

Experts suggest flexi route to raising retirement age; employers want tax breaks

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Yeah suggested for the retirement age be raised to 62 or 63 first, before increasing it to 65 within a five year period. — TODAY pic

KUALA LUMPUR, Sept 3 — The proposal to raise the mandatory retirement age from 60 to 65 by the Malaysian Trade Unions Congress (MTUC) was timely but should be implemented in stages, said an economist.

Speaking to *Malay Mail*, Sunway University Business School economist Yeah Kim Leng supported the move for both the public and private sectors, and explained that a gradual increase would reduce any potential shocks to the workplace.

He then suggested for the retirement age be raised to 62 or 63 first, before increasing it to 65 within a five year period.

“One of the reasons is to ensure there is no disruption in the workplace particularly since those who have continued working or held key positions could have their services prolonged and affect the organisation’s accession plan.

“The key here is to allow discretion and option for employees to choose their retirement age, not to make it mandatory,” he said when contacted.

On Saturday, MTUC secretary-general J. Solomon proposed raising the retirement age in Budget 2020 in a move to allow low-wage earners and older workers to amass more Employees Provident Fund (EPF) savings.

In response, Human Resources Minister M. Kulasegaran said the government will review the matter before Budget 2020 that is expected to be tabled next month.

Citing Singapore's recent move to gradually raise its retirement age by three years to 65 last month, Yeah said the island republic has planned to raise its current retirement age at 62 to 63 in 2022 and to 65 by 2030.

Yeah pointed out that the proposed move to raise the retirement age was timely for Malaysians given that many workers lack sufficient retirement savings and the inevitable trend of rising life expectancy.

"Allowing people to continue working will mitigate the lack of retirement savings while at the same time reduce the government's debt burden to finance rising pension liabilities for civil servants," Yeah said.

A recent regional survey by FT Confidential Research of 5,000 urban residents aged 18 and over found workers have done little to prepare for retirement, with 65.1 per cent of Malaysians believing they must keep working beyond retirement to survive.

According to the Statistics Department, Malaysia's average life expectancy was at 74.5 years — 72.2 for men and 77.3 for women.

It also added that Malaysians who reach the age of 65 years in 2019 are expected to live longer — 79.8 years for male and 82.1 years for females.

Malaysian Employers Federation (MEF) executive director Shamsuddin Bardan suggested, however, that a tax relief package be introduced should people be encouraged to work beyond age 60.

"For the employers, there must be something meaningful like, a double tax reduction and for employees, I would suggest those working beyond age 60 to be given full tax relief," he told *Malay Mail* when contacted.

Pointing out that employees have been paying taxes since they entered the workforce and decided to contribute to the economy further after retirement, Shamsuddin said it was only fair for the government to recognise these taxpayers by giving an incentive.

Shamsuddin said MEF neither opposed nor supported the proposal to raise the mandatory retirement age, but instead encouraged employees

"This is on a voluntary basis and of course, jobs are still created deriving from the retirement of these people but those who retire at 60 may be re-employed not permanently but on a part-time or advisory or consultancy basis with their previous position filled up by new employees," he said.

He also did not discount the proposal and suggested tax breaks be extended to the public sector.