

# What are the effects of new retirement age sociology essay



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Work or employment is an essential parts of people's lives. People need work as the platform to obtain income in providing the needs for self and people around them. There are many types of works available in the market. Public or private sectors, they are all up to individuals to decide, which sector they preferred the most. Every people will be secured not only in term of economy but also in term of psychology if they are being employed. This is because, by having work, it can help them to improve the quality of life. According to World Health Organization (WHO), quality of life is the perception their position in life based on the context of culture, and value system which they live and in the relation with their goals, expectations, standards and concern.

Even though people do work to continue living, there is a limitation age to it. The limitation is called retirement age. Retirement can be defined as the period when an individual stops employment completely and begins a new phase of life. According to the oxforddictionaries. com, retirement can be defined as the action or fact of leaving one's job and ceasing to work. Concise Oxford Thesaurus defines retirement as giving up work and stopping work. Retirement is a period where people stop working because of the age factor and started to collect pensions from the retirement account. All employees will be facing retirement stage when the age is approaching the limits. Retirement is said to give them some space to start lay back and relax since people at their age are not suitable to perform more job because of health risk. Retirement address the issues that individuals face during retirement, including the transition from a life of employment and

independence to a new existence that can challenge a person's self-worth (Idon, 2011).

Retirement provides loopholes that can be filled up with the entrance of new employees. Probably the replacements are among youth and fresh graduates. The United Nations define youth as persons between the ages of 15 and 24. Youth are a group of people who always exhibit a marginal attachment to the labour market (Thirunaukarasu et al, 2005). In Malaysia, as stated in Labour Force Survey Report Malaysia in 2002, youths between ages of 15 to 24 years constitute about 21.5% from the total labour force and about 19.8% of employed person in Malaysia (Thirunaukarasu et al, 2005).

Recently, as according to The New Straits Time dated 14 June 2012, the government tabled Minimum Retirement Age Bill to raise the minimum retirement age for private sector workers to 60 (Shankar, 2012). Human Resources Minister Datuk Seri Dr S. Subramaniam said the new age limit would, however, not apply to temporary or contractual workers, those on probation, apprentices, non-citizens and domestic maids (Shankar, 2012). The current minimum retirement age for most private sector workers is 55 but no mandatory retirement age has been set unlike in the public sector. The retirement age for the public sector has already been raised to 60. The bill proposed that any differing retirement age made in a previous contract or agreement would be deemed void and substituted with the new minimum age of 60 (Shankar, 2012).

There are many arguments about the extent of new retirement age. One of them is the skills that senior workers offer are very valuable like gold. They are much more experienced and it is difficult to train new employees.

Training and coaching new employees also will still require more cost compared to preserving senior workers. In addition, extension of the retirement age helps the economy of the older people in order to cope with the rise of standard of living. For example, in Japan they are encouraged older worker to work in order to support themselves in rising cost of living. As much as 37 per cent of men and women between the ages of 60 to 65 still are economically active in the labour force (C. T. Lai & Comeau, 2012).

On the other hand, the new retirement age policy not only extends the age of retirement but in bigger scope will eventually lead to the problem of unemployment among youth. It is found out that nearly 75 million young people worldwide are without jobs. The global youth unemployment rate has remained sticky at 12.6 per cent for the past three years and is not projected to lower this year (Mazlena, 2012). Unemployment is said to be a common phenomenon in developed and developing countries. Among the current pertinent problems in many countries is the increasing rate of unemployment among youth (Shukran et al, 2005). As according to The Star dated March 17, there will be some lag in job opportunities in certain industries when people are retired later. For example, in the US aviation industry, pilots have to wait longer for promotion to captain because of the increase in retirement age for captains to 65 from 60 (Fintan, 2012). A recent Bloomberg report quoting an industry hiring expert says “ first officers are finding it more difficult to get promotions as the higher retirement age

for captains creates a logjam at the top of the chain” (Fintan, 2012). Lee says the study shows that while there may be a temporary increase in the unemployment rate as the economy adjusts to an expansion in the labour force, after four years all the additional labour will be absorbed (Fintan, 2012). In developed countries like Singapore, as taken from the Singapore newspaper dated 15th June 2012, the unemployment rate edged up to 2.1 per cent in March, from 2.0 per cent in December 2011. The jobless rate among residents rose from 2.9 per cent to 3.0 per cent, while that among citizens also inched up from 3.0 per cent to 3.2 per cent (Sara 2012). The increasing of retirement age however will be good news to our older people. Retaining their work not only helps them economically to support their life, but government also takes this opportunity to fully utilize our human capital. Government need to think how they are going to fully utilize our human capital by not affecting our young generation.

