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**| RESEARCH ARTICLE**

## **Retirement Trends Among PERKESO Contributors: Economic and Social Implications for Malaysia and Policy Insights from Long-term Ageing Governance Experience**

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### **| ABSTRACT**

Malaysia is increasingly confronting what demographers describe as a silver wave, marked by a rapid rise in the proportion of older persons driven by sustained fertility decline, rising life expectancy, and shifts in population age structure. In 2024, the Department of Statistics Malaysia estimated that individuals aged 60 years and above accounted for 11.6 per cent of the total population, or approximately 3.9 million people. Concurrently, the total fertility rate declined to 1.7 children per woman in 2023, the lowest level in half a century and well below the replacement threshold of 2.1, placing Malaysia on the trajectory toward becoming an aged nation by 2040. This study provides a comprehensive analysis of the economic and social impacts of population ageing in Malaysia, with particular emphasis on retirement trends derived from contribution data from the Social Security Organisation (PERKESO). Using administrative contribution records, the analysis examines patterns of workforce exit, continued labour participation among older adults, and implications for labour supply and social security sustainability. The findings indicate that while population ageing presents significant economic risks including a shrinking workforce, potential constraints on GDP growth, increased pension liabilities, and rising healthcare and long-term care expenditure, which also present opportunities for productivity retention and inclusive growth through extended workforce participation. Although healthcare and elderly care spending currently accounts for a relatively small share of GDP, these expenditures are expected to rise substantially by 2040 in response to age-related demands. In order to situate these empirical findings within the context of a broader policy trajectory, this empirical analysis is complemented with institutional insights drawn from long-term ageing governance experience in Belgium. From a social perspective, a growing older population intensifies dependency ratios, placing pressure on families, communities, and public welfare systems. Challenges such as social isolation and age-unfriendly urban infrastructure further heighten vulnerability among older persons. Nevertheless, the study highlights the role of employment services, retraining initiatives, and community-based support in promoting social inclusion, dignity, and financial security in later life. PERKESO contribution data further reveal a rising trend of delayed retirement, reflecting both financial necessity and a willingness among older adults to remain economically active. Since this trend supports pension sustainability but underscores the need for flexible retirement policies, extended contribution mechanisms, and broader coverage for non-standard and gig employment, Belgium is introduced as an institutional reference point. As this country has already progressed further along the demographic ageing trajectory while operating within a comparable social security and labour market governance framework as Malaysia, its experience proves an analytically relevant case for contextualising Malaysian retirement trends. In Belgium, successive reforms have reconfigured the balance between early exit pathways and active end-of-career participation. This institutional reflection underscores the importance of policy sequencing, targeted incentives, and evidence-based design in avoiding unintended consequences such as deadweight loss or substitution effects. Overall, the study underscores the urgency of repositioning older persons not merely as dependents but as productive economic and social assets. Aligning labour market policies, employment services, healthcare systems, and urban planning with demographic realities will be critical to ensuring Malaysia's long-term economic resilience and social cohesion in an ageing society.

**| KEYWORDS**

Older Age, Retirements, Contributions, Economic, Social

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**1. Introduction**

As Malaysia undergoes a profound demographic transition, the implications of a rapidly ageing population are becoming increasingly evident. The proportion of older Malaysians, particularly those aged 60 years and above, continues to rise steadily. According to the Department of Statistics Malaysia (2024), this cohort is projected to comprise 17.3 per cent of the total population, or approximately 6.4 million individuals, by 2040. This represents an increase of 2.5 million people over 2024 levels, or an increase of 5.7 percentage points, signalling Malaysia's formal transition into an aged nation. This demographic shift presents far-reaching economic, social, and labour market challenges, including workforce contraction, increased dependency ratios, and growing pressure on social protection systems.

In this context, the Social Security Organisation (PERKESO) plays a pivotal role in safeguarding the financial security and labour market participation of Malaysian workers. Beyond providing core benefits such as employment injury compensation, invalidity pensions, and loss of employment benefits, PERKESO has expanded its function to support active ageing and workforce continuity. Through employment facilitation initiatives such as the MYFutureJobs platform, PERKESO enables individuals approaching or beyond retirement age to re-enter or remain in employment by offering career counselling, job matching, and skills enhancement opportunities, thereby extending productive working lives and mitigating labour shortages.

This paper examines the retirement trends of PERKESO contributors scheduled to retire between 2023 and 2030. Drawing on administrative contribution data, the study analyses patterns across key dimensions including age, gender, sector of employment, and regional distribution. This empirical evidence is then integrated in a policy reflection based on the historical governance of population ageing in Belgium. This European nation offers a historical and institutional reference, being a country with a comparable social security and labour market governance framework further along the demographic trends projected for Malaysia. Having transitioned from passive exit benefits to active end-of-career participation through several decades of proactive policy shifts, Belgium can provide useful insights for latecomer ageing societies. By identifying emerging retirement and workforce participation trends and thus juxtaposing them against demographic projections and governance options, this study aims to provide evidence-based insights to inform policymakers in addressing the economic and social implications of population ageing, while strengthening labour market resilience and the sustainability of Malaysia's social security system.

**2. Demographic Trends**

Malaysia is undergoing a significant demographic transition characterised by a rapidly ageing population. The proportion of individuals aged 65 years and above has increased steadily over the past decade, reaching approximately 7 per cent in 2021, officially marking Malaysia's entry into the category of an ageing nation. This share continued to rise to about 8 per cent by 2025, with projections indicating a further increase to around 14–15 per cent by 2030. By international standards, a country is classified as an "aged nation" once the share of citizens aged 65 and over reaches the threshold of 14 per cent of the total population. By 2040, individuals aged 60 years and above are expected to comprise 17.3 per cent of the total population, equivalent to approximately 6.4 million people, underscoring the accelerating pace of population ageing in the country.

This demographic shift is driven primarily by sustained gains in life expectancy alongside persistently low fertility rates. Malaysia's total fertility rate has remained below the replacement level of 2.1 for several years, contributing to a shrinking younger population cohort. The proportion of children aged 0–14 has declined to approximately 21.6 per cent, while the working-age population has stabilised at around 70 per cent. These dynamics are reshaping Malaysia's population structure into an increasingly inverted pyramid, intensifying old-age dependency pressures and placing growing strain on labour markets, pension systems, and long-term care arrangements. Concurrently, the median age of the population has risen to over 31 years, reflecting the broader shift towards an older demographic profile.

