

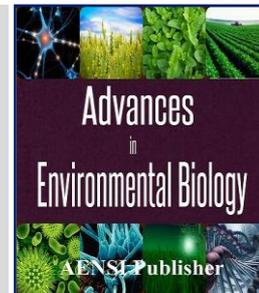


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Redefining the Suitable Retirement Age: Comparative and Critical Analysis from Different Countries

¹Nangkula Utaberta, ²Luqman Alewi, ²Muhammad Zeeshan Irfaan Khodabuccus, ¹Mohd Yazid Mohd Yunos, ¹Nor Atiah Ismail, ¹Sumarni Ismail

¹Lecturer, Architecture Department, Faculty of Design and Built Environment, Universiti Putra Malaysia.

²Student, Architecture Department, Faculty of Design and Built Environment, Universiti Putra Malaysia.

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ABSTRACT

The paper discuss about the statistics of retirement age in different countries based on developing and developed countries. It defers from different country because of decreasing of death rate and birth rate, evolution of woman social status and many more. In Malaysia, the increasing value of retirement age is due to the decrease of elder population and the increase of trends where woman work for their respective family, Lai Cheng Tung & Jean Dennis Comeau, (2012). This paper will use demographic value to examine the characteristics of differentiation of retirement age in development and developed countries. Developed countries has more successful result of actual retirement age because the government has revised the law concerning stabilization of employment of older person which takes effect, and the mandatory retirement age which increase incrementally the rate of one year of age every three years, until 2025. Mark Schreiber, (2013). There are a lot of theories concerning this topic, suggesting that the procedure and steps for the actual retiring age to appear in government policies and social are really bureaucratic and takes time. By conducting a comparative and critical analysis based on the factors and issues affecting the retirement age and the actual retirement age from different developed and developing countries, such as France, Japan, United Kingdom, India, Mauritius and China we will discuss how the retirement differ from countries and what is the suitable retiring age in general.

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INTRODUCTION

Aging is a natural phenomenon which every human being experience at certain time of their life. Even our planet, our world is aging and becoming older day by day. The baby boomer generation – a distinct and unique cohort that has experienced and lived through the industrial revolution and survived through the Great Depression are beginning to reach the age of 60. The phenomenon of increasing population aging will become a challenge that all countries need to face. And if countries turn back on this matter, the associated consequences will be socially and economically devastating. As we grow old and are incapable of performing our job, we retire and rely solely on pension for our daily living. The retiring age differs in every country. For example in Malaysia, the average retiring age in government sectors and private sectors are around 65 years old. The increase of elder population in Malaysia will affect the social life and country economy, because when aging population is on rise and life span has lengthen up to 70 year, this will disturb the governmental system and the country budget [12].

This writing will discuss about the history of retiring age and explanation about Malaysia retiring age based on statistics and analysis between races, by expert perspective. To clarify the actual retiring age for developed and developing countries especially Malaysia approach will be explored based on demographic review. We will also look into why the retiring age differs from different countries. Lastly, the final aim of this writing is to evaluate and to discuss the suitable age for retiring age in general.

Corresponding Author: Nangkula Utaberta, Lecturer, Architecture Department, Faculty of Design and Built Environment, Universiti Putra Malaysia.
E-mail: nangkula_arch@yahoo.com

2. Definition of Actual Retiring Age:

Retirement is the phase when a person stops working and become idle without any main objective waiting him ahead. According to statistic 12,000 adult turn 50 daily. Most of the existing social policies were designed at a time when the life span was short and the employers have enough young employers to replace the retiring one [22]. Unfortunately this law is no more valid with the recent situation. In Malaysia according Malaysian Department of Statistics; in 2010, the life span for male and female has increase. According to the U.S. Central Intelligence Agency World Fact book, the life span in Malaysia was the third highest in Southeast Asia, just after Brunei and Singapore which are 76 year old and 82 year old, respectively. Life expectancy is the average age a person is expected to life and it depends on bases on IRS issues of his location and region. Even with economic development and success in post-independence era, the pressure is for Malaysia to evolve into a high income country by year 2020. The consequences of the present crisis will take long to eradicate even after the measures taken to ride out the crisis it may incur future instability of the economy [18].

