

## RETIREMENT AGE PREFERENCE OF OVER 60 YEARS OLD AMONG MALAYSIAN EMPLOYEES IN PUBLIC AND PRIVATE ORGANIZATIONS

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### Abstract

*The current mandatory retirement age in Malaysia is 60 years old with the option of early retirement. Other countries such as Australia, New Zealand, Canada, Denmark, Belgium and Singapore have the mandatory retirement age of 65 years old. This paper aims to examine the preference among employees in Malaysia on the retirement age of 60 years old and below or above 60 years old. The study used a survey method where the questionnaires were distributed to selected public and private organizations in Malaysia. The findings of the study indicated that the majority of employees in both public and private organizations prefer having the retirement age of 60 years old and below with the official retirement age to be unfixed. The hypotheses that retirement age of over 60 has a significant relationship with good financial preparation and a significant negative relationship with overall life satisfaction are supported. However, no significant association was found with performance level and retirement perception. The specific implication of these findings are that perhaps the Malaysian government should revisit its current retirement age policy to consider having an unfixed compulsory retirement age or to provide more alternatives for employees to choose either to retire early at the age of 55 or late at the age of 65.*

**Keywords:** Retirement Age, Preference, Above 60 Years

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### Introduction

With the uncertainty of the current economy and the increase in the cost of living, many older employees in Malaysia have to continue working despite reaching their official retirement age. With or without increasing the retirement age, many older workers continue to work throughout their retirement age. The latest survey conducted by Randstad Work Monitor (2015) found that 76 % of employees in Malaysia have to work longer than their current retirement age. While, 82 % of them expected to retire between the ages of 60-65. In Malaysia, the official retirement age is 60 years old. The Malaysian government had increased the retirement age from 58 to 60 years old in 2012, with the option of early retirement. Even before the recent increment of the official retirement age to 60 years old, Jobstreet (2011) found that 15 % of the respondents desired for a retirement age of 65 years old. Many studies have indicated that increasing the age of retirement by five years would increase the GDP growth by 0.2 % (Tung and Comeau, 2012). Increasing the retirement age

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would ensure adequate retirement savings for some employees to help cope with the higher cost of living.

The objectives of the study are set first and foremost to examine the preferences among current employees in the public and private sectors toward increasing the official retirement age to over 60 years old. And secondly, the study aims to test the relationship between their preferences of increasing the retirement age to 65 with financial preparations, perceived performance levels, general life satisfaction and retirement perceptions.

## Literature Review

Retiring at the age of 60 is not much different from retiring at the age of 62 or 65 especially if the life expectancy is above the age of 70 years old. Studies such as Nyberg, Lövdén, Riklund, Lindenberger and Bäckman (2012) indicated that the working memory (short-term memory) and episodic memory performance remain relatively stable until 60-65 years of age. Episodic memory is a long-term memory that relate to personal experience (Umanath and Marsh, 2014). Although in general performance on episodic and working memory decline with the advancement of age, it depends on interindividual variability (Nyberg et al, 2012). Some individuals start declining as early as in their 50s, while others preserve well into their 70s (Nyberg et al, 2012).

Many argued that the main reason for retirement is the perceived inability of the employees to be productive when they reach 60 years old and above as compared to the younger employees (Tung and Comeau, 2012). However, no studies so far can confirm that in general employees become less productive when they reach the age of 60 to 65. For example, in Japan, 37 % of men between the age of 60 to 65 are still under employment and are economically active (Tung and Comeau, 2012; Fujioko, 2008). Also, employees in Singapore, Australia, the United States, and Canada are still in labour forces at the age of 60-65 indicating that people at these ages are still able to perform and achieve the organizational goals.

