

# Aged Society: A Pitfall

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**Abstract**—The aging of the workforce is occurring globally and has significant impact on organizations. The Malaysian population is ageing. Although, not as quickly as the populations of a number of Asian nations, or of parts of Europe; the rate is sufficient to cause a concern. The life expectancy of Malaysians has increased in year 2012 with an average of 73.8 years or equal to 71.1 years for males and 76.7 years for females. The birth and death rates are 26.05 births/1,000 population and 5.29 deaths/1,000 population respectively. These figures have placed a greater liability on the government's shoulder, and have become a push factor for the country to revise a new retirement age for the public servants. The 'aged population' impinged on the new challenges faced by the Malaysian government, which had to deal with an unproductive aged workforce. A new retirement age from 58 to 60 years old has been introduced and this could have a positive effect on this cohort, in maintaining financial security. However, keeping older employees might affect organizations' performance and productivity. The organizations need to pay more attention on them, since they are less effective and might be affected by numerous health problems. An innovative culture should be introduced and this could be a good indicator for organizations that deal with these 'expensive' workers.

**Keywords**—Aged workforce, financial relief, innovative culture retirement policy.

## I. INTRODUCTION

THE retirement policy in Malaysia has turned out to be a hot debate during the year 2012 between the policy makers and a very influential NGO (Non-Governmental Organization) which is CUEPAS (Congress of Unions of Employees in the Public and Civil Services) [1]. The Public Service New Remuneration Scheme (SBPA), which was introduced in January 2012, had been abolished, while the previous Malaysia Remuneration System (SSM) is maintained and new improvements have been made [2]. This reform has benefited about 1.4 million of the public servant in Malaysia. Therefore; the new retirement age has been increased from 58 to 60 years old. According to Omar Osman CUEPACS president, the age of 56 can be considered as relatively early for retirement since Malaysians' life expectancy has increased [3]. Many believed this reform provided both pros and cons especially towards aged workers. Undeniably, Malaysia is now experiencing a growth of aging population throughout the country and this alarming pattern has caused the government to come out with an effective solution, now and ahead. The aged workforce that remained in the government sector had a push factor towards this policy. With Malaysia's population approximately at 29 million, it has opened up a wide gate of uncertainty of future policy. The proportion of the elderly in

Malaysia has been projected to increase from 6.3 per cent in year 2000 to 12.0 per cent or 4.9 million people by the year 2030. The median age of Malaysia population has increased from 23.6 years to 26.8 years for year 2000 and 2012 respectively [4]. With better healthcare services, Malaysians enjoy a good lifestyle and longer lifespan. However, this trend would provide positive and negative consequences especially on the operation costs endured by the government and the preparation for the coming shift in workforce demography as well as the emerging talent loss.

## II. CIVIL SERVICE AND ITS IMPROVEMENT

As an agent of the state, civil service is really important for the development outcomes and good governance in the country. Realizing its importance, many countries undergoing the civil service pay reform initiatives as the reaction towards remaining those 'expensive' personnel. Expensive personnel refer to the quality civil servants, especially at the highest levels, who possessed skills and knowledge that is deemed important for the organization's development. Civil service can be defined as a system of employment and rules that cover issues such as recruitment, selection, job evaluation, training and development, performance appraisal, expected code of conduct, political rights, limits, and privileges [5]. It is also an instrument of governance, an institution that serves as the critical bridge between the state and administrative organs in the country. Since Malaysia is heading towards knowledge based economy, aligned with the vision of the country, to be a developed nation by year 2020, these considerations must be given full attention by the Malaysian government as well as the public.