3. Review of Retiring Age:

3.1 History - Down Memory Lane:

In the beginning, there is no such thing as a retirement for people around the world. There were no people who are unemployed, every person has their own set of works regarding any age. The old and the young all have their own respective purpose for the benefit of the kingdom and themselves. For example, the history of the kingdom of Malacca, the kingdom has no restriction on age because every person in that kingdom has their own contribution for the country. Some old folks work as a guard, farmers, fishermen and etc. For over a period of time this method has resulted into an unwanted method since as we grow old our body will be insufficient for working purpose and it will lead into a disaster since the past life were all about whose kingdom is the best. So wars are common in the old age, from a short history of Malacca by Marcus Scott-Ross, [15].

3.2 Bismarck Invents Retirement:

Chancellor Otto Von Bismarck was a visionary German and he planned things in advance that he would pay a pension fees to any non-working German over the age 65, When Marxists were menacing to take control of Europe. He did that in order to help natives resist their unbalance threat due to Marxism, [2]. Bismarck was not senile, at that time people hardly lived up to that age (65), given that penicillin would never be available for another half century. Bismarck invited the Marxists, but he also set the arbitrary world standard in the exact year at which a person turn to be old and the established his ideas of pension. Encyclopedia Britannica Article,.

3.3 The Actual Retirement Age:

Actual retirement age varies in every country. For instance, the retirement age in japan is 65 in 2013 reported by the ministry of health, labour and welfare retirement in Japan, trading economics,. But the retirement age in Malaysia is 60 in 2013 reported by the ministry of welfare Malaysia. It differs up to 5 years. The developing countries, they have an acknowledgement since it started early. The steps taken by the government is what makes the actual retirement age to be precise. But for Malaysia, the statistics for retirement age is still a random notion. It is still not solid to have an actual retirement age. Trading economics.

4. Malaysian Retirement Age:

Malaysia is a developing country which just started the increasing numbers of elder people around this country, Nurizan *et al* [17]. Malaysian retiring age was quite a debate for the last few years in the peninsular, before the government finally amends a minimum retirement age for its population. Before looking into the amendment, it is imperative to analysis the cause that drives this occurrence.

First of all Malaysia is a multi-ethnic society with Malays and Bumiputeras (indigenous and native peoples) making up a majority (67.4%), followed by the Chinese (24.6%), Indians (7.3%), and other ethnic groups (0.7%),. Population distribution in the peninsular is mainly along high-density and urbanized West coast area, straddling the Straits of Malacca. Census carried out in 2010 by Department of Statistics Malaysia shown the total population of Malaysia (28.3 million people) and has reached 29.2 million by 2012. This statistics shows the population growth is 2% for the last. The rate has decreased compared to 1991-2000 by 0.6 per cent. In other words, there are fewer births than deaths nowadays. This is due to the drastic fall in the fertility rate of Malaysian females (see figure 1), women are marrying late and there is an increase in life expectancy as well. This implies that the aging population in Malaysia is increasing and that will eventually affect the working population. In a utopian society, the working population must be the size of the unemployed population (youngsters and senior citizen) or larger. It is the contrary that is about to happen in Malaysia. It will be critical if the unemployed population reach or surpass the working population. If the national population reached that state, the country will be in chaos in no time. This is bound to happen, that why the government has taken strict action by amending the retirement age to increase the working population and decrease the non-working population at the same time.

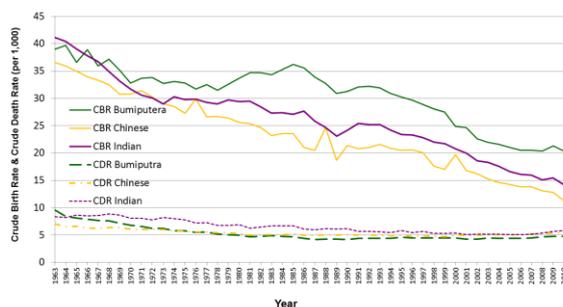


Fig. 1: Fertility & Mortality by Ethnicity, Malaysia, 1963 – 2010. Source: Department of Statistics Malaysia 2001, 2003, 2006, 2008, 2010, 2011(Retrieved on 30 April 2014).