While this median age will steadily rise in the coming years, it is still on the lower end of the spectrum internationally. For comparison, the median age is notably higher in Japan (49.5), the European Union (44.7), China (40.1), and the United States (38.9). Regionally, Malaysia is younger than Thailand (40.5) and Singapore (39.8), though it remains older than neighbouring Indonesia (31.5) and the Philippines (25.7). Malaysia remains younger than many international counterparts. However, it is worth

noting that the pace of its transition is significantly more compressed than is the case in, for instance, Europe. Belgium, which is elaborated upon below, is an example of a country confronted with the rising old-age dependency ratios Malaysia is projected to reach by 2050.

Population ageing in Malaysia also exhibits pronounced spatial and regional variation. As of 2025, twelve states have reached ageing status, defined by having more than 7 per cent of their population aged 65 and above. Perak records the highest proportion of elderly residents, with more than 10 per cent aged 65 and above and nearly 15 per cent aged 60 and above, followed by Sarawak and Kedah, each exceeding 13 per cent in the 60+ age group. Urban centres such as Kuala Lumpur and Selangor display relatively lower elderly proportions, approximately 7 per cent, yet account for the largest absolute number of older persons due to population concentration. Selangor alone accommodates more than one-fifth of the national elderly population, followed by Johor and Sabah. In contrast, Putrajaya remains comparatively young, with over one-third of its population aged below 15, highlighting sharp inter-state demographic contrasts.

These demographic patterns signal mounting challenges for Malaysia's economic sustainability, social protection systems, and urban and regional planning. Rising old-age dependency ratios will increase demand for pensions, healthcare, and long-term care services, while regional disparities necessitate differentiated policy responses. Understanding the scale, drivers, and spatial distribution of population ageing is therefore essential for designing targeted labour market interventions, strengthening social security frameworks, and ensuring inclusive and resilient development as Malaysia transitions towards an aged society.

### 3. Challenges and Implications

The rapid pace of population ageing poses profound and interconnected challenges for Malaysia's healthcare, social protection, and economic systems. From a healthcare perspective, service provision remains uneven, with infrastructure and specialist care concentrated largely in urban centres, resulting in limited access for older populations in rural and semi-urban areas. The shortage of geriatric specialists, age-friendly healthcare facilities, and integrated long-term care services further constrains the system's capacity to respond to age-related health needs. In addition, a growing number of older persons living alone face heightened vulnerability due to limited mobility, inadequate transport options, and reduced access to essential services. These conditions underscore the urgent need to strengthen healthcare accessibility, expand community-based and long-term care models, and enhance social welfare mechanisms that are responsive to the complex needs of an ageing population.

From an economic standpoint, population ageing exerts significant pressure on labour markets, pension systems, and public finances. A shrinking working-age population reduces labour supply and may constrain productivity growth, while increasing the old-age dependency ratio. As we will see, the Belgian experience illustrates how social security schemes intended to overcome these pressures must be carefully designed, targeted and evaluated to avoid unintended consequences.

At the same time, rising longevity places growing fiscal pressure on pension schemes, healthcare expenditure, and the financing of long-term care and social protection programmes. Ensuring the adequacy and sustainability of retirement income has therefore become a critical policy concern, particularly in safeguarding older adults against catastrophic health expenditures and income insecurity in later life. Moreover, these demographic shifts raise broader issues of intergenerational equity, as a smaller workforce is required to support expanding age-related expenditures, with potential implications for public debt sustainability and long-term fiscal resilience.

In this light, it's important to note how Malaysia is projected to transition from an "aging" to an "aged" society in just 23 years. Historically, for many countries that already lived through this transition, this shift took much longer. At the opposite side of the spectrum, for example, France and Sweden serve as outliers. Having begun their transitions in the second half of the 19<sup>th</sup> century, they took 114 and 84 years, respectively, to complete the transition. This compressed timeframe gives Malaysia significantly less time than these nations had to build the necessary fiscal buffers and social safety nets. These short timeframes are not uncommon, however, Japan's transition, for example, required only 24 years. Even then, it's not uncommon for these nations to be facing budgetary and societal pressure related to shifting demographics, which only emphasizes the risks Malaysia is facing in the light of the current projections. This fast transition is often described as "getting old before getting rich". Unlike many Western nations, where public pension systems are often more robust (although strained), Malaysia relies heavily on the Employees Provident Fund. Data for 2023 shows that 48 per cent of EPF members have less than RM10,000 (€2,157) in their account, raising the risk that the state will eventually have to step in with additional social assistance, which would further deepen public debt.

#### **4. Government Policy and Initiatives**

In response to the accelerating pace of population ageing, the Malaysian government has introduced a range of policy measures aimed at strengthening social protection and promoting active and dignified ageing. A foundational initiative is the National Policy for Older Persons (NPOP), approved in 2011, which seeks to enable older persons to live independently, safely, and with dignity. The policy emphasises a holistic and multi-stakeholder approach, engaging government agencies, local authorities, communities, and non-governmental organisations in delivering sustainable welfare, healthcare, and social support programmes tailored to the needs of seniors.

Building on this foundation, Malaysia has more recently adopted a forward-looking and integrated policy framework through the National Ageing Blueprint (NAB) 2025–2045, designed to proactively guide the country's transition into an aged nation. The NAB adopts a life-course and whole-of-government approach, encompassing comprehensive strategies across healthcare delivery, social protection systems, labour market participation, long-term care services, retirement income adequacy, and fiscal sustainability. These strategies are embedded within the 13th Malaysia Plan, which prioritises the expansion and upgrading of eldercare institutions, structured training and certification for caregivers, and the adoption of gerontechnology to support independent and community-based living among older persons.

Complementing these structural reforms, targeted social assistance programmes such as the Bantuan Warga Emas cash aid that provide direct financial support to vulnerable elderly groups, helping to mitigate income insecurity and poverty risks in later life. At the same time, ongoing fiscal reforms, including adjustments to subsidies and tax measures, aim to strengthen the long-term financing of social protection and age-related expenditures. Collectively, these policy initiatives reflect Malaysia's evolving shift from reactive welfare provision towards a more proactive, inclusive, and sustainable ageing framework aligned with demographic realities and long-term economic resilience.

#### **5. Participation and Productivity of Older Workers**

Empirical evidence indicates that older workers in Malaysia continue to make meaningful contributions to the labour market, with their participation and productivity shaped by a combination of individual, institutional, and structural factors. Key determinants include intentions to remain economically active beyond statutory retirement age (60 years of age), physical and mental health status, educational attainment, and exposure to age-related discrimination in hiring and workplace practices. Studies consistently show that older workers who experience lower levels of age discrimination, possess adaptable skills, and maintain good health are more likely to remain engaged in employment. Continued labour market participation among older adults not only enhances individual income security and wellbeing but also contributes positively to overall economic productivity, human capital retention, and intergenerational knowledge transfer <sup>(11,8)</sup>.

