

Opinion on retirement age differs

Groups say extending retirement age may hurt competitiveness, but Govt thinks otherwise

THE planned extension of the retirement age of private sector workers has been met with resistance from three large organisations representing major businesses in the country.

The Federation of Malaysian Manufacturers, Malaysian International Chambers of Commerce & Industry and Japanese Chamber of Trade and Industry Malaysia sent a joint statement, voicing their concerns over the planned move.

Their consternation revolves around the impact fixing the retirement age of private sector workers at 60 would have on the rigidity of employment in Malaysia, its effect on job opportunities for new entrants to the labour force and the potential impact a higher retirement age will have on reducing the country's competitiveness.

Their joint statement comes on the heels of the Government drafting the Private Sector Retirement Age Bill.

Currently, only the retirement age of government servants are fixed. The private sector all along has followed the age for withdrawal of the Employees Provident Fund (EPF) which is set at 55. Companies can, however, choose to extend employment of their workers beyond the 55 on contract.

In the statement, the three organisations did not object to the general policy of extending the working age of Malaysians who have good capabilities and proven work performance. But that has been the general practice currently adopted.



"Employers should not be compelled to retain employees who are unable to meet their respective job requirements, making businesses uncompetitive through redundant employee retention and with reduced efficiency at higher and extra cost burden.

"Labour cost is estimated to increase by up to 40% over a five-year period under the proposed policy," the statement said.

The organisations also lamented over the rigidity of firing workers in the country. It said Malaysia ranked 61 out of 183 countries in how tough it was to hire and fire employees and said there was a need for greater flexibility in the hiring and firing of workers, given the increased cost companies might be faced with should the retirement age be increased.

Their arguments, however, differ from the justification the Government used during the tabling of Budget 2012 when deciding to increase the retirement age of civil servants to 60.

"Advances in technology and medical science, low birth rates and ageing population will have a significant impact on the burden of gratuities and pension payments. This phenomenon is inevitable and is faced by mature

economies. Malaysia too will be in a similar situation if the present retirement age is not extended.

"Civil servants between the ages of 55 and 60 are capable of contributing based on their skills and experience. Therefore, the Government will extend the compulsory retirement age from 58 to 60 years old to optimise civil servants' contributions.

"This extension will not jeopardise employment prospects for the younger generation as the public and private sectors will continue to create new job opportunities," said Prime Minister Datuk Seri Najib Razak in his speech on Oct 7.

In short, the Government sees value in experienced staff and there are numerous other reasons why the concerns of the three organisations might not be as severe as highlighted.

Economic activity is still robust and given that the Economic Transformation Programme is looking to create 3.3 million new jobs from 131 entry point projects, it would mean greater employment prospects for Malaysians of all ages who possess the requisite skills.

There is also the other aspect of the large number of foreign workers in the country, both legal and illegal, which would represent the underlying job demand by businesses.

The worry over reduced competitiveness should also not be an issue. Companies and workers alike have to engage in constant training and skills programmes to improve

their ability to do more and create higher value for their employers.

Furthermore, the fact is that the mortality age of Malaysians is now around 76 compared with 56 when the EPF Act 1951 was passed. The longer retirement life of workers has put a big social strain on employees and retired Malaysians.

Judging by the retirement age of neighbouring countries, where it is set at either 60 years or more, it does not seem to bother the productivity of those countries.

Singapore, which has a retirement age of 62 and moves are being planned to raise that, showed productivity growth of 11.78% in 2010, according to the Malaysia Productivity Corp.

Thailand's productivity growth was 5.94%, where the retirement age is 60, compared with 5.78% for Malaysia where companies generally retire their employees at 55.

In China, where the retirement age for men is 60 and 50-55 for women, productivity growth was 11.78% in 2010.

And looking at the competitiveness tables from both by the International Institute for Management and World Economic Forum, there are a number of countries with higher retirement ages that are ranked higher than Malaysia.

The flexibility of more leeway for hiring and firing also has to be balanced against the need to establish a social safety net first for retrenched workers.