Aging Workforce: A Challenge for Malaysia

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Abstract

The world is moving towards an aging population as projected by the United Nations (UN) in the 2015 report. The number of elderly population is envisaged to increase to 1.4 billion in 2030 and 2.1 billion by 2050. Modern lifestyles and declining fertility rates have changed the demographic trends across the globe. In most countries, the trend has led to changes in the economic environment, creating unique and unprecedented challenges and opportunities for businesses. Understanding the demographic changes that are likely to unfold over the coming years as well as the challenges and opportunities they pose is crucial for achieving a sustainable development. One of the most significant issues faced by organizations and governments, especially in the developing countries, is an aging workforce. Scholars are beginning to look at the impact of an aging population across disciplines. This paper presents a meta-analysis and literature review by scholars on aging workforce challenges at the workplace. It is hoped that the paper provides an overview and better understanding of the issues to be addressed at both the organizational and national level in the Malaysian context.

Keywords: Aging Population, Aging Workforce, Aging Workforce Challenges

INTRODUCTION

The world population is experiencing rapid growth across all regions and it is projected to grow further in the coming years, though at a slower pace compared to in the past 10 years. According to the 2015 report by the UN, the average global population growth rate was at 1.2% per year. The population is projected to increase by more than one billion people within the next 15 years, reaching 8.5 billion in 2030, 9.7 billion in 2050 and 11.2 billion by 2100. The report also indicated a decline in the world’s fertility rate from 2.47 children per woman during the period 2015-2020 to 2.25 children per woman in 2045-2050. This rate is expected to decline to 1.99 children per woman in 2095-2100. However, life expectancy is found to have increased between 2000-2005 and 2010-2015 (UN Population Division, 2015).

Based on the demographic projection by the UN, it is evident that the world is moving towards an aging population as elderly comprise more than 15% of the total population. They are from the baby boomer generation who reached or will reach the age of 65 years old. The highlight of the 2015 UN report is that there were 901 million people aged 60 years and above or 12% of global population in 2015, and it is growing at a rate of 3.26% per year. Thus, the number of elderly is projected to be 1.4 billion by 2030 and 2.1 billion by 2050 and could rise to 3.2 billion in 2100. Analysis by The
Economist Intelligence Unit (2015), shows that during the period 2015-2060, aging would have the largest impact on the world population structure.

An analysis by Ismail, Siti, Abdul, Aizan, and Abdul (2015) on some of the empirical studies showed ambiguous results. Some researchers were of the view that population aging could boost economic growth, while others, such as Gruescu (2007) commented that aging of the population has a negative effect on economic growth. Similar finding has been noted earlier in numerous simulations and models with overlapping generations. The aging workforce is a human resource issue at all levels, from functional to corporate and has an implication on public policy and should therefore be addressed strategically.

According to The Economist Intelligence Unit (2015) report, the overall growth rate of the working-age population from 1990 to 2010 has been driven the Baby Boomer generation and X generation with a 67% growth rate. This trend is expected to continue over the 2010-2030 period with a growth of 41.2%. By 2050, in some of the fast aging European countries such as Germany, Spain, and Italy, the share of the elderly population is projected to be over 35%, while in Japan, Korea, and Singapore it is expected to reach 40%. This phenomenon is envisaged to spread to developing countries (UN Population Division, 2015). In the developing countries, the proportionally fastest growth rate of the “oldest old” demographic group (85 years and older) has implications for current members of the workforce (El Fassi et al., 2013). According to Beard et al., (2012), developing countries would have less time to adjust and establish the infrastructure and policies necessary to meet the needs of their rapidly shifting demographics. It also means that, unlike the developed countries, the developing countries would have to cope with the possibility of the population getting old before they get rich.

The objectives of this paper are twofold. Firstly, to discuss the overview perspective on issues and challenges with regards to an aging workforce at the workplace using a meta-analysis derived from several scholars. Secondly, this paper also discusses how Malaysia as a developing country could learn and address the issues in the Malaysian context.