## **1.2 Problem Statement**

Considering people nowadays are getting healthier, government make decision to increase the retirement age. In addition, our Malaysian life span is already increasing to 71.9 for male and 77 for female. This is justifying the reason why government wants to fully utilize their human capital. The new retirement age was passed through a bill by the government on 13th June 2012 to be 60 years old on private sector. Minimum retirement age bill will protect the right of the people if they are prematurely being retired by the organization (14 June, 2012, New Straits Times). Furthermore, to be retired at the age of 60 is still considered normal as Singapore’s retirement age is 62. However, the problem of this new retirement age is the likelihood to the

decrease in job opportunity among the youth. In other word, the unemployment rate might increase due to this new implementation. There are nearly 75 million of young people unemployed around the world (24 July, 2012, New Straits Times). The unemployment rate exactly will affect many things of people's life, especially the future of our youth. The United Nations define youth as persons between the ages of 15 and 24. In Malaysia, youth is defined as those between 15 and 40 years old but the main focus of development programs in the country are for those aged between 18 to 25 (Faizah Yunus, 2007)

The new retirement age however might bring different perceptions among students on youth unemployment. Perception of a people might be differing from one another. Factor that affects this perception is called demographic factor. Demography is a representation of fundamental approach to the understanding of human society (thefreedictionary. com). Human can be class in many ways. The way of the classing human is called demographic factors. According to thefreedictionary. com, demographic factors are socioeconomic factors of population that statistically expressed according to their age, sex, education, level of income, marital status, occupation, religion, birth rate, death rate, average size of family, and average at marriage. All of these factors might affect people perception towards a thing. The way of rich people think might not be same as the way of the poor people thinks.

Extension retirement age leads to decreasing the opportunity of job among the youth. It is proves in the case of in the US aviation industry, pilots have to wait longer for promotion to captain because of the increase in retirement <https://assignbuster.com/what-are-the-effects-of-new-retirement-age-sociology-essay/>

age for captains to 65 from 60 (Fintan, 2012). However even the real case is applied, it does not mean that the people will agree with this. The people might perceive this issue differently. Gender, income distribution, education level, marital status and geographic might are the demographical factors that might affect the perception of the youth unemployment towards the new retirement age.

Youths are the assets of the country. Their perceptions on the new retirement age are not something that government can be neglected. The perceptions might be due to their demographic factors able to make a strong argument for the government on the extension retirement age. Rich people might not care about the extension on retirement age because they are already rich. However, poor people of course might care about the decreasing of job opportunity among the youth due to the extension on retirement age because work is the only their source of economy. Thus government needs to consider every need of the people in the country before imposing the new retirement age. Too old to be retired will be makes us trouble. It is better to hire the youth with fresh mind. However, hiring younger people who do not have experience will result in less of productivity. In order to achieve higher income nations, government needs to have checks and balance between employments of older and young people.

### **1. 3 Research Questions**

1. Does demographic factors affect the perception of students on increasing retirement age and youth unemployment?

2. Does new retirement age affect the unemployment rate of young generations?

3. What are the effects of new retirement age on youth unemployment?

## **1. 4 Research Objectives**

1. To study the perception of youth on the relationship of new retirement age with youth unemployment rate.

2. To study the relationship between extension of retirement age and unemployment of youth.

3. To study the perception of youth on the relationship of new retirement age with youth unemployment rate.

## **1. 5 Scope of Study**

The scope of this study is to know whether or not the new retirement age will affect the unemployment rate among young generations. The perception of youngster will be measured in order to identify whether or not the hypothesis can be accepted or not.