Recognising these benefits, the Malaysian government has introduced a range of policy interventions to promote active ageing and strengthen labour market inclusion for older persons. These include targeted reskilling and upskilling initiatives such as the Senior Back in Action (SEBA) programme, which focuses on skills enhancement, employability, and adaptability among senior workers. Complementary measures, including tax incentives for employers who hire individuals aged 60 and above, aim to offset perceived cost or productivity concerns and encourage age-diverse workplaces. In parallel, social protection mechanisms administered by the Social Security Organisation (PERKESO) have been extended to cover older workers across both formal and selected informal employment arrangements, providing protection against occupational injuries and invalidity risks. Collectively, these initiatives are aligned with the objectives of the National Ageing Blueprint, reinforcing a policy shift towards active ageing, prolonged workforce participation, and the integration of older workers as productive contributors within Malaysia's evolving labour market.

#### **6. Challenges : Ageism and Hiring Bias**

Despite ongoing policy efforts, age discrimination remains a significant structural barrier to the employment and retention of older Malaysians. Employers frequently hold negative stereotypes regarding older workers' productivity, adaptability to new technologies, and learning capacity, which adversely affect recruitment and workplace retention decisions. Empirical studies examining hiring managers' attitudes indicate that subjective norms, organisational culture, and prior experiences with older employees play a decisive role in shaping employers' willingness to hire or retain older workers. Addressing these biases requires more than regulatory interventions alone; researchers consistently advocate for awareness campaigns, age-inclusive human resource practices, and evidence-based messaging that highlights the value of older workers' experience, reliability, and accumulated skills <sup>(1,3)</sup>.

Health status is another critical determinant of sustained labour market participation among older adults. Literature underscores that good physical and mental health significantly increase the likelihood of continued employment beyond traditional

retirement age. Notably, studies reveal that older Malaysians residing in urban areas and those with lower levels of formal education often demonstrate a strong capacity and willingness to remain economically active, particularly when suitable job designs are available. This finding points to untapped opportunities for flexible, part-time, and task-based work arrangements that can accommodate varying functional capacities while benefiting employers through workforce stability and skill retention. Promoting healthy ageing through preventive healthcare, workplace health initiatives, and age-friendly work environments is therefore central to unlocking the potential “silver demographic dividend” as Malaysia transitions into an ageing society.

The broader literature increasingly calls for a holistic and integrated policy approach that aligns employment services with social protection, healthcare systems, and lifelong learning frameworks. Such an approach is essential to creating an enabling ecosystem for older workers, rather than treating employment, health, and welfare as isolated policy domains. Key recommendations include expanding access to continuous reskilling and upskilling opportunities, institutionalising flexible and phased retirement options, strengthening caregiver support policies, and enhancing public awareness of the economic and social contributions of older workers. Drawing on best practices from advanced ageing economies, Malaysia’s evolving policy framework reflects a gradual shift towards more inclusive and age-responsive labour market strategies aimed at promoting economic resilience, social cohesion, and equitable employment opportunities for its growing older population.

## **7. Methodology**

This study draws on administrative data obtained from the Employment Insurance Scheme (EIS) contribution records maintained by the Social Security Organisation (PERKESO). The dataset comprises detailed individual-level information on active PERKESO contributors who are projected to reach statutory retirement age between 2025 and 2030. Key variables extracted for analysis include contributors’ age, gender, industry sector, total accumulated contributions, and scheduled year of retirement.

Retirement age for each contributor was derived using year of birth information, based on the statutory retirement age of 60 years in Malaysia. This approach allows for consistent identification of retirement cohorts and facilitates comparative analysis across demographic and employment characteristics. The use of administrative contribution records ensures high data reliability and comprehensive coverage of formal-sector workers participating in the EIS.

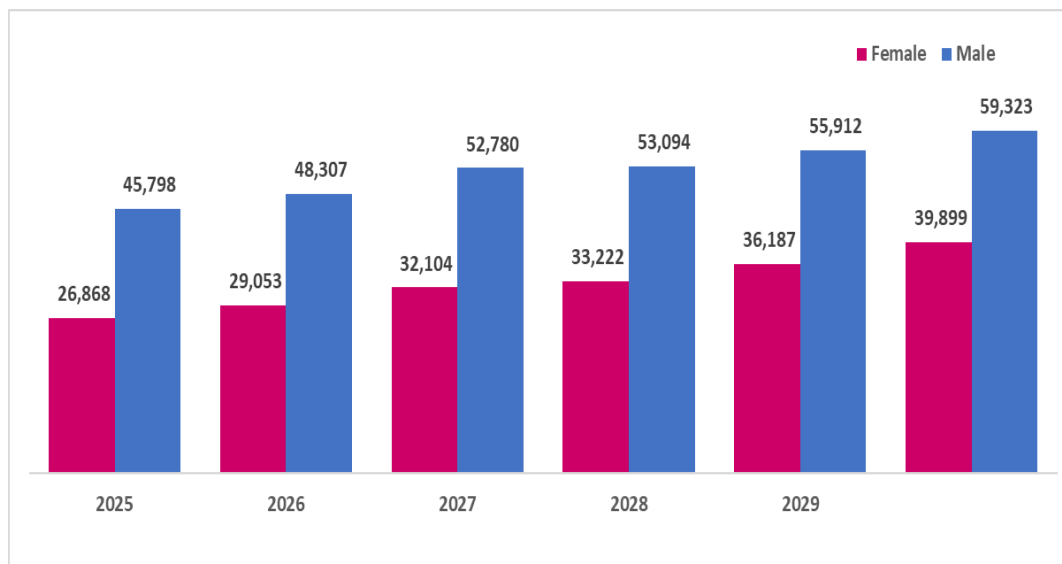
The analysis employs descriptive statistical techniques to summarise the data and identify salient patterns and trends. Specifically, the study examines age distributions, gender differentials, sectoral composition, regional variation, and contribution profiles among contributors approaching retirement. These methods enable the identification of disparities in retirement timing and financial preparedness, as well as variations across industries and demographic groups. Collectively, the findings provide empirical insights into the evolving structure of Malaysia’s ageing workforce and inform broader discussions on labour market sustainability, retirement adequacy, and social security policy.

## **8. Analysis and Findings**

### **8.1 Gender Distribution of Retiring Contributors**

Analysis of the gender distribution among PERKESO contributors scheduled to retire between 2025 and 2030 reveals important patterns in male and female participation within Malaysia’s workforce. Of the 512,547 contributors projected to reach retirement during this period, 315,214 are male and 197,333 are female, indicating that men continue to constitute the majority of retirees. This reflects historical gender disparities in labour force participation and formal employment coverage.