AGING WORKFORCE CHALLENGES

With respect to an aging workforce, the focus has thus far been on how to manage the older workers, how to ensure their job security at the workplace, and how to minimize costs. An issue often overlooked is dealing with the new cohorts at the
workplace. Thus, in this section, we explore both issues and the challenges in the workplace.

**Aging Stereotype at Workplace**

Research concerning perceptions of older workers could be traced back to the early 1950s, and scholarship specific to the concept of ageism back to the late 1960s (Butler, 1969). Since then there has been biases against older workers with a belief that performance declines with age. Griffin, Bayl-Smith, and Hesketh (2016) indicated that when the focus of a study is on older workers, the specific concern has been limited to age discrimination of older workers in the workplace. Often, the older workers are discriminated in terms of skill recognition, denied employment or promotion, or left out of training programs.

Tuckman and Lorge (1952) found that younger participants tend to agree with the negative perceptions concerning older workers. A negative stereotype could be the starting point of discriminatory behavior at work (Sánchez Palacios, Trianes Torres, & Blanca Mena, 2009). This would have an impact on HR practices in the organization towards older workers. At the same time, it creates negative vibes for the older workers themselves. Age discrimination among older workers has been linked to the stereotype that is associated with low self-efficacy, performance issues, decline in job satisfaction, organization commitment and job involvement (Orpen, 1995).

The major challenge by older workers is age stereotype at their workplace. In a review of the literature on the health and productivity of older workers, by Robertson and Tracy (1998), it was noted that older workers often encountered negative performance appraisals partly due to stereotypes and myths about aging at work and the older worker (Hertel & Zacher, 2015), “being older” is predominantly associated with negative connotation of performance decrease, physical decline, dependency on others and costs to society (Zacher, 2015).

The study by Posthuma, Wagstaff, and Campion (2012) defined age stereotype as judgments about an individual employee based on their age rather than on their actual knowledge, skills or abilities. The age stereotype has been sorted into six main categories, namely poor performance, resistance to change, lower ability to learn, shorter tenure, costly, and high dependency level. Iweins, Desmette, Yzerbyt, and Stinglhamber (2013) reported that these beliefs often manifest specifically in the light of technological changes and advancements. Ng and Feldman (2012) concurred that the only common negative stereotype for which there is some element of truth is that older workers on average, are less willing to engage in development and training.
opportunities compared to the younger workers. Despite the opportunity given to enhance knowledge on new technology, some of them are reluctant to participate.

Another study on the stereotype of older workers from the perspective of younger and middle-aged workers revealed that 60% of the descriptors generated by younger workers and 85% by middle-aged workers were positive. The most common belief that emerged was “experienced.” However, “resistant to change” and “unable/unwilling to learn” still remained prominent among the negative characteristics (Finkelstein, King, & Voyles, 2015).

Hertel and Zacher (2015) in their article on Managing the Aging Workforce highlighted that there is no age differences in core task performance between younger and older worker. Nevertheless, the older worker has more positive job attitudes. Iweins et al., (2013) stated that positive stereotypes towards older workers were related to affection reflecting admiration, which showed relationships with supportive workplace behavior. Furthermore, it was found that older workers have skills and competencies often lacking among the young workers. The older workers are typically more engaged, loyal, and client-focused and have better social skills. Evidence from a meta-analysis by Waldman and Avolio (1986) found no significant differences between age groups in objective work performance measures. Rather, their results indicated that older workers received lower performance scores when subjective supervisory ratings were used.

Stereotypes not only describe our beliefs about how workers of certain age groups are, but also how they should be. Under certain conditions, stereotypes could affect behaviors ranging from major workplace decisions to everyday interactions at work (Finkelstein et al., 2015). Scholars believe that understanding the relationship between age and performance would ease the biases and reduce any unfair, discrimination of older workers.