The study will be carried out among 200 students in Universiti Teknologi Mara (UiTM), Universiti Selangor (UNISEL) and Management Science University (MSU). The range of age will be between 18 to 28 years old.

## **1. 6 The Significance of the Study**

This study is purposing on to study the student perceptions from different demographic background towards the extension of new retirement age and youth unemployment. Extension of retirement age is a new issue that hotly



debated today. Elder people might agree with this extension of retirement age because it will be an advantage for them. Younger people might not agree with this because it will be a disadvantage for their future. However, we do not know the real perceptions of our youth. Their perceptions might be different based on their demographic factors. Demographic factors such as gender, income distribution, education level, marital status and geographical location will determine the significance of the relationship between the students' perception on new retirement age and youth unemployment. All of these perceptions will be measured to see the agreeableness of the youth towards the new retirement. The effects of new retirement age and unemployment among youth act as the yardstick in measuring our younger generation's perception. We are hoping that this study might help in contributing to the Ministry of Human Resource and other related agency regarding the issue of retirement. This study might be the platform for government to start measuring the relationship between extending the retirement among elder workers and unemployment rate among youth.

## **1. 7 Definition of Key Terms**

1. Retirement: the time when people withdraw from their job permanently and workers also eligible for retirement resources such as social security, pension and another retirement program that they are entitled to.

<http://humanresources.about.com/od/glossaryr/g/retirement.htm>

2. Unemployment rate: is the percentage that shows unemployed people over the total civilian labour force. [http://www.cliffsnotes.com/study\\_guide/Unemployment-Rate.topicArticleId-9789,articleId-9735.html](http://www.cliffsnotes.com/study_guide/Unemployment-Rate.topicArticleId-9789,articleId-9735.html)

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3. Perception: the process which people translates sensory impression into a coherent and unified view around them. <http://www.businessdictionary.com/definition/perception.html>

4. Young generations: United Nations define young generation as the people who are at age of 15 to 24 years old. <http://mdgs.un.org/unsd/mdg/Metadata.aspx?IndicatorId=0&SeriesId=630>

5. Demographic factors: socioeconomic characteristic of a population expressed statistically, such age, sex, education level, income level, marital status, occupation, religion, birth rate, death rate, average of a family size and average age at marriage. <http://www.businessdictionary.com/definition/demographic-factors.html>

6. Gender: refers to socially constructed roles, behavior, activities, and attributes that particular society consider appropriate for men and women. <http://www.who.int/topics/gender/en/>

7. Income Distribution: The distribution of wages earned across a company, industry, or country. Income distribution reveals what percentage of individuals are at various wage levels, information that can reveal more about overall wage patterns than average income can.

[http://www.investorwords.com/5614/income\\_distribution.html#ixzz2DdPcYGdu](http://www.investorwords.com/5614/income_distribution.html#ixzz2DdPcYGdu)

8: Education Level: Level of education which represents a broad section of the education “ ladder”, that is, the progression from very elementary to more complicated learning experience, embracing all fields and programme <https://assignbuster.com/what-are-the-effects-of-new-retirement-age-sociology-essay/>

groups that may occur at that particular stage of the progression. <http://stats.oecd.org/glossary/detail.asp?ID=1522>

9. Marital Status: the condition of being married or unmarried. <http://www.thefreedictionary.com/marital+status>

10. Geography: the science dealing with the areal differentiation of the earth's surface, as shown in the character, arrangement, and interrelations over the world of such elements as climate, elevation, soil, vegetation, population, land use, industries, or states, and of the unit areas formed by the complex of these individual elements.

<http://dictionary.reference.com/browse/geography>

## **1.8 Hypothesis**

1. The higher the education, the higher concern of the effects on new retirement age towards youth unemployment.
2. The higher the family income distribution, the lower concern about job opportunity.
3. People in rural area are more likely to less concern about employment than people in urban area.
4. Married people more likely more concern about the employment than single people.
5. Men are more likely concern about employment than women.