However, the data also point to a gradual narrowing of the gender gap over time, signalling increased and sustained participation of women in the formal labour market. The rising share of female retirees mirrors broader structural shifts, including improved access to education, greater female labour force engagement, and expanded social security coverage among women. While this trend represents progress towards greater gender inclusion, it also carries important implications for retirement adequacy and social protection, given persistent gender differences in earnings, career continuity, and life expectancy. These findings underscore the need for gender-responsive retirement and employment policies to ensure equitable financial security for both men and women as Malaysia’s workforce continues to age.



**Figure 1:** Distribution of Retiring Contributors by Gender, 2025 - 2030  
Descriptive and Inferential Statistics

In 2025, male retirees account for approximately 63 per cent of total retirements, while female retirees comprise 37 per cent. By 2030, the proportion of female retirees increases to 40 per cent, with males representing the remaining 60 per cent of the retirement cohort. This gradual narrowing of the gender gap reflects the sustained growth in female labour force participation and their expanding presence within formal employment and PERKESO coverage. The trend signals measurable progress toward greater gender inclusion in Malaysia’s workforce and social security system.

Nevertheless, despite the rising number of female retirees, gender disparities in contribution levels and retirement adequacy remain pronounced. On average, female contributors continue to face structural disadvantages in accumulating sufficient retirement savings. These disparities are largely attributable to factors such as career interruptions associated with caregiving responsibilities, persistent wage gaps, higher prevalence of part-time or informal employment, and longer life expectancy, which collectively increase women’s financial vulnerability in old age. As a result, women often require more robust and targeted retirement planning, income security mechanisms, and post-retirement employment opportunities compared to their male counterparts.

Addressing these challenges is essential to ensuring that the benefits of increased female workforce participation translate into equitable retirement outcomes. As the proportion of female retirees continues to rise, policy responses should prioritise gender-responsive retirement benefit structures, strengthened financial literacy and retirement planning programmes for women, and measures that promote equal pay, career continuity, and advancement opportunities across the life course <sup>(19)</sup>. Such interventions are critical to reducing gender-based inequalities in later life and enhancing the overall sustainability and inclusiveness of Malaysia’s social protection system.

### **8.2 Sectoral Breakdown of Retiring Contributors**

The sectoral distribution (referring to Figure 2) of the retiring workforce provides important insights into the industries most affected by population ageing and impending labour market transitions. Among the 512,547 contributors projected to retire between 2025 and 2030, the largest shares originate from the Services, Manufacturing, and Construction sectors, reflecting their dominant roles in Malaysia’s employment structure. The Services sector is expected to account for the highest number of retirees, with retirements increasing from 49,324 in 2025 to 68,121 by 2030. This steady upward trend underscores both the sector’s centrality to Malaysia’s economy and the growing concentration of older workers across service-based industries, including healthcare, retail, education, and public services.

The Manufacturing sector, which relies heavily on skilled and experienced labour, is also projected to experience a substantial rise in retirements, from 14,525 in 2025 to 20,856 in 2030. This pattern highlights the ageing profile of a workforce that has long underpinned Malaysia’s industrialisation and export-oriented growth. Similarly, the Construction sector, a critical driver of

infrastructure development, will see retirements increase from 5,412 to 6,722 over the same period, signalling potential labour shortages in physically demanding and skill-intensive roles. While the Agriculture and Mining and Quarrying sectors contribute comparatively fewer retirees in absolute terms, both exhibit consistent increases, indicating an ageing workforce even in traditionally labour-intensive and rural-based industries.

The rising number of retirees across these key sectors presents a dual challenge and opportunity for Malaysia’s labour market and economic growth. On one hand, sectors such as Manufacturing and Construction face heightened risks of skill loss as experienced workers exit the workforce, potentially affecting productivity, safety, and operational continuity. On the other hand, these trends create opportunities to redesign workforce strategies through knowledge transfer, phased retirement, and targeted redeployment of older workers. The Services sector, in particular, may benefit from retaining older workers in roles that value experience, interpersonal skills, and sector-specific expertise.

In response to these dynamics, sustained investment in workforce development initiatives including reskilling and upskilling programmes, structured apprenticeships, and industry-aligned training pathways will be essential to prepare younger workers to assume roles vacated by retirees. At the same time, policies that support the retention and re-engagement of older workers, especially in sectors facing critical skill shortages, should be strengthened. Such measures align with evidence-based recommendations highlighting the importance of age-inclusive labour market strategies in mitigating workforce contraction and supporting long-term economic resilience (Azhar & Omar, 2024). As exemplified by the 'end-of-career' time credit schemes utilized in Belgium, Malaysia could benefit from mechanisms that allow workers in demanding sectors to reduce hours while maintaining workforce attachment, thereby preserving institutional knowledge.

