunities for remote work, learning, and social engagement.<sup>5</sup> This trend could redefine retirement, making it a more dynamic and active phase of life.

### 5.3 Bridging the gap between the Private and Government Sector – A discrepancy in the attitude towards retirement.

#### 5.3.1 Government Servants

Government servants benefit from a pension scheme, which provides a lifelong monthly pension after retirement. The amount is calculated based on the individual's length of service and their final drawn salary, offering predictable and stable post-retirement income. In addition, retirees receive a gratuity payment, which is a lump sum disbursed upon retirement. This system is funded by the government, and employees do not make direct contributions to their retirement benefits.

Health benefits are another significant advantage for government retirees. They and their dependents enjoy free or subsidized medical care at government hospitals and clinics, which reduces the financial burden of healthcare during retirement.

#### 5.3.2 Private-Sector Employees

As mentioned above, private-sector employees rely primarily on the EPF. In this system, both employees and employers contribute a percentage of the employee's salary to their EPF account. At retirement, individuals access their accumulated savings, which are meant to support their retirement years. However, the adequacy of these savings depends on the individual's contribution levels, investment returns, and duration of accumulation. This often makes retirement planning more challenging for private-sector employees, especially for those with inconsistent incomes or those who withdraw EPF savings early for immediate needs.

#### 5.3.3 Key Differences

The primary distinction lies in the stability and predictability of benefits. Government pensions offer lifelong, guaranteed payments and healthcare benefits, while private-sector employees depend on accumulated EPF savings, which may be insufficient for long-term needs without careful planning. As a result, government retirees tend to experience greater financial security compared to their private-sector counterparts.

#### 5.3.4 Policy Trends

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<sup>5</sup> <https://www.malaymail.com/news/money/mediaoutreach/2024/01/31/octa---retirement-planning-in-malaysia-epfs-investment-options-and-its-alternatives/275865>

Recent discussions have focused on expanding social protections for private-sector employees, particularly informal workers, and contract-based public-sector workers who are not eligible for the traditional pension scheme. The introduction of voluntary EPF contributions and initiatives like i-Saraan aim to bridge this gap.

## **6. The Impact of Aging and Retirement on Companies and Workers in Malaysia**

Malaysia is grappling with the challenges of an aging population and increasing retirement rates, which significantly affect companies, workers, and the broader economy. These changes compel businesses, unions, and employees to adapt their strategies to ensure long-term sustainability and productivity in the labour market.

Companies and organisations are taking proactive measures to manage the implications of an aging workforce. Retaining older employees is a common strategy, as these workers possess valuable experience and institutional knowledge. Many organisations now offer flexible working arrangements<sup>6</sup>, such as part-time positions or consultancy roles, to enable retirees to continue contributing without the demands of full-time employment.

### Case Study – Dododots

Dododots is a company in Malaysia that manufactures pimple patches. Its co-founders are classified as millennial/Gen-Z.

Recently, Dododots was in the limelight due to its unique internship programmes which are catered to individuals aged 50 & above. The introduction of the senior internship programme goes beyond the usual employment system in Malaysia as the colloquial belief is that internships are only to be offered to young students and/or graduates. Besides that, they also offer flexible working arrangements which render employees from Dododots a one-of-a-kind experience, far from the norm in the employment sector in Malaysia. Dododots<sup>7</sup> is a prime example as to why upskilling and reskilling programs are gradually being introduced and implemented to ensure older workers can keep up with technological advancements and shifting job requirements.

Workers and unions are also responding to the aging population and retirement trends. Many unions advocate for policies that promote job security and fair treatment of older workers, such as the extension of retirement age or the introduction of phased retirement schemes. Workers, particularly those approaching retirement, are increasingly participating in lifelong learning programs to remain competitive in the workforce. Furthermore, unions are working closely with policymakers to ensure adequate social protection, including better pensions and healthcare benefits, to support a dignified retirement for aging workers.