The key to attract and retain high quality skill and knowledge is generally by introducing a competitive remuneration. This means that salary levels in the public sector should be roughly competitive with those in the private and other sectors of the economy. Undeniably, globalization and liberalization have given further imperative to accessibility of human resources throughout the world, to move globally and settle permanently in their chosen countries and share their expertise. Allowing the talented employees to leave to another country would jeopardize the country's objectives. If our pool of expertise seems to move out of the country, leaving behind semi, unskilled, and aged workforce, then we are in trouble. In fact, one of the objectives of this reform is to maintain the cost of living of the elderly. With massive developments and globalization, the purchasing power of the people will be increased, thus leading to higher living costs. The demographic trends across the globe showed that with modern lifestyles and declining fertility rates, the elderly have gradually increased; it would backfire and

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challenge the existing economic and social policies [6]. The aging population issues has affected and influenced the pay reform in Malaysia. Apparently, the public sector in Malaysia has been surrounded by an aged workforce, forcing the government to move some miles ahead in dealing with those 'expensive' personnel. The extension of the retirement age from 58 to 60 is one of the solutions taken by the government, to retain the seniors, but then it will open up more undesirable complications.

### III. A COMPARISON

The extension of the retirement age has opened a new hope for the aged workforce to gain income at the early retirement. They are able to support their family as the cost of living has increased tremendously. Extension of age can secure the welfare of civil servants especially the older workforce as reported [7], only 28% of Malaysians have regular savings for their retirement plan. According to [8], about one third of the people taking early retirement had anticipated doing some work after retirement. In Japan, the pensionable age is being lifted gradually from 60 to 65, due to rising costs of living [7]. In Singapore, beginning from 1 January 2012, the Retirement Age Act (RAA) has been replaced by the Retirement and Re-Employment Act (RRA). According to RRA, the statutory minimum retirement age is 62, but currently, it is obligatory for the employers offer re-employment to eligible employees who have turned 62 and up to 65 years old [9]. By looking at the other countries, the oldest retirement ages are in Iceland and Norway which is at 67 years old. The United States has the third highest retirement age at 66 years old and has predicted to be an oldest retirement age in this world by year 2030 [10].

However, there are countries that have low retirement age such as Turkey. The retirement age of 60 has been abolished and replaced with a new requirement of about 25 years of service to be eligible to receive full pension. As a consequence, many workers who began working by the age of 20 will be retiring around the age of 45 years old. In Italy, the retirement age has declined from 60 in 1949 to a low of 55 in the 1980s and 1990s, and then climbed back to 59 today. Under current law, the retirement age is projected to be increased to 65 years old by year 2030. By looking at the world circumstances, the age of 60 is considered as proactive and has the capability to be employed. This has placed a great burden on policy makers in amending any public reforms especially when it is dealing with the aged society.

### IV. THE IMPLICATIONS

Undoubtedly, the aging workforce has certain influence towards the organization and the impact depends on not only the organization's existing workforce but also its jurisdiction, demographics and future ability to attract replacement staff. A study on the impact of the aging workforce towards organization must be conducted sagaciously and Human Resource (HR) policies must be strengthening accordingly [11]. It is important to identify existing weaknesses or gaps in

HR planning. A good and proactive HR planning would reduce gaps between the organization and its aging workforce, without marginalizing them. Many considerations have to be discussed comprehensively, since the aged workforce has spawned out in the organization. The Malaysian government has taken a proactive action by extending the retirement age of its personnel from 58 to 60; however, this move has just offered an immediate solution and would open up more implication in future.

Many have argued that, conserving older employees might affect the organizations' performance and productivity. The organizations need to pay more attention on them, since they are less effective and might be affected by numerous health problems. Apart from that, the older employees are reluctant to change and are comfortable with the common ways of working, and caused delay in technology and innovation absorption. The saturation has achieved the peak level of career development, reached the ceiling in promotion and is immune to any manipulation in the employment. In the public sector, having older employees can be a cause of concern. As employees get older, the likelihood of brain drain from retirement, illness and et cetera will cause loss for the organization.