6. The higher the retirement age among older worker, the lower the job opportunity among the youth.
7. The longer the retirement age, the less productivity of the worker.
8. The higher the unemployment, the lower quality of life among the youth.
9. The more unemployment, the more crime will like to be happen.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2. 0 Introduction**

Literature review is a body of text that purposing to review critical points of current knowledge including substantive finding including theoretical and methodological of particular topics from what have been published by the accredited scholar and researchers. A review may be self-contained unit, an end itself or a preface to and rationale for engaging in primary research.

Literature review is secondary data. Literature review helps us to have rough idea of the problem and phenomenon and how it is related with other variables.

In this study, we are purposing to study perceptions of students based on their demographic backgrounds regarding the extension of new retirement age. The demographic factors such as education level, family distribution income, geography, marital status and gender are being the benchmark for this study. The effects of new retirement age and also the effect of youth unemployment also being investigated in order to understand the perceptions of students who are coming from various demographic

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backgrounds. All of these effects were obtained through the secondary data including journal, newspaper, book and also books.

## **2. 1. 1 Definition of Retirement**

Webster's New World Dictionary (2006) defines retirement as employee who permanently leaving employment. American Heritage Dictionary of Business (2009) on the other hand defines retirement as a voluntary termination of employment upon reaching a certain age.

Retirement also is defined by WordIQ. com (2009) as the status of a worker who has stopped working. This happens upon reaching a determined age. However, not all workers retire because of the age. They have many reasons to retire. For example, the reasons are illness, personal choice and many other reasons.

In Malaysia, the compulsory retirement age for public sector employees is at 56. However, workers may opt for early retirement at the age of 40 if they have served the government for a minimum of 10 years.

Usually, retired workers will be paid with pension. A pension is a contract for a fixed sum to be paid regularly to a person, typically following retirement from service.

## **2. 1. 2 Types of Retirement**

According to Jabatan Perkhidmatan Awam (JPA), there are four types of retirement. First type of retirement is Compulsory Retirement where the workers are compulsory to retire upon reaching the age of 60 as the

government already revised the retirement age to extend it until 60 which will be come into effect in 2013.

Second type of retirement is Retirement due to health condition. Retirement happens when workers unable to do the work because of illness either physically or mentally. However, they need to have an approval from medical examiner.

Third type of retirement is the Retirement

### **2. 1. 3 Definition of Unemployment**

International Labor Organization's definition of unemployment, which requires that an individual does not have a job, has been actively looking for a job (Alena, 2010). The ILO reported that the global unemployment rate for young people had risen to its highest recorded level, and is expected to continue increasing (Sudirman Nasir, 2010). At the end of 2009, across the world, unemployment among young people (aged between 15 and 24) stood at 13 percent or approximately 81 million people (Sudirman Nasir, 2010). In Indonesia, Indonesia's Central Statistics Agency has reported that the number of registered unemployed in the country in 2009 reached 8.96 million people out of a workforce of 113.83 million, of which many were young people aged between 15 and 24 (Sudirman Nasir, 2010).

Unemployment hurts at any age; but for young people, long-term unemployment scars for life. Quoted from ACEVO (Association of Chief Executive of Voluntary Organisations), " Unemployment hurts at any age; but for young people, long-term unemployment scars for life. It means lower earnings, more unemployment, [and] more ill health later in life. It means

more inequality between rich and poor – because the pain hits the most disadvantaged” (Adnan Al-Daini, 2012).

## **2. 1 Demographic factors**

Demographic factor can be defined as socioeconomic characteristics of a population expressed statistically, such as age, sex, education level, income level, marital status, occupation, religion, birth rate, death rate, average size of a family, average age at marriage. A census is a collection of the demographic factors associated with every member of a population. A demographic factor is used to be the key factors that affect the result of people’s decision in life. Every person has different demographic factors which lead to different decision making. In this research, a few characteristics have been shown to be excellent indicators of the unemployment towards youth. The characteristics that have been used are gender, family income, education level, marital status, geographical area.