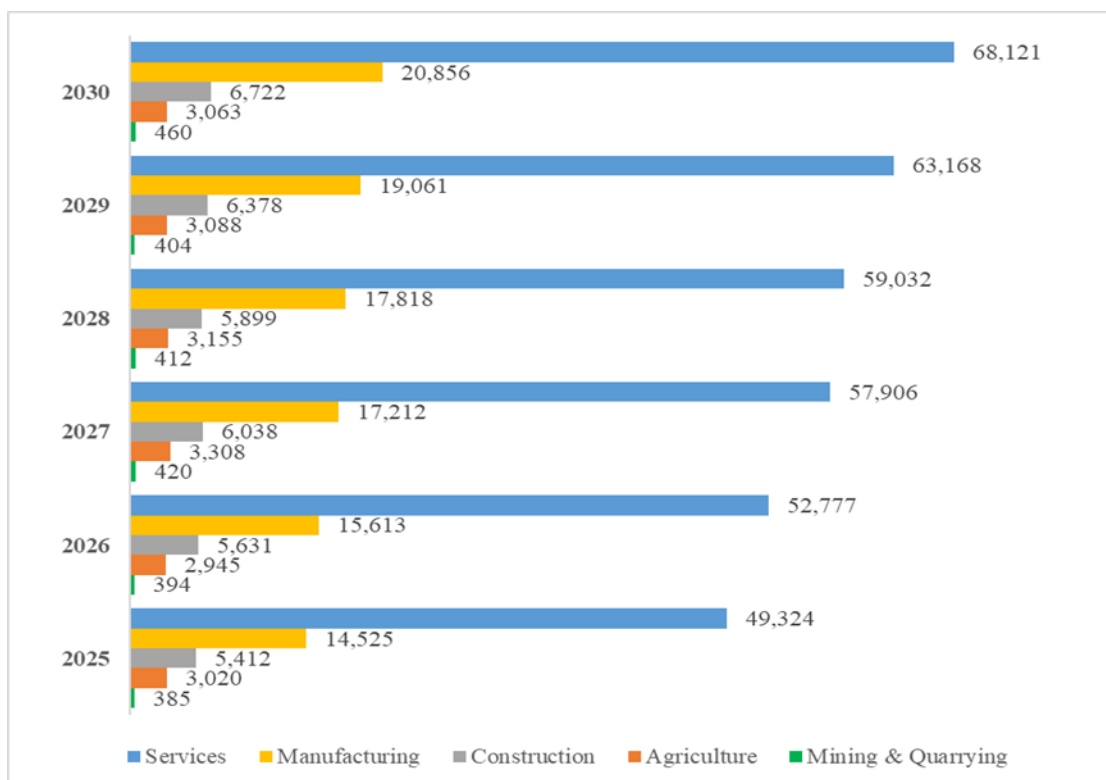


Figure 2: Distribution of Retiring Contributors by Sector, 2025 – 2030

### 8.3 Contribution Trends And Financial Implications

The financial implications of workforce ageing for Malaysia’s Employment Insurance System (EIS) reveal significant pressures on both social security sustainability and sectoral productivity. Analysis of contribution patterns indicates that between 2025 and 2030, total EIS contributions foregone due to retirements are projected to rise from approximately RM4.3 million to over RM6.0 million. This growing revenue loss reflects the progressive exit of older workers from the labour market, particularly within productivity-critical sectors such as Manufacturing, Services, and Construction, which collectively account for the largest share of retirees. The withdrawal of experienced workers from these sectors not only reduces contribution inflows to the EIS fund but also risks weakening sectoral productivity through the loss of firm-specific knowledge, technical expertise, and supervisory capacity.

Under the EIS framework, both employers and employees contribute 0.4 per cent of monthly wages, shared equally, with contribution ceilings periodically adjusted in line with wage growth. These contributions finance unemployment benefits, retraining programmes, mobility assistance, and employment facilitation services interventions that are increasingly vital in an ageing labour market. However, as senior workers retire and cease contributing, the system faces mounting fiscal pressure to sustain benefit payouts and employment services without a commensurate expansion in the contributor base. This imbalance is particularly pronounced in high-wage and skill-intensive sectors, where retirements translate into disproportionate revenue losses and productivity constraints.

The decline in EIS contributions attributable to retirement trends underscores the urgency of adaptive reforms within Malaysia's social security and labour market framework. Recent EIS amendments that enhance benefit adequacy, expand mobility assistance, and strengthen support for career transitions represent important steps toward maintaining workforce attachment and mitigating productivity losses. Crucially, these reforms align with broader efforts to promote labour mobility, strengthen institutional governance, and improve system responsiveness to demographic change.

From a strategic perspective, mitigating both fiscal and productivity impacts requires policies that extend workforce participation among older workers, particularly in sectors facing acute skill shortages. Measures such as targeted upskilling, phased retirement arrangements, part-time and project-based employment, and structured knowledge-transfer roles can help retain experienced workers while sustaining contribution flows. Programmes such as the Senior Back in Action (SEBA) training scheme and employer tax incentives for hiring senior workers provide a policy foundation for this approach. However, international evidence such as the WOLDEMP research on Belgian retention schemes, shows that poorly targeted subsidies may generate significant deadweight effects. Targeting subsidies only toward those workers who would otherwise exit the workforce prematurely would help ensure that initiatives like the SEBA program remain fiscally prudent.

In this context, PERKESO's employment services particularly through the MYFutureJobs platform play a critical role in aligning labour supply with sectoral demand. By matching older and retired workers with niche, experience-intensive roles, facilitating reskilling and redeployment, and supporting transitions into less physically demanding or advisory positions, PERKESO contributes directly to sustaining sectoral productivity while stabilising EIS contribution revenues. Moreover, expanding EIS coverage to informal and gig workers represents an additional strategy to broaden the contribution base and enhance system resilience amid demographic shifts.

In summary, the projected reduction in EIS contributions due to retirement trends highlights a structural challenge at the intersection of population ageing, sectoral productivity, and social security sustainability. Addressing this challenge requires an integrated policy approach that combines adaptive social insurance reforms with proactive employment services. Strengthening PERKESO's role in facilitating productive ageing is therefore essential not only to preserve social protection financing, but also to support Malaysia's long-term economic competitiveness and inclusive growth in an ageing society.

#### **8.4 Regional Distribution of Retiring Contributors**

The regional distribution of retiring PERKESO contributors provides important insights into the uneven impact of workforce ageing across Malaysian states. The analysis shows that Selangor, Johor, and Wilayah Persekutuan Kuala Lumpur are projected to experience the largest absolute increases in retirements, reflecting their roles as major economic and employment centres with high concentrations of formal-sector workers.

Selangor is expected to be the most affected state, with a cumulative total of 136,367 contributors reaching retirement age over the six-year period. Annual retirements in Selangor are projected to rise markedly from 18,961 in 2025 to 26,875 by 2030, underscoring the scale of workforce transition confronting Malaysia's most industrialised and economically dynamic state. Similarly, Wilayah Persekutuan Kuala Lumpur, as the nation's capital and a hub for finance, professional services, and public administration, is projected to experience a substantial increase in retirements, from 13,549 in 2025 to 20,343 by 2030. The loss of experienced workers in these urban centres has the potential to generate pronounced skills gaps, particularly in knowledge-intensive and managerial occupations.

Other states, including Johor, Sarawak, and Sabah, are also projected to experience steady growth in retirements, albeit on a relatively smaller scale. In these regions, the ageing workforce intersects with sector-specific dynamics such as manufacturing and cross-border economic activity in Johor, and resource-based and public-sector employment in Sarawak and Sabah. While the absolute numbers may be lower, the impact on local labour markets could be significant given narrower talent pools and limited workforce mobility.

These regional variations underscore the necessity for targeted, state-specific policy responses rather than uniform national interventions. Industrial and economic hubs such as Selangor and Johor will need to adopt proactive strategies to mitigate potential labour shortages, including reskilling initiatives, retention of older workers, and enhanced job-matching mechanisms. At the same time, ensuring the adequacy and sustainability of social security financing at the regional level will be critical to meeting the needs of a growing retiree population. Strengthening PERKESO's employment services and leveraging platforms such as MYFutureJobs to support regional workforce planning can play a central role in addressing these demographic and labour market challenges.