Heightened by the current instability of the Malaysian economy, many Malaysians want to keep working. In particular, older employees have to bear many responsibilities for their families such as paying off mortgage, children's education and other debts. A survey by HSBC Bank Malaysia Berhad (2015) indicated that 41 % of the Malaysians surveyed did not start saving their money early enough. Thus, by the age of 60, they still have unfinished debts to pay off. The proposal to increase the retirement age to above 60 years old would benefit both employees and employers. Especially for the positions that require PhD qualifications and thorough training such as lecturers, surgeons and other experts that usually complete their studies at late ages and the years of training they had to undergo would be wasted if they just worked up to 60 years of age.

In contrast, the main reason many older employees chose to retire was mostly due to poor health problems (Adams, 1999). However, the quality of health among Malaysians is improving with the life expectancy of 72.5 for men and 77.2 for women in 2014 (Malaysian Department of Statistics, 2015). Hence, employees at the age of 60-65 are considered still healthy and in good conditions to keep working. Also, keeping the elderly economically and

socially engaged could help promote productive ageing (Hashim and Wok, 2014). Even more important to have productive elderly is because of the decline in the fertility rates and the increase in the average lifespan among Malaysians from 68.2 years in 1970 to 77.2 years in 2014 for females and from 63.5 years in 1970 to 72.5 years in 2014 for men (Ibrahim, 2012; Malaysian Department of Statistics, 2015). Years of life after retirement would be left unused productively and their resources would also be wasted if the mandatory retirement age is fixed at certain age. Furthermore, the decline in the fertility rates leads to less availability of younger talent in the workforce thus productive older workers are valuable resources to be utilized.

Apart from age, health and income as important factors in the decision to retire (Yin-Fah, 2010), the perception and attitude of the employees toward retirement can also influence the decision of older employees toward retirement. The more positive attitude toward retirement the more likely employees want to retire (Daniels and Daniels, 1991; Adams, 1999). According to the survey conducted by The Nielsen (2014), one of the main reason Malaysians preferred to retire is because they want to spend time with their family, of which 73 % of them wanted to spend time with family after retirement.

Perhaps it is a matter of choice for older employees when they want to retire. They should be given alternatives to choose between an early or late retirement; which is between the ages of 55 (early) to 65 (late). Fixing the age for retirement at the age of 60 would limit the capabilities of older workers and waste their available resources. Although the retirement age for some critical positions such as judges has been raised to 65 years old (Theantdaily online, 14 March, 2015), other important positions should also be given equal consideration. Therefore, increasing the official retirement age to 65 should not be an issue because studies have proven that it does not affect employees of 65 years and below except for jobs that require highly physical strain. Rudolph, De Lange and Heijden (2015) and Müller, De Lange, Weigl, Heijden, Ackermans and Wilkenloh (2015) observed a destabilization of task performance and indicated a detrimental effect of high-strain jobs for employees above the age of 60. Therefore, older employees should be given a choice to retire between the ages of 55 to 65, instead of imposing a specific age for them to retire. This can help older employees plan their retirement better and give them more freedom to determine their own employment decision.

The increase of the retirement age would have a negative impact on the younger population (Lazazzara and Bombeli, 2011), however in Malaysia the birth rate is declining as well. Consequently, by the year 2030, when 15 % of the population would be elderly and retiring (The Star Online, 23 August 2013), the positions left by the older workers will then be filled up by the younger employees, thus balancing the needs and demands in the workforce.

Based on the literature, it can be hypothesized that:

*H1:* Preference for retirement of above 60 years of age has a positive significant relationship with better financial preparation and employees' level of performance

*H2:* Preference for retirement of above 60 years of age has a negative significant relationship with overall life satisfaction and retirement perception.

## Methodology

A survey method was used to collect data for the study. The data collected was analysed using the Statistical Package for the Social Sciences (SPSS) program version 17. The survey questionnaires of 120 were distributed to employees using both random and convenient sampling techniques. The unit of the analysis for this study is employees who work in the public and private organizations. Prior to this, a pilot test was conducted to test the suitability and usefulness of the questionnaires. The survey questionnaires were mailed to the enumerators and some were handed over directly to the officers in charge in the organizations. Out of the total distribution, 109 useable questionnaires were returned; yielding a 90.8 % response rate.