### **2. 1. 1 Gender**

Unemployment among youth is considering gender as the indicator. Gender is said to be the most important factor that will determine youth’s perception. It is believed that woman and man have different perception about employment as both genders considering job differently. According to oxford dictionary, gender is the state of being male or female (typically used with reference to social and cultural differences rather than biological ones). According to World Health Organization (WHO) on the other hand, gender refers to the socially constructed roles, behaviors, activities, and attributes that a given society considers appropriate for men and women.

Different gender might have different opinions and thought about being employed. Man is in higher need of obtaining job rather than woman. However it is found out that unemployment among men has increased and getting worse. According to a study, the unemployment has increased by 600, 000 since 2008. The number of unemployed women on the other hand has also increased by almost half a million, to reach a record level of 1. 12 million, although this is not primarily due to fewer jobs for women but instead to a relatively large rise of 438, 000 in the number of women participating in the labour market (John Philpott, 2012). Male are believed to be affected more from the unemployment. This is due to the point that male needing work more than woman. In today's phenomena, the obligation to support family in terms of economy is placed on men's shoulder. Thus, to have job and employed is very essential to the male. Without job and income, they cannot gain money to sustain their lives and the family. On the other hand, woman is less likely to concern about unemployment. Most of women are dependent on men in terms of economy especially those who are married. The opinion about employment may be not as problematic as the male side. But, there are few women feel that employment is very important to them. These days, many women also are employed even with higher position due to the qualification and education level. Thus, gender demographic should be taken into consideration in this research.

## **2. 1. 2 Income distribution in family**

It is undeniable that majority of the youth are still living with the family. They are coming from variety background of family. Background of family here means the income distribution in the family. There are teenagers originally



coming from wealthy and affordable family and there are also teenagers coming from less fortunate family. Their income might not even enough to sustain their living. Those coming from wealthy family might not have problem regarding money and income distribution. Their parents can afford to provide them with satisfactory amount of money or even more. They also will be provided with adequate level of education. They will be less likely concern about getting job or being employed especially when the family own a family business. Differ to the youth coming from middle income family or lesser; they are more concerned about work and income they will obtain. The income distribution in family is not as good and promising as from wealthy family. That will likely be the reason employment is essential to sustain their lives.

People coming from poor family will feel more responsibility to gain money for the sake of the family. Their age is sufficient enough to find job and contribute to the family. If there are no available job offers in the working market, they are unable to provide income for the family. They have to compete with older workers for a place in company.

### **2. 1. 3 Geography**

Geography refers to the place or area people come from. The geographical area is taken into consideration as a measure of their perception. There are urban and also rural areas. An urban area is characterized by higher population density and vast human features in comparison to areas surrounding it. Urban areas may be cities, towns or conurbations, but the term is not commonly extended to rural settlements such as villages and hamlets. Increasing levels of urbanization are caused by natural growth of <https://assignbuster.com/what-are-the-effects-of-new-retirement-age-sociology-essay/>

the urban population and migration of the rural population towards cities (Hartmut Schwarzbach, 2002). Rural areas are large and isolated areas of an open country with low population density. The traditional distinction between urban and rural areas within a country has been based on the assumption that urban areas, no matter how they are defined, provide a different way of life and usually a higher standard of living than are found in rural areas. In many industrialized countries, this distinction has become blurred and the principal difference between urban and rural areas in terms of the circumstances of living tends to be a matter of the degree of concentration of population. Although the differences between urban and rural ways of life and standards of living remain significant in developing countries, rapid urbanization in these countries has created a great need for information related to different sizes of urban areas (United Nation, 2012)

People in urban area are facing with high living cost which requires them to think of more alternatives to gain money. They should obtain more money because the expenses are also high. Compared to rural area, the living cost are much slighter. Thus, people in rural area will be less worry about money.

