

Tackling Aging Population and the Labor Law Policy in Malaysia

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Introduction

- The employment market in Malaysia is a dynamic and rapidly evolving sector.

- **Growth of the Digital Economy:**

- Expansion in startups, e-commerce, fintech, and IT services.
- Driven by government incentives and a tech-savvy younger generation

- **Future Challenges**

- Unemployment among fresh graduates.
- Automation in traditional sectors.
- Global competition for talent.

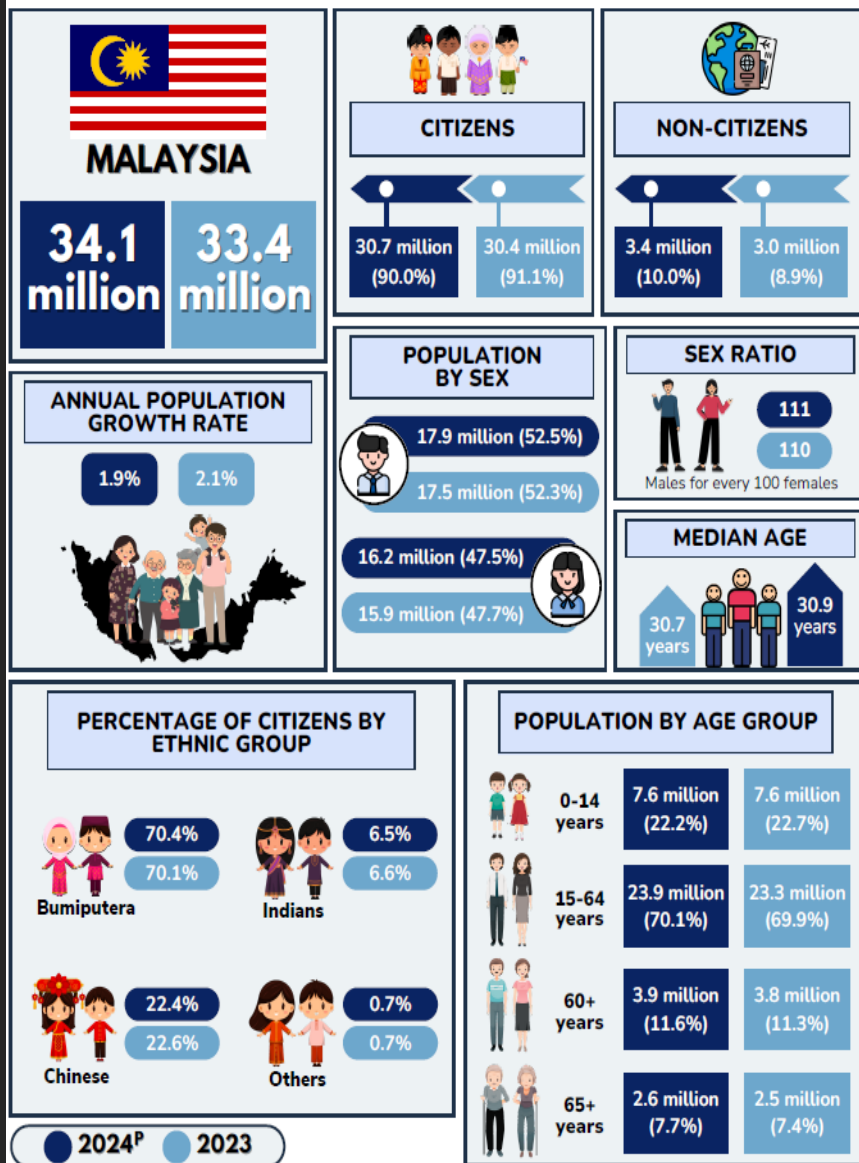
- **Elderly Defined**

- Aging is subjective. The psychological and psychosocial toll of traumatic experiences, combined with poor nutrition and exposure to disease, can cause certain fragments of society to 'age' faster than settled populations.
- The rate of mortality differs from one country over the other is key as well.
- 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.



The Scale and Changes in Aging from Macro Statistics

CURRENT POPULATION ESTIMATES, MALAYSIA, 2024



A. Elderly Population in Malaysia

- 2024: 6.5 million elderly (19% of total population).
- Aging population increasing over time.

B. Elderly Labour Force Participation

- Lowest participation rate among age groups.
- Retirement culture reinforced by policies in public & private sectors.
- 2023: approx. 445,000 employed aged 60-64.

C. Case Study – Dr. Satwant Singh Gill v. Hospital Assunta [2019] 3 ILR 564

- Overruled the application of the Minimum Retirement Age Act 2012 in Malaysia
- The court 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by one Mother Mary Xavier that he is able to practice in the hospital for as long as he wishes (made in the 1970's) superseded the legislation

Scale and Changes in Aging from Macro Statistics

A. Factors Influencing Elderly Employment

- Healthcare improvements → Higher life expectancy.
- Lower birth rates → Aging population influx.
- Economic shifts → Urbanisation reduces traditional elderly care.
- Rising costs → Many elderly remain in workforce.

B. The FILO Principle:

- First In, Last Out: Malaysians start work young & retire as late as possible.

C. Future Implications

- Systemic changes needed to protect the aging workforce.
- Policies must adapt to support elderly employment & well-being.



The Typical "Retirement" Process for the Average Worker

The Typical "Retirement" Process for the Average Worker

MINIMUM RETIREMENT AGE ACT 2012

- A. Retirement age: 60 years (previously 55).
- B. Public sector: Mandatory retirement at 60.
- C. Private sector: Cannot retire employees before 60 but no strict mandatory retirement.

EXCEPTIONS & EARLY RETIREMENT

- A. Act does not apply to:
 - Foreign workers
 - Contractual employees
- B. Pensionable Status (PTB): Public servants with 25 years of service can retire before 60.