STATE	2025	2026	2027	2028	2029	2030	TOTAL
<b>JOHOR</b>	8917	9493	9935	10225	10801	11481	<b>60852</b>
<b>KEDAH</b>	2898	3064	3609	3385	3720	3906	<b>20582</b>
<b>KELANTAN</b>	1097	1122	1178	1239	1233	1304	<b>7173</b>
<b>MELAKA</b>	2056	2172	2247	2320	2438	2735	<b>13968</b>
<b>NEGERI SEMBILAN</b>	2060	2177	2358	2302	2534	2659	<b>14090</b>
<b>PAHANG</b>	1894	1810	2087	2088	2149	2285	<b>12313</b>
<b>PERAK</b>	5012	5179	5525	5501	5695	5908	<b>32820</b>
<b>PERLIS</b>	245	221	260	277	217	251	<b>1471</b>
<b>PULAU PINANG</b>	5727	6040	6881	6972	7451	8120	<b>41191</b>
<b>SABAH</b>	3146	3289	3794	3800	3740	3924	<b>21693</b>
<b>SARAWAK</b>	5669	6015	6682	6739	7335	7351	<b>39791</b>
<b>SELANGOR</b>	18961	20328	22413	22992	24798	26875	<b>136367</b>
<b>TERENGGANU</b>	1159	1339	1430	1382	1372	1612	<b>8294</b>
<b>WP KUALA LUMPUR</b>	13549	14751	16149	16718	18186	20343	<b>99696</b>
<b>WP LABUAN</b>	183	229	200	220	227	237	<b>1296</b>
<b>WP PUTRAJAYA</b>	79	110	104	123	151	174	<b>741</b>
<b>GRAND TOTAL</b>	<b>72652</b>	<b>77339</b>	<b>84852</b>	<b>86283</b>	<b>92047</b>	<b>99165</b>	<b>512338</b>

**Table 1:** Distribution of Retiring Contributors by State, 2025 - 2030

## 8.5 Demographic and Retirement Transitions in A Later-Stage Ageing Society: Institutional Insights from Belgium

### 8.5.1 Parallel Ageing Dynamics at Different Stages: Belgium and Malaysia

As the evidence shows, Malaysia is navigating the onset of an impactful demographic transition. In this context, Belgium serves as a relevant institutional reference point. Having progressed further along the demographic ageing trajectory, Belgium has already confronted the fiscal, labour market, and social protection challenges that Malaysia is projected to face in the coming decades. At the same time, both countries operate within contribution-based social security systems and rely on active labour market governance frameworks, making the Belgian experience analytically comparable to the Malaysian context. Belgium being further along the projected ageing trajectory, allows for institutional learning on policy sequencing, incentive design, and the management of retirement transitions in an ageing society. The Belgian experience illustrates how demographic pressure gradually shifted policy emphasis from facilitating early labour market exit towards extending working lives, while simultaneously revealing the fiscal and behavioural limits of broad, untargeted incentives.

It was previously mentioned that Malaysia's transition from an ageing to an aged society was projected at just 23 years, much shorter than certain developed countries like France (114 years) and Sweden (85 years). This compressed transition puts increased pressure on Malaysia to adapt its fiscal buffers and social security system. Interestingly, Belgium underwent a similar short transition as well at just 28 years, even if by now this transition is well in the past. Belgium experienced a sharp drop in fertility rates and significant medical advancements happened much earlier and faster than its neighbours, aligning this nation's experience even closer with that of Malaysia.

According to the Belgian Federal Planning Bureau and the High Council for Employment, the Belgian population is projected to grow to 12 million by 2030, driven in part by migration as the fertility rate remains low (approx. 1.5 in 2023). A critical indicator for this comparison is the old-age dependency ratio: the number of people aged 67 and over relative to those aged 18 to 66. This ratio is expected to rise from 28% in 2024 to 38% by 2050, placing significant pressure on the social security system, debt levels, and overall financial health – a phenomenon seen in countries with similar frameworks across the world.

Analysis of Belgian social expenditures reveals the magnitude of the demographic challenge. In 2021, social protection spending reached €152.4 billion (RM704.8 billion), with old age pensions accounting for over 40% of the total budget. In contrast, unemployment benefits accounted for only 5.2% in 2022. This fiscal strain is underscored by Belgium's overall debt and spending levels. As of late 2024, the public debt-to-GDP ratio stood at approximately 104%, while total government spending remained high at 54.1% of GDP. Whereas Malaysia's public debt to GDP ratio for 2024 was 64.6% and it spent 23.9% of its GDP.

A main difference between Belgium and Malaysia, however, is that while they both face the pressures of an aging population, they do so from vastly different revenue positions. In 2024, Belgium's tax-to-GDP ratio stood at approximately 45.1%, one of the highest in the world, providing a large capital pool to fund its social security and active aging initiatives – keeping current budgetary pressures in mind, however. In contrast, Malaysia's tax revenue was recorded at 12.5% of GDP, below the 15% threshold often cited by international organizations as the minimum required for sustainable development. Malaysia's lower ratio limits the fiscal space for the very types of social security schemes Belgium uses. Strengthening this revenue could help Malaysia ensure its social protections are fiscally viable in the long run, which is in line with Malaysia's push for more formalised employment. This difference implies, however, that Belgium historically had more fiscal space to pioneer evolving labour market policies, whereas Malaysia has more incentive to base its current trajectory on empirical evidence and sound policy reflections.

### **8.5.2 Policy Evolution And Reform Trajectory**

Belgian data indicates that while the duration of unemployment for older workers remains a concern, the primary fiscal pressure has shifted from supporting unemployed persons to sustaining the pensionable population. Historically, Belgium utilized so-called interim pensions (officially renamed as "unemployment with company bonus" from 2012 onwards) to tackle this issue. This was a mechanism developed in the eighties for tackling high youth unemployment by enabling older workers to exit the labour market prematurely. Workers who were dismissed during industrial restructuring received monthly unemployment benefits plus an additional allowance paid by their former employer until they reached the legal retirement age. Due to the previously mentioned budgetary pressures and demographic transition, this system has been significantly restricted and Belgium instead has pivoted toward active ageing methodologies. In general, Belgian evidence shows that unemployment schemes can unintentionally function as transitional pathways into retirement once eligibility thresholds are met. This illustrates the importance of institutional coherence across benefit regimes in order to prevent unintended communicating vases between various branches of the safety net.

Recent reforms have systematically restricted early-exit paths by gradually raising the statutory retirement age to 67 and tightening the career-length requirements for early retirement. In doing so, Belgium is following the larger European trend of raising retirement ages, driven by aging populations and increased life expectancy. To support middle-aged adults in this transition, Belgium utilizes "end-of-career" time credit schemes. These allow workers over the age of 60 (or 55 in specific "heavy industries") to reduce their working hours while receiving a compensatory benefit from the National Employment Office (NEO), thus making working at a later age more feasible through working hours adjustments (especially in heavy industries). This prevents total withdrawal from the labor force and supporting the transfer of institutional knowledge. As of January 2025, approximately 78,000 workers utilize this system, which represents almost 1.5% of all employed people.

