



Retirement age extension: The pros and cons

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ARTICLE INFO

Article history:

Received: 28 July 2012;

Received in revised form:

15 March 2013;

Accepted: 21 March 2013;

Keywords

Age,
Employment,
Extend,
Retirement.

ABSTRACT

The aim of this article is to examine the advantages and disadvantages of extending the retirement age for employees in Malaysia. Retirement falls under as one of the phases of career development, which happens to be the last phase of an individual's career. As the last phase of employment, people have different views regarding the retirement period. Some can easily accept it as it is and some other may find it hard to face. This article will emphasize on the pros and cons of extending the retirement age as some organizations feel that it is necessary, while some other organizations refuse to. The article highlights the different point of views of different countries on this matter.

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Introduction

Retirement is a period where every employee has to face. It is a point where the service, efforts and ideas are no longer needed by the organization from the employees. Like it or not, it is a must. The options are either the person will retire early, retire at a predetermined age, or extending an employment contract for a few more years. Retirement also can be caused due to unforeseen events like accident, company changes, or financial crisis. However, for this article, the focus is on the mandatory retirement, which is at a predetermined age. Currently, Malaysia's retirement age is at 55, with the option to extend to 58.

To understand the significance of age in the context of working world, a number of studies have been made as references. According to Selmer. J and Luring. J; Feng. Y (2009), as the number of older persons is increasing radically in both developed and developing countries, understanding the issue of age becomes increasingly important and not the least in international management studies. While ageing population may constitute a common problem for many countries, perceptions of age vary across nations guided by cultural values, demography, philosophy, family structure and environment (Brown, 1990; Ice, 2005; Palmore and Maeda, 1985). This suggests that cultural differences need to be taken into account by researchers when they try to understand age-related managerial issues in an international context. Studies in cultural variation in the perception of age have in particular outlined differences between East Asian and Western (OECD) countries (Streib, 1987). It was argued that in the modern West, a senior citizen is neither respected as representative of the accumulated knowledge, nor considered a relevant player in daily activities (Manheimer, 1989; Sawchuk, 1995). Older Westerners most often have the freedom to live their lives as they choose and spend their money as they please. They are typically not required in childcare and can participate in family activities to the extent that they wish to do so (Streib, 1987). This focus on personal independence in the West has lead to concerns that this part of the world is failing to recognize the value of aged individuals (Chappell, 2003). In

Eastern Asia, in contrast, long term social values guide relations between generations. Traditional cultural patterns for Eastern Asia are centered on respect for older people, closeness of generations and the elderly involvement in child education. Streib (1987) quotes the anthropologist Francis Hsu (1972, p. 317) for arguing that while in the West, the approach of old age means the end of almost everything that gives life meaning, but to Eastern Asians it marks the beginning of a more respected status. Hence, Eastern Asia is often argued to have a more positive view on senior citizens resulting in larger social power of the older generation (Tobin, 1987).

The pros

The most notable characteristic of the older generation is that they are loyal to the company. This is maybe due to their long servitude to the company that make them felt satisfied. According to Fletcher and Williams, 1996, employee job satisfaction has a positive impact on organizational loyalty of employees, which is supported and agreed by Martensen and Gronholdt (2001) who said that employee satisfaction is positively related to employees' loyalty to their companies. Employee satisfaction is an important variable that is able to give an opinion about general emotion and thinking forms of employees about their job and workplace. Thus, employee satisfaction refers to expectations of the employee about the workplace and his attitudes toward his job. As a result, job satisfaction is a function of the extent to which one's needs are satisfied in a job (Togia et al., 2004). Wagner and Rush (2000) provided evidence that age moderates the relationships between context-relevant attitudes (trust, satisfaction, and commitment) and one form of work performance (altruistic or humanity behavior). According to Aizzat Mohd. Nasurdin; Khuan. S.L. (2011), age acts as a moderator between procedural justice and job performance. Older adults tend to operate in terms of internal standards of meeting mutual and moral obligations (Kegan, 1982). Older employees that have been long in the organization are likely to have strong social bonds with other members, and tend to view the organization as a source of social satisfaction (Balfour and Weschsler, 1996).