The current labour market is facing significant challenges due to labour shortages exacerbated by an aging population. Malaysia's inconsistent - fluctuating birth rate<sup>8</sup> and increasing life expectancy have reduced the proportion of younger workers entering the labour force. To address this, companies are turning to automation, foreign labour<sup>9</sup>, and government-supported initiatives to attract and retain talent. However, the reliance on foreign workers and technology comes with its own set of challenges, including integration, costs, and social acceptance.

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<sup>6</sup> HRDCORP, 2021, Policy Planning for flexible work arrangements [FWA] in Malaysia

<sup>7</sup> <https://dododots.com/>

<sup>8</sup> [https://open.dosm.gov.my/data-catalogue/births\\_annual\\_state?state=selangor&visual=abs](https://open.dosm.gov.my/data-catalogue/births_annual_state?state=selangor&visual=abs)

<sup>9</sup> <https://documents1.worldbank.org/curated/en/892721588859396364/pdf/Who-is-Keeping-Score-Estimating-the-Number-of-Foreign-Workers-in-Malaysia.pdf>

## 6.1 Employment System Reforms

The Malaysian employment sector is facing increasing pressure to reform systems to accommodate longer working lives. One key initiative is supporting the reemployment of elderly workers by introducing phased retirement plans or flexible working arrangements to enable older workers to remain in the workforce.

**Section 60A of the Employment Act 1955** provides guidelines on working hours and rest days, which could be revised to include tailored arrangements for older employees, ensuring their well-being while maintaining productivity. Extending the retirement age, currently at 60 as set by the Minimum Retirement Age Act 2012, is another potential reform. However, this requires balancing employer concerns over higher wage bills with the need to promote income security for aging workers.

**Section 13 Industrial Relations Act 1967** deals with collective bargaining. It can play a role by facilitating negotiations between employers and trade unions on retirement age policies and reemployment terms, preventing disputes and ensuring fairness.

## 6.2 Reskilling and Training for the Elderly

Reskilling and upskilling programs tailored to older employees are crucial to maintain their relevance in the workforce. The Fourth Industrial Revolution and the transition toward digitalisation demand that workers, regardless of age, adapt to technological advancements. Government agencies like HRD Corp could expand their programs to focus on elderly workers, offering incentives to employers who invest in reskilling initiatives. **Section 60K of the Employment Act 1955**, which mandates training and retraining programs for workers, could be expanded to require employers to provide skill development opportunities for employees nearing retirement age.

In parallel, **Section 30(5) the Industrial Relations Act 1967** allows industrial courts to ensure that agreements between employers and trade unions include equitable access to training programs for elderly workers. Such measures would ensure that older employees remain employable and can transition into new roles as industries evolve.

## 6.3 Countermeasures for Elderly Unemployment and Poverty

**Section 24 of the Employment Act 1955**, which address deductions from wages, could be amended to protect elderly workers from exploitative practices such as excessive deductions. Additionally, age discrimination in hiring, promotions, and termination must be explicitly prohibited under the Act to ensure equal opportunities for elderly employees.

**Section 20 of the Industrial Relations Act 1967**, through its provisions on unfair dismissal, should be strictly enforced to protect older employees from being terminated solely based on age. Furthermore, targeted welfare programs and enhanced EPF contributions, as well as access to healthcare, are essential to addressing elderly poverty and unemployment. Programmes like SEBA<sup>10</sup> (Senior Back in Action) should be inculcated more to ensure that senior citizens are upskilled to adapt to the modern working environment.

## 7. Conclusion

In conclusion, addressing the challenges posed by Malaysia's aging population requires a comprehensive approach that redefines the traditional retirement age and promotes greater labor force participation among the elderly. While the current labor market shows a low participation rate for seniors, particularly due to

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<sup>10</sup> <https://supportcentre.hrdcorp.gov.my/portal/en/kb/articles/senior-back-in-action-seba>

ingrained societal beliefs about retirement and limited support structures, there are opportunities to adapt policies. Strengthening initiatives for reskilling, promoting flexible work arrangements, and recognizing the value of elderly workers in both formal and informal sectors will be crucial in ensuring a more inclusive and sustainable labor market. By modernizing labor laws to accommodate an aging workforce, Malaysia can not only enhance economic productivity but also provide greater opportunities for older individuals to remain engaged and active in society.

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