A closer look at the users of this scheme also reveals a parity between men and women not often seen in other schemes. In 2019, of those who made use of the scheme, 46.3% were male and 53.7% were female. This is not the case for other career-break schemes such as parental leave or medical assistance (to take care of a seriously ill family or household member), mirroring a higher informal workload for women. The relative balance of the end-of-career schemes can be noteworthy for Malaysia, where female retirees currently face more pronounced structural disadvantages and lower retirement adequacy compared to their male counterparts. There is, however, a gender gap depending on the type of career break. The system only allows for two options: a 50% reduction or a 20% reduction in hours. Men predominantly chose to work four-fifths, while women are approximately twice as likely to choose to halve their work hours.

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<sup>2</sup> Officially, the working-age in Belgium is typically defined as ages 15 to 66. However, for those under 18, considered to be "student jobs," strict regulation applies.

The funding of this scheme is a mix of government support and partial salary payments. While the employer is only responsible for paying the salary for the hours actually worked, an additional replacement allowance is paid directly by the NEO to the employee. The benefit is a flat-rate amount that is influenced by one's age, family situation (the number of dependents), and whether someone is reducing their hours by 20% or 50%. The budget for this scheme comes from the general social security pool, which is funded by both employee and employer contributions, as it would for other benefits like unemployment insurance.

Another incentive to keep middle-aged adults active has been the "target group reductions" for social security contributions. Introduced in the early 2000s, workers active in the private sector aged 58 and over received a flat-rate reduction on their social security contributions every quarter. To prevent subsidizing high earners, a wage level was put in place. This measure meant to tackle the wage-productivity gap between older and younger workers, where older workers' seniority-based wages eventually exceed their productivity, making them more susceptible to dismissal. Because of the Sixth State Reform in 2014, the authority over these subsidies were transferred from the federal government to the regional governments (Flanders, Wallonia, and Brussels). While the system is still active in Wallonia and Brussels, Flanders abolished the target group reduction in 2024 – preferring instead to focus on activating measures.

### **8.5.3 Governance Lessons For Managing Retirement Transitions**

Accordingly, the WOLDEMP research report, which provides a unique systematic evaluation of Belgian policies to stimulate active ageing, found that these cuts had little impact on gross hourly wages, meaning the financial benefit was retained by the employer rather than being passed on to the worker in the form of higher pay – in other words, this meant lower labour costs for older workers. While financial incentives like these can successfully increase retention among low-skilled older workers, they must be carefully designed to avoid unwanted substitution effects. The research indicated that by making older workers cheaper, the reductions can lead to employers favouring them over the slightly younger cohort who do not yet qualify for the subsidy. In these cases, jobs for older workers may come at the expense of the age group immediately below them.

The same research also found a high deadweight loss. Namely, it found that many of the subsidized workers would have remained employed even without the incentive. Based on a cost-benefit analysis, it was concluded that the societal cost was estimated at approximately €2,800 (RM12,984) per month for every job saved or created by the measure. To put this into context, the Belgian average wage was an estimated €3,558 (RM15,770.4) in 2017. From a macroeconomic perspective, such legislation is not fiscally prudent. It shows that financial incentives like these, aimed at increasing retention rates among older workers, must be carefully designed to avoid unwanted effects. These findings further underscore the importance of the data-driven approach used in this study's analysis of PERKESO contribution records, ensuring that future Malaysian interventions are evidence-based and economically prudent.

The Belgian experience demonstrates that managing demographic ageing requires continuous institutional adaptation rather than isolated policy adjustments. Over time, Belgium shifted from a predominantly passive strategy of facilitating early labour market exit to a more active approach aimed at extending working lives, combining restrictive reforms such as raising statutory retirement ages with incentive-based measures including end-of-career time credit schemes. At the same time, empirical evaluations reveal the fiscal and behavioural limits of broad, untargeted incentives, highlighting the risks of deadweight loss, substitution effects, and unintended spillovers between unemployment and pension regimes. Beyond individual policy instruments, the Belgian experience also highlights the central role of the National Employment Office (NEO) as an institutional actor managing and monitoring the interface between unemployment, retirement, and end-of-career arrangements. Administrative analyses have shown that behavioural responses to eligibility thresholds can significantly shape labour market exit patterns, underscoring the importance of continuous monitoring and policy adjustment. Furthermore, long-term evidence indicates that activation policies have structural limits among older cohorts, particularly where health constraints or skill mismatches persist. Together, these insights suggest that effective ageing governance requires both institutional coherence across benefit regimes and realistic expectations regarding labour market absorption. For Malaysia, this reinforces the value of leveraging PERKESO's administrative data not only to extend participation, but also to anticipate transition dynamics and avoid unintended exit pathways.

## **8.6. Discussion**

Looking forward, Malaysia faces mounting challenges in sustaining a stable and productive workforce amid accelerating retirement trends. The rising number of retirees particularly in Manufacturing, Construction, and Services, which are central to national output and employment signals a gradual contraction in labour supply and an elevated risk of sector-specific skill shortages. The exit of experienced workers threatens productivity through the loss of firm-specific knowledge, technical expertise, and supervisory capacity, with potential spillover effects on economic growth and Malaysia's competitiveness.

These workforce dynamics have direct implications for labour market efficiency and social security sustainability. A shrinking contributor base reduces inflows to the Employment Insurance System (EIS) at a time when demand for employment support, retraining, and income protection is increasing. Without effective labour replacement and skills transfer mechanisms, demographic ageing may intensify wage pressures, increase adjustment costs for firms, and exacerbate labour mismatches across regions and industries.

Addressing these challenges requires a dual strategy that both extends workforce participation among older workers and ensures a continuous pipeline of younger, skilled labour. Investments in targeted reskilling and upskilling, industry-linked apprenticeships, and structured career pathways are essential to facilitate intergenerational workforce transitions. At the same time, flexible work arrangements, phased retirement, and redeployment of older workers in experience-intensive roles can mitigate productivity losses while stabilising contribution flows.

In this context, PERKESO's employment services anchored by the MYFutureJobs platform play a critical integrative role. Through real-time labour market intelligence, MYFutureJobs enables the identification of sector- and region-specific talent shortages, supports evidence-based workforce planning, and guides targeted employment and training interventions. By improving job matching for both younger entrants and older workers, these services reduce labour market frictions, support sectoral productivity, and contribute to the long-term sustainability of social protection systems.