This study used 16 items to measure the perceived performance level of workers over 60 years old. Of this, 12 items were modified versions of the Mature Age Worker Employee Survey by the Social Policy Research Centre, New South Wales (Yin-Fah, 2010). There were nine items adopted and modified from Shanafelt et al. (2014) to measure the financial preparation. In addition, eight items were utilized to test the general life satisfaction and eight items were used to measure the retirement perception. These items were adopted and some were modified from The Aegon Retirement Readiness Survey (2014) to suit the current study.

## Result and Discussion

### *Sample profile*

The sample of participants consists of 109 employees; 55 respondents were from the public sector and 54 were employees from private organizations. The majority (33.6 %) came from the ages of 31-40 years old followed by the ages of 41-50 (24.5 %). Of the sample participants, 53 (48.2 %) were female and 56 (51.8 %) were male. In terms of employment status, 98.2 % were currently employed. The majority is Malay with 90 % of the respondents being Muslims. Table 1 shows the characteristics of the respondents.

Table 1: The characteristics of the respondents

Respondent Characteristics	Sub-Profile	Percentage
Gender	Male	51.6
	Female	48.2
Age	18-25	10.9
	26-30	18.2
	31-40	33.6
	41-50	24.5
	51-60	11.9
	Above 60	0.9
Employment status	Employed	98.2

	Unemployed	0.9
	Retired	0.9
Marital status	Married	68.8
	Divorced	6.4
	Single	24.8
Type of organization	Public	50.0
	Private	46.3
Income	RM1,500 and below	24.8
	RM1,600 –RM3,500	45.9
	RM3,600-RM4,500	16.5
	RM4,600-RM6,999	11.0
	RM7,000-RM9,999	0.9
	RM10,00 and above	0.9

Table 2 shows the means and standard deviations of the preferred retirement age among respondents. The means and standard deviations of preference for retirement age of above 60 years old are lower among both the public and the private employees than the means of preference for retirement age of 60 years old and below.

Table 2: The means and standard deviations of the preferred retirement age among public vs private organizations.

Age	Sector	Means	Std. Deviations
Above 60	Public	1.47	0.63
	Private	1.23	0.55
Below 60	Public	3.25	0.64
	Private	2.58	0.72

Table 3 exhibits the cross tabulation of preference for having an unfixed retirement age. The result indicates that the majority (48.2 %) of the sampled respondents preferred to have an unfixed mandatory retirement age. Half of this majority (31.7 %) were employees from public organizations.

Table 3: Cross tabulation of preference to abolish the compulsory retirement age

		Sector		Total (%)
		Public (%)	Private (%)	
Unfixed Retirement age	Agree	31.7	16.5	48.2
	Neutral	7.1	5.9	13.0
	Disagree	20.0	18.8	38.8

Table 4 presents the means, standard deviations and Pearson’s Product-Moment correlation. The results show that the preference for a retirement age of above 60 correlated significantly with the high performance level ( $r=-0.26$ ) and overall life satisfaction ( $r=-0.37$ ), while the retirement perception ( $r=-0.22$ ) and financial preparation ( $r=0.15$ ) did not correlate with the preference for retirement age of above 60 at a statistically significant level.

Table 4: Descriptive statistics and correlations of preferred retirement age of over 60

	Mean	SD	Alpha	1	2	3	4	5
1. Retirement age above 60	1.38	0.71			0.15	-0.26*	-0.37**	-0.22
2. Financial Preparation	2.94	0.81	0.87			0.10	0.37**	0.26**
3. Performance Level	3.60	0.68	0.80				-0.30**	0.14
4. Overall Life Satisfaction	4.07	0.73	0.90					0.37**
5. Retirement Perception	4.10	0.63	0.87					

\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01 level (2-tailed).

