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Abstract

This paper explored the extent to which greater labour force participation among older Malaysians can expand Malaysia's labour supply. The Milligan–Wise (MW) method estimates the potential to increase the labour force participation rate of older Malaysians by estimating how much they would work if they were to work as much as those with the same mortality rate in the past. The Cutler, Meara, and Richards-Shubik (CMR) method estimates the same potential by measuring how much older Malaysians would work if they worked as much as their younger counterparts in similar health conditions. Simulations were performed to quantify the work capacity of older Malaysians after age 60. The results indicate a significant increase in work capacity among older people in Malaysia, particularly among males, urban dwellers, and those with lower educational attainment.

Introduction

Malaysia is experiencing a demographic transition with a steady increase in the size and proportion of its older population. To address the short- and long-term challenges of population ageing, Malaysia needs to build sound and sustainable socioeconomic, health, and social care systems. Improved health is likely to enhance the quality of life and increase the productive capacity of older persons. A longer working life benefits the wellbeing of older persons through income security, continued social participation and contribution to society, and self-fulfilment. Greater labour force participation among older workers can help mitigate the shortage of workers and other challenges related to population ageing (Lai and Yip 2022).

Many factors affect the capacity of older individuals to work, with health-related factors being the most influential. This study investigates the health capacity to work and explores the potential for increased labour force participation among older Malaysians. Health capacity to work can be defined as the incremental years of working life brought about by improved health status. We estimated an individual's ability to work at older ages based on the relationship between mortality and employment that existed at an earlier time, along with current mortality data in Malaysia. We also examined to what extent older persons in Malaysia with a given level of health could work if they were to work as much as their younger counterparts with a similar level of health across key socio-demographic variables.

Data Description

Malaysia's Labor Force Survey (LFS) and mortality rates data in 2000 and 2019 were used to compare the employment–mortality curves for the two years for both men and women, respectively. In addition, the study used a subsample of the Malaysia Ageing and Retirement Survey (MARS), a national longitudinal study of individuals aged 40 and older in which the first wave was conducted in 2018 and the second wave in 2020. MARS wave 1 successfully interviewed 5,613 respondents using a computer-assisted personal interview, of which a subsample of 3,890 individuals aged 50–79 years was used for analyses.

Methodology

Two methodologies were employed, Milligan–Wise (MW) and Cutler, Meara, and Richards-Shubik (CMR) methods. The MW method estimated the potential work capacity based on historical employment rates and current mortality data, while the CMR method assessed work capacity by comparing older individuals' employment to that of their younger counterparts with similar health. Linear probability model and binary logistic regression analysis were then performed to identify significant factors influencing the likelihood of older Malaysians to work.

Key Findings

Estimates show that in 2019, the 1-year mortality rate for men aged 65 was 23.4 per thousand, with a labour force participation rate of 16.5%. If 65-year-old males had the same employment rate as in 2000, their participation would be 36.5% higher. For women, the 1-year mortality rate at age 65 was 15 per thousand, with a labour force participation rate of 4%. If 65-year-old females had the same participation rate as in 2000, it would be 13.5% higher. Hence, men aged 57 to 69 could work an additional 3.36 years, while women could work an additional 1.09 years.

Analyses of MARS data revealed key determinants of work capacity included individual characteristics, self-reported health, functional limitations, and chronic health conditions and that diagnosed illnesses negatively impact work capacity, particularly for men. Married men are more likely to work than unmarried men; however, men with diagnosed illnesses, such as hypertension and depression, are less likely to work.

For women, those married are less likely to work than unmarried women and women with at least a postsecondary education are more likely to work compared to those with secondary education or below. Women and married individuals in urban areas are less likely to work compared to their male and unmarried counterparts. The actual working capacity in urban areas is lower than in rural areas, with urban workers showing a gradual increase in additional working capacity with age. Among respondents with at most an elementary education, women and married individuals are less likely to work. Additionally, smoking is positively associated with work capacity among older individuals, particularly those with elementary education.

Policy Recommendations

Using labour force participation rates and mortality rates data, this study showed that the cumulative additional working capacity was higher for men than for women. The additional capacity for women started to improve as age increased to 60 and older, which suggests that women might be more affected by the mandatory retirement age than men and that besides health, other factors could influence a woman's decision to continue working beyond retirement.

Examining the association between the predictors and employment status, the results showed that health and marital status were influential determining factors of the likelihood to work among men, regardless of their education level. A high proportion of the men work in the informal sector and for as long as their health permits, they will continue to work due to family commitment. For women, being married was negatively associated with the likelihood to work, while age and educational attainment showed positive influence. Traditionally, many married women consider themselves homemakers and caregivers. However, such domestic work is not given its due recognition. Hence, there is a need to recognise participation in domestic work as a form of labour participation. Additional work capacity is higher in urban areas because rural residents often work at their physical limit, resulting in a higher actual work capacity driven by the informal sector. Furthermore, the higher cost of living in cities necessitates dual-income households, contributing to this urban-rural disparity.

The study calls for policy changes to enhance employment opportunities for older Malaysians.

- There is a need for incentives for employers to create flexible work arrangements for older workers.
- Addressing workplace discrimination and ageism is essential to leverage the skills and experience of older individuals.
- Policymakers should recognise domestic work, which includes caregiving, as a form of labour participation, particularly for women.

Conclusion

Evidence from this study raises questions as to whether Malaysia's labour market provides opportunities for older people to work or if it is too rigid to cater to workers' needs for greater flexibility. Older workers may prefer more flexible working hours, but may not necessarily mind longer working hours. Some may look for more meaningful jobs. A key issue is whether there exists workplace discrimination against older workers in addition to ageism, even as the skills and experience of older people can contribute to the productivity of firms and industries. Policymakers must seek to provide incentives for employers to provide opportunities and more flexible work.

References

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