Pre-Retirement Planning & Final Employment Matters

- **Employees Provident Fund (EPF):**
Mandatory retirement savings scheme.
- **Civil servants:** Pension & gratuity for steady income.
- **Private-sector employees:** Rely on EPF savings & Private Retirement Schemes (PRS).
- **Employers must settle:**
 - Final wages
 - Unused leave
 - Other entitlements
- **EPF withdrawal options:**
 - Lump sum
 - Monthly installments
 - Partial payments

The Typical "Retirement" Process for the Average Worker

POST-RETIREMENT TRENDS

- A. Phased Retirement: Part-time work, consultancy, entrepreneurship.
- B. Healthcare costs: Increasing financial burden.
- C. Lifestyle adjustments: Downsizing, rural migration, simpler living.

FINANCIAL SUPPORT FOR RETIREES

- A. Government aid: Bantuan Sara Hidup (cost-of-living aid).
- B. PRS & savings critical for sustaining post-retirement life.



General Social Perception and Attitudes Toward Retirement

The Position Before the COVID-19 Pandemic

- In Malaysia, retirement holds varying meanings depending on individual circumstances, societal expectations, and economic realities.
 - Retirement is associated with family support, emphasizing filial responsibility.
 - Retirees expect to live with or receive assistance from children.
- The EPF serves as the primary savings mechanism for most private-sector workers.
- The concept of active retirement is gaining traction in Malaysia. Many retirees seek to stay engaged through :
 - Part-time work
 - Volunteering
 - Pursuing hobbies and passions

The Position After the COVID-19 Pandemic

A. FINANCIAL IMPACT OF COVID - 19

- Many Malaysians experienced financial strain.
- Government response:
 - i-Lestari, i-Sinar, and i-Citra schemes allowed early EPF withdrawals.
 - Provided short-term relief but reduced retirement savings.

B. HEALTH AND SOCIAL WELL BEING

- Health concerns for retirees increased.
- COVID-19 emphasized the need for healthcare access and insurance coverage.
- Mental health initiatives became more important.

C. CHANGING ATTITUDE TOWARDS RETIREMENT

- Some reassessed priorities, focusing on:
 - Meaningful activities
 - Family relationships
 - Personal growth

D. DIGITAL INCLUSION

- Retirees embraced technology for:
 - Communication
 - Online banking
 - Accessing essential services
- Opened opportunities for remote work, learning, and social engagement.

Bridging the Gap Between the Private and Government Sector

GOVERNMENT SERVANTS

- Benefit from a defined-benefit pension scheme.
- Provides a lifelong monthly pension after retirement.
- Calculated based on length of service and final drawn salary.
- Retirees receive a gratuity payment upon retirement.
- Health benefits: Free or subsidized medical care at government hospitals and clinics.
- Employment stability ensures steady retirement benefits.

PRIVATE-SECTOR EMPLOYEES

- Rely primarily on the Employees Provident Fund (EPF).
- Defined-contribution scheme:
 - Employees and employers contribute a percentage of salary.
 - Accumulated savings support retirement.
- Challenges:
 - Savings adequacy depends on contribution levels, investment returns, and accumulation duration.
 - Inconsistent incomes or early withdrawals reduce retirement security.

Bridging the Gap Between the Private and Government Sector

KEY DIFFERENCES BETWEEN PRIVATE SECTOR & GOVERNMENT SERVANT

- 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.

POLICY TRENDS

- 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

Case Study: Dododots

- Dododots manufactures pimple patches and is founded by millennial/Gen-Z entrepreneurs.
- Introduced internships for individuals aged 50 & above, breaking employment norms.
- Offers **flexible work arrangements**, creating a unique employee experience.
- Demonstrates the importance of **upskilling and reskilling** for older workers.

The Impact of Aging and Retirement on Companies and Workers in Malaysia

- Malaysia is facing challenges from an aging population and increasing retirement rates.
- Businesses, unions, and employees must adapt strategies for long-term sustainability and productivity.
- Companies are taking proactive measures:
 - Retaining older employees for their experience and institutional knowledge.
 - Offering flexible work arrangements (part-time, consultancy).
 - Implementing upskilling and reskilling programs to help older workers adapt.

- Workers and unions are also responding to the aging population and retirement trends.
- Unions advocate for:
 - Job security & fair treatment of older workers.
 - Extension of retirement age and phased retirement schemes.
 - Lifelong learning programs for older workers to stay competitive.
 - Stronger social protection, including pensions and healthcare.
- The current labour market is facing significant challenges due to labour shortages exacerbated by an aging population.
- However, the reliance on foreign workers and technology comes with its own set of challenges, including integration, costs, and social acceptance.

Employment System Reforms & Reskilling and Training for the Elderly

- Key initiative is supporting the reemployment of elderly workers.
 - Companies can
 - introduce phased retirement plans or
 - flexible working arrangements
- Section 60A of the Employment Act 1955 provides guidelines on working hours and rest days.
- Section 13 Industrial Relations Act 1967 deals with collective bargaining
- Reskilling and upskilling programs tailored to older employees
 - 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 - mandates training and retraining programs for workers, could be expanded to require employers to provide skill development opportunities for employees nearing retirement age.
- 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

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.
- **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.
- Programmes like SEBA (Senior Back in Action) should be inculcated more to ensure that senior citizens are upskilled to adapt to the modern working environment.

CONCLUSION

- Current labor market has low senior participation due to societal beliefs and limited support.
- Policy adaptation opportunities:
 - Reskilling initiatives
 - Flexible work arrangements
 - Recognizing elderly workers' contributions
- Modernizing labor law can boost economic productivity and social engagement.

