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Let companies decide on extension of retirement age

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ON MAY 4 2001, Prime Minister Datuk Seri Dr Mahathir Mohamad had announced that the retirement age for the civil servants may eventually be raised from 55 years to 60 years.

The unions argue that there is a need to extend the existing retirement age for civil servants beyond 55 years since at 55 years, they are still productive and able to serve the public.

Furthermore, with their experience and knowledge, they would be able to impart their skills and expertise to the younger staff.

As for the private sector, Malaysian Employers Federation (MEF) views that the extension of retirement age beyond 55 years should be at the company's discretion.

If a company feels that an employee on attaining the age of 55 years is still productive and able to perform and contribute, the company might offer a fixed term contract for the employee to continue to serve the company.

However, this depends on the company's ability to offer such employment and the individual's willingness to accept such offer.

An employee should be given an opportunity to decide whether to continue to serve beyond 55 years or to retire at 55 years.

There is also no provision either in the Employment Act 1955 or the Industrial Relations Act 1967 that provide for retirement age for employees in the private sector.

The retirement age clause for the private sector employees is normally provided in the contract of service.

Based on the study done by MEF, 93 per cent of the respondent members companies have contractual retirement age of 55 years.

Currently, the retirement age of 55 years is more preferable and this has been practised as the norm.

Based on the present practise, the age of retirement will be determined by the individual company, depending on the type of work, for example, in the airline sector, the retirement age for the steward and stewardess is between 45 to 50 years.

Extending the retirement age beyond 55 years will involve high wage cost to the employers.

At the age of 55 years, most of employees would have reached the maximum level of his/ her salary scale and grade. Therefore, to retain them beyond 55 years will increase the wages cost.

Unlike in Singapore, there is a provision in law that if an employee is given an extension beyond the normal retirement age, the employer has the right to reduce the salary.

Health factor is one of the aspects need to be considered in extending the retirement age.

In Malaysia, the employers bear the medical cost of employees. As the employees grow older, their health may deteriorate and may suffer from many illnesses.

If the retirement age is extended beyond 55 years, the medical expenses of the company will increase.

Other aspects which need to be considered is the suitability of work. For certain manual jobs, physical fitness and strength is required.

For example, in the agricultural sector, employees must be physically fit and has the required strength to perform the jobs.

In such situation, employees who are 55 years or more will face difficulties in discharging their duties.

It is clear that if employees retirement age is extended beyond 55 years and the employee is not physically fit, it will affect the productivity of the company.

Motivation is a crucial part in an employee's career development.

For an employee who has reached the apex of one's career, which is normally the case when an employee reaches 55 years, the employee may not be committed to his job.

Besides that, junior employees might also be demotivated, since they have to wait longer to be promoted.

These factors might affect the productivity level of the company.

The extension of retirement age beyond 55 years will affect the labour market.

With a large number of young people in Malaysia entering the labour market, amounting to at least 250,000 every year, there is a problem of finding jobs for these new entrants to the labour market.

The extension of retirement age will mean that less vacancies are available.

Currently, an average of 1.5 per cent of the labour force retire every year. Based on the present labour force of about 9 million, it is estimated that about of 135,000 employees retire every year.

If those employees who retire on attaining the age of 55 years remain in the labour force, the 250,000 new entrants to the labour force may not be able to find suitable employment.

If fewer jobs are offered in the market, this will increase the unemployment rate in Malaysia, which might lead to social problems.

Even if the retirement age remains at 55 years, it does not mean that the retirees cannot work any more.

With longer life expectancy, they can still work on part-time basis as they would normally have enough savings as compared to the new entrants to the labour market.

The need of new entrants to the labour market to find suitable employment is greater compared to the need of those beyond 55 years to remain in employment.

Therefore, more opportunity should be given to the new entrants to the labour market to be employed.

Thus whether to extend the retirement age beyond 55 years or not should be left to the company's discretion and up to the employee to accept or reject any offer of employment beyond the retirement age.

For every individual, life after retirement is the best time to do all the activities that he may not be able to pursue while he is in employment.