Overall, the findings underscore the importance of aligning employment services, training systems, and social security policies to manage demographic transition effectively. Strengthening data-driven employment interventions through PERKESO will be essential not only to mitigate the economic and labour market impacts of workforce ageing, but also to support inclusive growth and long-term economic resilience in Malaysia.

### **8.7 Recommendations**

In light of the findings, Malaysia must adopt a comprehensive and forward-looking policy approach to address the economic and labour market challenges associated with an ageing workforce. A key priority is the extension of working life through flexible retirement arrangements, including part-time employment, phased retirement, and post-retirement reemployment options. Such measures can help alleviate labour shortages, retain critical skills, and stabilise productivity in key sectors, while supporting income security for older workers <sup>(17)</sup>. International experience, notably Singapore's Silver Workforce initiative which raises the reemployment age and promotes age-friendly job platforms demonstrates the effectiveness of institutionalising longer workforce participation as a strategy to sustain economic resilience in ageing societies <sup>(9)</sup>.

To complement extended workforce participation, comprehensive reskilling and upskilling programmes should be strengthened to ensure that older workers remain competitive in a rapidly evolving labour market. Lifelong learning initiatives aligned with industry demand, particularly in digital, technical, and service-oriented skills, are essential to facilitate occupational mobility and productive ageing <sup>(15)</sup>. These programmes should be closely integrated with employment services and employer engagement to maximise job matching and placement outcomes.

The study also highlights the importance of gender-responsive policy interventions. Given persistent disparities in career continuity, earnings, and retirement savings, targeted measures are needed to address the specific vulnerabilities faced by women in later life. These include enhancing financial literacy and retirement planning for women, ensuring equitable access to retirement and social protection benefits, and promoting equal pay and career advancement opportunities across the life course. Such interventions are critical to reducing gender-based inequalities in retirement adequacy.

Regionally differentiated policy responses are necessary to reflect the uneven impact of workforce ageing across states. High-retirement regions such as Selangor and Johor which are key industrial and economic hubs require targeted workforce planning strategies, including sector-specific reskilling initiatives, older worker retention schemes, and strengthened employment matching services. Tailoring policies to local labour market conditions will be essential to mitigating regional labour shortages and sustaining economic growth amid demographic transition.

The institutional insights presented above suggest that demographic ageing does not only require policy adjustments, but also sustained institutional capacity for monitoring, evaluation, and policy adaptation. International experience, including recent ISSA research on innovation in social security institutions, underscores that the effective use of administrative data is not merely a technical asset, but a core governance function in periods of structural transition.

In this context, Malaysia's social security architecture could further benefit from consolidating and institutionalising the analytical and monitoring capacities of PERKESO in its pivotal role as a labour market institution. PERKESO already possesses rich administrative contribution data and demonstrated analytical expertise. Building on this foundation, a structured and

transparently mandated framework for continuous monitoring of retirement behaviour, labour market transitions, and benefit interactions would strengthen evidence-based policymaking across the life course.

The Belgian experience illustrates how systematic administrative analysis can identify behavioural responses to eligibility thresholds, detect unintended spillovers between unemployment and retirement regimes, and support timely policy recalibration. For Belgium's NEO, this analytical engagement is embedded within formal governance arrangements, such as the multiannual administrative agreement which assures institutional neutrality and is overseen by the social partners. As is demonstrated by the Belgian experience, such agreements between government and implementing institutions can reinforce transparency, accountability, and credibility of conclusions drawn and assist necessary policy adjustments.

A clearer institutional anchoring of monitoring and evaluation functions within Malaysia's social security governance framework could therefore serve as a strategic lever for managing demographic transition. This includes strengthening data stewardship, ensuring interoperability across benefit regimes, expanding analytical access for controlled research purposes, and embedding regular impact evaluations into policy cycles. Such measures would position PERKESO not only as an implementing agency, but as a central knowledge institution supporting adaptive ageing governance.

Collectively, these recommendations underscore the need for an integrated policy framework that aligns labour market interventions, skills development, social protection, and regional planning. By adopting such an approach, Malaysia can better manage the transition to an ageing society while preserving workforce sustainability, productivity, and inclusive economic growth.

## 9. Conclusion

This study provides a comprehensive examination of retirement trends among PERKESO contributors and highlights their economic and social implications for Malaysia as the nation transitions toward an ageing society. The analysis demonstrates a clear and sustained increase in retirements across all major sectors, with the Services, Manufacturing, and Construction sectors facing the greatest exposure due to their scale, skill intensity, and central role in economic output. These trends signal not only demographic change but also structural challenges for labour supply, productivity, and the long-term sustainability of social security systems.

The findings further reveal a gradual narrowing of the gender gap in retirement, reflecting broader shifts in female labour force participation and formal employment coverage. While this trend represents progress toward greater workforce inclusion, it also underscores persistent gender disparities in contribution levels and retirement preparedness, highlighting the need for gender-responsive policies to ensure equitable outcomes in later life. At the same time, the increasing number of older workers remaining economically active challenges conventional perceptions of retirement and reinforces the potential of older persons as productive contributors rather than passive dependents.

Furthermore, the institutional insights from Belgium provide additional conjectures for successfully navigating the transition from an ageing to aged nation. The Belgian transition from passive interim pensions to encouraging active participation through "end-of-career" time credits and active ageing methodologies demonstrate that institutional intervention is vital for balancing fiscal sustainability and ensuring an effective system. The Belgian experience also serves as a cautionary tale against the potential pitfalls of deadweight loss and unintended consequences, which can be highly relevant in light of Malaysia's demographic projections. These insights also illustrate the importance of sustained institutional capacity for monitoring, evaluation, and policy adaptation, suggesting a pivotal role for PERKESO during the current demographic shift.

From an economic perspective, rising retirement rates have direct implications for labour market dynamics, sectoral productivity, and Employment Insurance System sustainability. The loss of experienced workers risks skill shortages and productivity constraints, particularly in experience-intensive occupations, while reducing contribution inflows to social protection schemes. Socially, these trends amplify pressures on retirement adequacy, income security, and access to age-appropriate employment opportunities. Together, these dynamics underscore the interconnected nature of retirement, labour market resilience, and social protection in an ageing economy.

Overall, the study reinforces the importance of proactive, data-driven policy responses that integrate employment services, skills development, and social security reform. Leveraging PERKESO's employment services and labour market intelligence, including platforms such as MYFutureJobs, will be critical in facilitating smoother workforce transitions, supporting productive ageing, and mitigating the economic and social risks associated with population ageing. By adopting targeted and inclusive interventions, Malaysia can not only manage the challenges of an ageing workforce but also harness its potential to sustain productivity, economic growth, and social cohesion in the decades ahead.

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