Have been working for a long time, this retiring generation is already gathers a vast amount of experiences and knowledge. Dismissing them early may prove to be a loss to an organization. In some societies it is believed that the older one gets, the wiser one becomes (Harris and Moran, 1991). As opposed to many Western cultures where youth is glorified and the age of people with whom one works is typically not even considered (Vasil and Wass, 1993), elders in Chinese culture are highly respected and obeyed (Ho, 1996; Hwang, 1987). Furthermore, older people living in Chinese dominated societies could also be respected for their wisdom and kindness and are therefore sought after for counsel and guidance (Liu, 1996; Yang, 1994). Hence, in Chinese culture there may be a positive association between age and perceived possession of high quality personal resources. Traditionally, young people in Chinese societies are not considered dependable, experienced or capable of performing well in business (Fang, 1999). The positive attitudes towards old age may carry over to expatriates living and working in societies dominated by Chinese culture. According to Staub (1970), as people grow older, their competence in interacting with the environment and feelings of responsibility are likely to increase

The retiring generation have developed their own working styles which maybe have been vital to the company. Depending on their work style, they may have contributed to the company's efficiency. If compared to new employees, their performance can be considered better. According to Aizzat Mohd. Nasurdin; Khuan. S.L.(2011), research in social psychology supports the idea that younger and older workers differ in their orientations toward self, others, and work, and these differences may lead to different motives for job performance (Wagner and Rush, 2000). For example, older employees are more inclined to focus on feelings of personal importance (Buchanan, 1974) and interpersonal values (Stevens-Long, 1979), have strong social ties with other members, and tend to view the organization as a source of social satisfaction (Balfour and Weschler, 1996). The effects of an individual's disposition comprising of self-monitoring and moral judgment on altruistic citizenship behaviour would be more pronounced for older employees (Wagner and Rush, 2000). This is because as people grow older, they are more inclined to place emphasis on socially responsible norm of benevolence. These arguments are consistent with Eisenberg's (1982) conclusion that with age, an individual's prosocial moral judgment becomes more empathic, less hedonistic, and more oriented toward internalized principles and self-respect for these principles. In an era of an aging workforce, one would expect age to be salient in the assessment of justice. Besides, evidence regarding the relationship between age and performance is far from clear (Sarmiento et al., 2007). Since limited attention has been given on the impact of individual difference variables on justice-outcome relationships (Begley et al., 2002), understanding how age influences the justice-performance linkage is intuitively appealing.

The cons

As there are benefits that can be felt from keeping the older generation, there are also its downfall that need to be taken into consideration. The strongest impact that can be seen is that it will increase unemployment in Malaysia. According to Intan Osman, Ho C.F.T. and Galang M.C. (2011) Malaysia is a country of 27 million people, of whom about 11,585,000 were employed as of the year 2009. The unemployment rate increased slightly from 3.3 percent to 3.9 percent in 2009 due to the world

economic crisis, and it is forecasted that it will stay at 3.9 percent in 2010. Malaysia has seen steady economic growth from 2002 to 2008 of 4.6 percent. (Gross and Minot, 2007). Other countries may adopt higher retirement age but it maybe inapplicable to our current birth rate turnover. The other countries apply this because they are facing problems with large generation gap. According to Marc van Veldhoven and Dorenbosch L., (2008), in Europe and North America many countries are facing demographic developments that imply that older workers will become an increasingly substantial part of the workforce in the near future. This is a result of a combination of shrinkage of the overall workforce and an increase in the relative number of workers in higher age groups. This scenario raises many questions as to the work participation and performance capacities of the future older sections of the workforce in these countries (Ilmarinen, 2006; Vaupel and Loichinger, 2006).

Having older generation also raise the question "Are they worth it?" to some group. There will be sceptical opinion regarding their works efficiency. It is not that all old generation is like that, but there are some that are underperformance. This may affect the organization later. According to Marc van Veldhoven and Dorenbosch L., (2008), Warr and Fay (2001) previously investigated this relationship and found differential results for personal initiative towards the job versus personal initiative towards developmental activities. They found no relationship between age and job proactivity, but a negative relationship with developmental proactivity. This suggests that older workers' limited initiative towards development might seriously limit their future work participation, performance and flexibility. Employers and society at large currently hold all kinds of prejudices against older workers. Older workers are believed to lack an orientation towards flexibility, innovativeness and change. Similarly, older workers are thought to be less energetic in and motivated about their job (Warr and Fay, 2001). These prejudices are troublesome in their own right, as they may lead to age discrimination (Johnson and Neumark, 1997; Finkelstein and Burke, 1998; Boerlijst and Van der Heijden, 2003).

Conclusion

Therefore, the implementation of extending the retirement age for our country needs to be scrutinized carefully by the government. If it needs to be implemented, necessary measures are required to be taken to control its negative impact to our surrounding. The application to extend the retirement age must be considered and viewed thoroughly to ensure its effectiveness. Only by selecting the contributing workers will ensure continuous performance simultaneously avoiding unemployment catastrophe in our country.

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