Having older employees sometimes has a positive effect on the organization. The skills and knowledge will increase consistently with the years of service. The longer a person works the higher the skills and knowledge he or she will possess. Therefore, older employees have many advantages compared to new and fresh entrances, and basically are more committed and dedicated with their tasks; they feel obliged to engage in additional working hours to get the job done. With good communication and interpersonal skills, they are able to maintain existing customers, attract future customers and are able to make good decision, based on experiences. An early retirement would cause loss of expertise, worsening the employment in the public sector.

### V. FINANCIAL RELIEF

Once a person gets older, much of the attention must be given priority either by the family or organization. Competitive retirement policy reform in Malaysia has given a new life to this group. With the new retirement policy, this group can pursue their responsibilities in the organization and feel more secured, thus accommodating a pleasurable life. The elderly may be working because they desperately need the income, while others may be working for fun, or to stay active. The global trend has changed the world atmosphere; and this cohort seems to be marginalized. Affected by numerous of health problem, lack of productivity consistency with the years of services, have wiped out from organization's concern. Older workers were particularly likely to lose their employment as global restructuring shifted employment opportunities to lower cost locations, and computer based technology increased its contributions to production and clerical activities. In addition, the implementation of privatization policies on healthcare has led to the social stratification among the society [12]. It would be a burden for

elderly in getting those benefits and would steer towards inequality and poverty.

Improper financial planning among the elderly will lead to financial problems that will cause of feeling of financial insecurity. The financial problems have negative relationship with financial status [13], [14]. It has outlined seven financial problems basically will be faced by the elderly if they do not have better financial planning after getting retired i.e. they will borrow money from 'along', get cheated by pyramid schemes, bad debts, assets repossession, no emergency funds, borrow money from others to cover living costs and cannot afford to pay bills punctually. It was found that, the most important financial problem among the elderly, they do not have emergency funds, borrow money from others and cannot afford to pay bills punctually [15].

For financial assistance, basically, the elderly will depend on their family after getting retired. The sources of income might be from pension's scheme, allowances from their family members especially working children and other financial sources. According to research that had been done [15], the major sources of financial aid came from adult working children, followed by pension, salary, business, agricultural activities and others. Therefore, it is essential for the elderly to have proper financial planning as a contingency plan after getting retired. A proper financial plan is significant for pensioners in sustaining their quality of life. Financial security refers to as having an appropriate financial strategy and adequate financial resources to satisfy the needs or most wants of an individual or business.

## VI. DEVELOP INNOVATIVE CULTURES

To develop innovative cultures is quite challenging for the public sector. This is due to the inflexibility of the government structures that has too many layers underlying at the federal, state and local level. However, it can be a catalyst for the public sector to transform accordance with the vision of a developed country by year 2020. Developing comprehensive methods of service delivery and accelerating leadership development will not be enough, but they must be taken into consideration. Effective leadership is the single biggest driver of employee engagement. A good leader is able to inspire and maintain morale among its member especially aged workers to work towards the achievement of the long-term goals of the country. The Malaysian government needs to develop such cultures that are able to revolutionize in responding to the unpredictable changing environment now and in future. Remarkably, developing an innovative culture is neither quick nor easy. To change the present organizational culture requires sustained long-term programs and high determination among its members. The innovative employment incentive for mature employees should be given appropriate attention. The flexibility in work practices, learning and development opportunities, health and well-being programs and activities should be adopted and promoted in the public sector. The flexible work practices will allow the staff to balance their work and life commitments and also meet the employers' expectations [16]. Flexible work may suit the mature or aged

workforce and could reduce working hours, or have more flexibility in their lifestyle preferences.

## VII. CONCLUDING REMARKS

Dealing with the aged workforce is a very challenging commitment that must be shouldered by the Malaysian government. Even though Malaysia is still considered as a country that relatively has a young population, the ageing population is progressively increasing. The policy makers have to work harder in dealing with the increasing aged workforce, helping them to be more competitive in the labor market because age is not a major impediment for them to pursuing their competency and efficiency in the organization. With the new retirement age, it could be enlightenment for aged workforce, to maintain the cost of living and settle the liabilities.

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