**Selection and recruitment discrimination of older workers**

Irrespective of the influence of statutory retirement age, choices about whether to retire or not are likely to be heavily influenced by personal economic pressures for the majority of the workers. A study by Puteh, Abd Radzuan and, Abd Ghafar (2011) revealed that 66% of the respondents agreed that older workers are still productive and show better performance. Furthermore, about 77.5% of the respondents agreed that being senior is good because they have greater work experience. In addition, about 40% of the employers in Malaysia viewed retirement of an older worker as the loss of valuable skill and experience. To be able to engage older workers and encourage them to remain in the workplace it is vital to first understand what motivates individuals to
continue to work. Yusoff and Yusof (2013) indicated that the elderly might need to continue working because they have to augment their income, while others might enjoy working or to remain active.

In general, productivity declines as people age. This stems from physical and cognitive decline and the natural obsolescence of skills and knowledge acquired at an earlier age. The Ontario Human Rights Code 1961 recognized and responded to the reality that an aging workforce would experience physical and or psychological changes that increase the likelihood and or frequency of conflict between the aging individual and the demands of the workplace as it is currently structured. The older worker is not as healthy as his/her younger colleague and is more prone to injury. It is true that sensory, motor, and cardio-respiratory function all decrease with age. Physical and cognitive abilities do decrease with age, but the rate by which these changes happen is neither linear nor is it pre-determined. However, Robertson and Tracy (1998) argued that depending on the job, reduction in physical strength and endurance and reaction time could be compensated for with increased experience, by pacing activities and by enhancing performance. Nonetheless, chronological age has not been found to be a valid predictor of performance for a specific individual in a particular job (Cleveland & Landy, 1983).

Age of an employee could (under some circumstances) trigger age stereotypes that resulted in unfair decisions about or treatment of older workers (Finkelstein et al., 2015). Despite what most of the reviews and meta-analyses on this issue suggest, there is no consistent evidence that shows work performance decreased with age. Bias against older workers has created discrimination during selection or recruitment, which indirectly has limited the job opportunities for them. A recent study argued that selective incivility at work and targeting certain social groups are among the tools of discrimination in the modern workplace (Cortina, Kabat-Farr, Leskinen, Huerta, & Magley, 2013).

**Managing Multi-Generation Workforce**

The increase population growth globally has changed the workforce landscape, with most of the older workers choosing to remain in the workplace, while the younger cohorts are also entering the workforce. This inter-generational difference of cohorts has created a multi-generational workforce. In general, currently, there are three cohorts that consist of Baby Boomer Generation (born in 1964), Generation X (born during the period 1965 to 1980) and Generation Y (born in 1981 and thereafter) (Puteh, Kaliannan & Alam, 2015).
Though most business entities welcome fresh blood in their organizations, the changes in leadership has created a new trend of younger people supervising older employees. A study by ACCA and Mercer (2010), on 3,200 Generation Y finance professionals across 122 countries found that almost 40% of Generation Y employees were already holding managerial positions. This has created supervisor-supervisees’ conflict as the younger supervisors were found adopting a less collaborative style of managing conflicts or avoiding conflict with older supervisees (Cappelli & Vovelli, 2010). There is a lack of common concern, soft skills and experience among the younger managers to complement their supervisory role. Furthermore, Cappelli and Vovelli (2010) also claimed that age-related conflicts might be severe in Asian countries because of the tradition of respecting the elders. This cultural trait is contrary to the role of supervisors which is mainly to direct or challenge subordinates. Further, there is the perception that older staff would feel insulted reporting to a younger supervisor.

Aging population has an impact on the economy and the labor force as the baby boomers begin to retire in great numbers while the number of employees who could potentially replace them are getting lesser (Duxbury & Halinski, 2014). The problem would arise if the older employee chooses to continue in the same career or job role, thereby not only reducing job opportunities in the open market but also resulting in fewer internal opportunities for career progression among other age groups in the organisation. In the long run, the organization would face difficulties in terms of recruiting people for managerial, professional or technical positions. This leads to a bigger problem when the organization is unable to prepare successors to sustain the organization and remain competitive against their competitors.