The multiple regression analysis also was examined to see whether the preference for the retirement age of over 60 years old could be predicted based on the financial preparation, overall life satisfaction, performance level and retirement perception. The low variance inflation factor (VIF) for the five independent factors of this study (retirement perception = 1.53; financial preparation = 1.24; performance level = 1.49 and overall life satisfaction = 1.63) suggested that multicollinearity was not a major problem. Hair, Anderson, Tatham and Black (1995) recommended a VIF value of 10 as the maximum level of VIF. The regression of the independent factors and the preference for retirement above 60 was significant ( $F_{(3,351)} = 3.47$ ,  $p < 0.05$ ;  $R^2 = 0.19$ ). In this study, the reliable predictors in the equation were financial preparation ( $B = 0.19$ ,  $t = 1.81$ ,  $p < 0.05$ ) and overall life satisfaction ( $B = -0.26$ ,  $t = -1.84$ ,  $p < 0.05$ ). Table 5 presents the results for the regression analysis of this study.

Table 5: Beta coefficients for multiple regressions of independent variables and preference for retirement of above 60 years old

	Unstd. coefficient	SE	Std. coefficients	t	Sig.
	$\beta$		$\beta$		
1. Financial Preparation	0.19	0.11	0.21	1.81	0.05*
2. Performance Level	-0.12	0.14	-0.11	-0.82	0.41
3. Overall Life Satisfaction	-0.26	0.14	-0.25	-1.84	0.05*
4. Retirement Perception	-0.16	0.15	-0.14	-1.07	0.29

$R=0.42$ ;  $R^2=0.19$ ;  $SE$  of the estimate=0.67,  $F$  Change=3.351 \*Correlation is significant at the 0.05 level (2-tailed).

## Discussion and Conclusion

The findings of the study show that the employees in both the public and private organizations in Malaysia regard the retirement age of 60 years old and below as more attractive than retirement at the age above 60 years old. They also prefer the official retirement age to be unfixed. Further analysis of the study show that by increasing the

retirement age to above 60 years old, would allow older employees to have better financial preparation, generate more income and strengthen their financial resources as well as protect their income from uncertainties of the economy. However, increasing the retirement age to above 60 years old could also negatively affect employees in terms of spending less quality time with family, less time to enjoy good quality lifestyles and also their health conditions, not to mention less time for spiritual and religious activities; thus affecting the overall life satisfaction of older employees.

Based on the findings of this study, there are a number of points worth mentioning; most importantly, employees in Malaysia in both the public and private sectors still favour the retirement age of 60 years old and below. This could be due to the increment of the retirement age from 58 to 60 that was done less than 3 years ago, and therefore has yet to take effect. Also, the respondents were mostly current employees, and not retirees, therefore they have not directly experienced retirement but merely on the basis of perceptions. Also, in comparison to the developed countries, the nature of work in Malaysia is more stressful that leads to the respondents choosing to retire at the age of 60 and below. The majority of the respondents also chose to have an unfixed official retirement age. This may be because with the unfixed official retirement age, employees have more freedom to extend the retirement age if they are not ready to retire either financially or mentally when the time came to retire. The abolishment of the compulsory retirement age would also prevent companies to retire their employees on the basis of age alone, and instead only terminate their employees who are unable to perform and with other valid reasons.

In addition, with the unfixed retirement age, workers with health problems and wish to spend more time with family or concentrate more on religious and spiritual activities can opt for an early retirement. The study provides insightful knowledge to employers and government policy makers on the retirement age preferred by the employees either from public or private organizations. The findings of the study can be beneficial for the government policy makers to revisit its current retirement policy to consider giving more alternatives to employees in choosing between retiring as early as 55 and as late as 65 years old.

A major limitation of this study is the sample size. Since the sample size is only 109, the findings cannot be generalised to the whole Malaysian population. More research with a bigger sample size should be employed to delve further into the issue. In addition, more variables should also be included to have clearer framework behind employee preference for the retirement age.

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