### **2. 1. 3 Education level**

A “ classic” model of transition from school to work applies when young people start working only after completing their highest level of education. In such a model, persons rarely combine education with employment. A recent study by the US Census Bureau for the US confirms the connection between a person’s level of education and his or her employability and earnings. The study shows that US college graduates earned far more over their lifetimes than people who only graduated from high school (Ben Graham and Charles <https://assignbuster.com/what-are-the-effects-of-new-retirement-age-sociology-essay/>)

Paul). The statement prove that people with higher education will likely be employed rather than those with lower education level. This is due to the qualification required for certain occupation. In addition, today's working field is very competitive, thus whom require more skills and better qualification will not facing the problem of unemployment. For the least educated or those who are unlucky enough to experience long periods out of work, it becomes increasingly hard to get that break that opens the door to the labour market (Paul Gregg and Lindsey Macmillan, 2011)

### **2. 1. 4 Marital status**

New data for 2010 highlight that even married couples have been vulnerable to unemployment. And for the first time in decades unemployment has been concentrated among husbands rather than wives (Heather, 2011). High unemployment, especially among husbands, is occurring across families, regardless of race or ethnicity (Heather, 2011).

### **2. 2 The effects of new retirement age**

The new retirement age will come into effect by the year of 2013. Seventy two percent out of 3485 jobseekers from JobStreet. com's database agree with the increasing of retirement age. The reason for their agreeableness is due to Malaysian requiring more saving due to the increasing of life expectancy as much as 84%. Retaining special talent especially professional who gains it through experience was amounted as much as 73%. However, the respondents are afraid the effect of increasing the retirement age. The main reason for their worried are the worker will become less effective or low productivity and there will be decreasing of job chances among the fresh graduates. Forty six percent of the respondent thinks that increasing the <https://assignbuster.com/what-are-the-effects-of-new-retirement-age-sociology-essay/>

retirement age might face health issues that limit the elder worker to perform the better job. (www. JobStreet. com). From this survey, we can conclude that the main effects that will likely to happen when increasing the retirement age are decreasing job chances among the youth and low productivity. The Singapore government's rationale to raise the retirement age of Singapore workers to 62 years of age is because they live longer and many of them might not have enough money to retire (theonlinecitizen, 2007).

### **2. 2. 1 Decreasing in job chances among youth**

Increasing the retirement age helps the older worker economically as they can have their full amount of salary instead of having pension which might be half of their full month salary. Developing nation helps our country to have more people to be physically fits to work at the age more than 55 years old. This helps our country to fully capitalize our human capital as we are having valuable human capital. However, increasing retirement age would affect our youth for unemployment. Unemployment rate will increase due to decreasing job chances when there is increasing the retirement age (www. sundaytimes. lk). If our economy does not consistently growing as the needs for a job growing, the job chances will reduce. This is because, job opportunity remains the same but it was filled by the older and experience workers. The opportunity of our young generation to have better or qualified job will reduced. The employer nowadays wants to hire people at least with two years of experience. This is because trains employee to be productive workers will incur a lot of cost.

Lump-of-labor theory makes the notion of the youth and older employee towards the notions of zero-sum-game. Lump-of-labor theory stated that delayed retirement age of the baby boomers would “crowd out” younger worker from the labor market, increasing their unemployment rate, reducing their employment rate and reducing their working hours (S. Lasky, 2012). The increasing in retirement age will likely make the lump-of-labor fallacy to happen. However, according to Dr Ong Kian Ming said this is not true. It is the responsibility of the government to make sure there is favorable condition for investors to invest in our country in order to open up more jobs opportunity for the youth (17 March, 2012, The Star.)

The lag in jobs opportunity still going happen when there is increasing in retirement age. For example, what happen in US aviation industry where captain have to wait longer for promotion. This is due to the increasing the retirement age of the captain from 60 to 65 years old. According to The Star dated on March 17th 2012, it will take four years for economy to be stabled in adjusting the increasing of labour forces. (Lee, 2012). This is suggests that, if Malaysia wants to increase the retirement age by the year of 2013, we could achieve economy stability by the year of 2017, which is three years before the vision 2020 realized. We could achieve our dream of vision 2020 if we could stabilize our market integration and also our labor forces.

Increasing retirement age will deny promotional opportunities for younger employees. According to Organisation for Economic Co-operation and Development, employment of older workers has increased, while unemployment of younger workers has declined from th