MALAYSIA AND AGING POPULATION

The objective of the National Population Policy in Malaysia is to increase the total population to 70.0 million by 2100. Notwithstanding the initial adverse responses to the policy, it could not be denied that there are in fact sound reasons for the expansion of the country’s population size. It is a vital factor in the effort to create a population of industrious, disciplined and productive people. It is a starting point for Malaysia to build her foundation to become one of the industrialized countries in South East Asia.

Malaysia is currently moving on the right track, with her demographic profile experiencing a major shift in the last 65 years. In 2015, Malaysia’s population reached...
30 million population compared to 6.1 million people in 1950 (UN Population Division, 2015). As with other developing countries, Malaysia also experienced a decreasing trend in the number of child births based on Total Fertility Rate (TFR). The TFR was 2.1 in 2010 and decreased to 2.0 in 2015. This lead to a decline in the population age group of 0-14 years by 2.4%, that is, to 25.0% (2015) compared to 27.4 % in 2010 (Department of Statistics, 2015).

Better health facilities in Malaysia have decreased the mortality rate resulting in an increase in the average life span. The average life expectancy in Malaysia rose risen from 71.3 years (1990-1995) to 74.5 years (2010-2015) and is forecasted to increase to 80.1 years (2045-2050).

Declining birth rates and population growth led to an increase in median age of the older population group. Undoubtedly, the median age of the population has changed in line with the increase in the aging population. It rose from 17.4 in 1970 to 27.8 in 2015 (Department of Statistics, 2015). This would change the population age structure in future where Malaysia could experience a reduction in the number of young people. Based on Malaysia’s population pyramid 2015, the distribution by age group showed no major difference since 2010 to 2015, as displayed in Figure 1.

![Figure 1 Population Pyramid of Malaysia, 2010 and 2015](image)


The number of elderly in Malaysia has doubled from 7% to 15% within the past 28 years and by 2030 the aging population is expected to constitute at 15% of total
population (Jacob, 2016). Statistics from the Ministry of Human Resources (2016) for employment and labor in 2015, indicated that 26.1% of total workforce in Malaysia are in the 45 years and above age cohort, with 2.8% comprising the aging workforce (60 years and older). This number is envisaged to increase as the growth rate of the aging population increases in coming years.

**AGING WORKFORCE IN MALAYSIA: A WAY FORWARD**

Unlike the European countries, Malaysia is just beginning to acknowledge the anticipated acceleration in the of aging population growth rate. Thus, appropriate policy formulation and adaptations towards an aging population are important given the retirement phase of baby boomers, slowing labour force growth, and the rising costs of pensions. Therefore, Malaysia must strategize on long-term sustainable programs to care for the aging workforce population (Ismail et al., 2015) or the government would have a burden to bear in the future.

Currently, the population of Malaysia is still relatively young but changes in the age structure are becoming evident. Malaysia is anticipated to experience an aging population in 2030 when the number of people over 60 years old is projected to increase by 15%. Increase in life expectancy, declining fertility due to late marriages, reduction in the family size, more women in the workforce and urbanization are among other factors accounting for changes in the population profile (Jacob, 2016). Like other developing countries, Malaysia has taken the step in 2012 to delay the retirement period by increasing the retirement age from 58 to 60 years (Yusoff & Yusof, 2013).

Although the full impact of aging population has yet to be felt in Malaysia, the Government must play a major role in planning and addressing the changes, together with the non-government organizations (NGOs) and the business community. The extension of retirement age as announced by the government is an interim solution which might create a new problem in the future (Yusoff & Yusof, 2013). Strategic moves are needed to ensure that the potential of aging population could be utilized and their well-being taken care of in the coming years.

As mentioned earlier, the UN 2015 report as well the data from the Department of Statistics and Ministry of Human Resources, Malaysia show that the number of elderly in the workforce would increase and at the same time a shortage of younger cohort is predicted in the future. This situation is envisaged to create an imbalance in labor supply in the coming years. In order to stay sustainable, Malaysia must pay...
serious attention to this issue as not only the manpower supply is affected but also there is a need to ensure the capabilities and competencies of the future workforce, particularly of the new cohorts.

In order to secure the well-being of an aging population, the Government put forth the National Policy for Older Persons and Plan of Action for Older Persons in 2011. The policy and plan of action were formulated based on the review made by the earlier National Policy for Older Persons (1995) and Plan of Action for the Older Person (1998). The review is aimed at incorporating the development and reintegration of older persons into the society, in order to equip them with a high sense of self-worth and dignity (Zawawi, 2013). Despite being a good policy initiative taken by the government in preparation for aging transition, especially welfare and health care, the financial incentives for the elderly were noted to be absent in the Policy. It was only included as a sub-program (Yusoff & Buja, 2013). Compared to the Equality (Age) Regulations 2006 (UK), which provides protection for an individual from discrimination on grounds of age in employment or vocational training (Parry & Harris, 2011), the 2011 National Policy for Older Persons and Plan of Action for Older Persons has not addressed the issue, that is to remove age barriers in employment policies and practices in Malaysia.

Stereotypes about older workers are common when it comes to an aging workforce. Thus, this has to be addressed through training, conferences or other initiatives to change the culture across the organization. Top managements and HR practitioners are the target groups that are required to have a better understanding of how to manage and utilize the full potential of older workers in their organizations. Together, with the assistance of government agencies, employers’ association and trade unions, it is hoped that the stereotypes concerning older workers could slowly be eliminated to improve aging workforce management.

The organization has to strategize both in terms of talent competencies (older and younger workers) based on organization’s needs and reducing their operational costs. There is a growing consensus among progressive employers that because of their complementary capabilities, a good mixture between older and younger workers could in fact lower workforce-related risks (Beard et al., 2012). Furthermore, there are important paradoxes in different segments of the workforce (Chand & Tung, 2014). Businesses would soon have little choice but to be more attentive to the needs and capacities of the older employees. Their ability to adapt could become a source of competitive advantage.
Based on the meta-analysis by scholars and current scenario on aging workforce in Malaysia, it could be concluded that several initiatives are required to ensure the well-being of aging workers. All parties, namely the Government, Non-governmental organizations (NGOs) and business entities in private sectors have to take cognizance of and make the necessary preparations to welcome aging workers in Malaysia’s labor workforce segment. The preparations include promoting and establishing policies and incentives for older workers. With a good foundation and appropriate strategies, the discrimination against older workers could be reduced and a healthy aging lifestyle could be promoted. The nation’s productivity as a whole could be enhanced by promoting an active aging workforce. As this paper is only based on the findings of other scholars from different countries, it is suggested that a proper study be conducted to analyze the Malaysian scenario and perceptions in order to obtain a clearer and detailed insight of the issues related to an aging population. The findings would undoubtedly contribute to a new body of knowledge with respect to aging population in Malaysia.

CONCLUSION

The aging of the workforce in most industrialized countries is not only due to population aging, but also because of changes in workforce participant patterns, including delayed workforce entry as well as early or delayed retirement (Beehr & Bennett, 2014; Martin & Xiang, 2015).

Without knowledge or better understanding of issues pertaining to aging workforce, many employers have the perception that having older workers in the organization means incurring higher costs. As such, to stay relevant and sustainable, organizations must adapt by shifting organizational structure or revising their current human resource practices. Given the different competencies, organizations have to acknowledge that a combination of older and younger workers provides an opportunity to optimize their talents to achieve organizational objectives and at the same time increase their profits. The Government and business communities need to work together in ensuring both assets (older and younger workers) are equally taken care in terms of their wellbeing and opportunities in the workplace. This cannot be achieved without full commitment from both parties.
REFERENCES