The population aging below 15 years of Malaysia has decreased by 5.7% in 10 years. On the other side, the percentage of labor force (15 to 64 years) has improved from 62.8 per cent to 67.3 per cent. The population aging 65 years and over also increased by 1.2% compared to 3.9 per cent in 2000. Thus, the median age increased from 2000 to 2010 the median age has increased in Malaysia from 23.6 years to 26.6 years respectively, while the dependency ratio dropped by 10.7% noting that it was 59.2 per cent in 2000. The tendency indicates that Malaysia will have more aging population in the coming years. Having a huge proportion of aging population and knowing that the working population growing rate has slowed down, affects the food production of the country and the economic at large. The agricultural sector now feels the pressure of how to feed the millions of extra mouth whilst fewer are working to contribute to the national budget for food production.

Knowing the population and the ethnicity of the people is not sufficient to determine the cause that drive to the change in retiring age. There are different factors that contribute to this effect, like the gender, marital status, fertility rate, life expectancy and career woman. This factor will be discussed later in a worldwide context. For the like of Malaysia there is no clear cut reason for the amendment in retirement age till date. The demographic chart of the projected population for Malaysia in the next 35 years shows how the ageing population will be the dominant group in the country (figure 2).

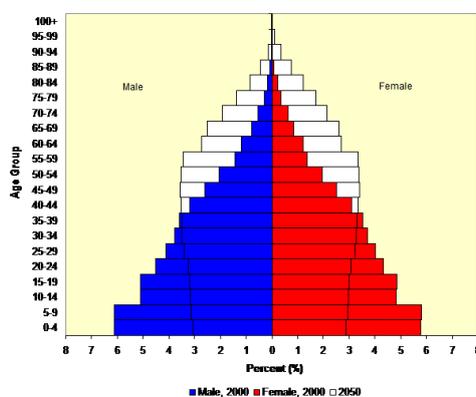


Fig. 2: Age-Sex pyramid, Malaysia, 2000 & 2050. Source: UNDESA, World Population Prospects: 2004 Revision.(Retrieved on 30 April 2014)

Respondents from a survey conducted by JobStreet.com seem to favour the raise of retirement age as proposed by the government. They were 3,500 jobseekers in the group age 18 to 41 was interviewed for this survey. The effects of this implementation are still questionable by a considerable amount of the respondents even though majority agreed for a raise. It was revealed the main reasons people agreed with the new proposal were; because they want to have more saving for the last phase of their life. Due to the increase in life span professionals and talents can be hold by companies to work for more years. On the other hand, the reasons of those who don't want the raise are acceptable if one sees it from their point of view. They argue that old workers that have worked for their whole life should enjoy their golden years. Moreover, they continue by saying if the old workers are retain in the job market, there will be fewer job opportunity for the fresh graduates. The age group of those who disagree is mostly the youngsters aged below 35 years old. The survey also revealed another fact that majority of the respondents refer to have the retirement age to be set at 60 rather than 55.

In a distinct survey, conducted by an independent consultant group, Aon Hewitt, questioned employers' opinions from 107 mixed industry companies about the government proposal about the new retirement age. 45%

of the companies argue that that actual retirement age (55year old) is perfect and only a minority says the contrary. The rest (17%) have a different opinion on this matter. They alleged that the function of the job and its levels should determine the retirement age. [21]. Reaction for the mixed retirement age was also a surprise and the opinion was half-half. Malaysia never had a mixed retirement age in the past, companies used to have their own set of rules about the retirement to follow the civil services. The recent retirement age for the public and civil service is set at 58 years yet many companies alter their retiring policies. Companies in Malaysia have two different retirement age, some companies use 56 years and others use 60 years for the retirement of their workers. Brossard and Chatelet surveyed 1,037 Malaysian above the age of 25 (as well 16,000 respondents across 26 different countries). The survey main objective was to study the ideal retirement age for the population in Malaysia. Malaysian preferred to retire at 56 whilst the retirees prefer to work till they turn 57. Mostly 60% of the Malaysian respondents are in favour for the raised of retirement age in their country. It is also found that those who are against this initiative by the government are respondent living in the east of Malaysia (Sabah and Sarawah). Among the surveyed countries Malaysia retiring age was the lowest. The survey outcome shows that Malaysians are the majority to favour the raise in retirement age among the surveyed countries.

Virtually all countries, Western and Eastern, alike are seeking to bring retirement ages more in line with the increases in life expectancy [1,11,22]. However, the western country's respondent are found to be more reluctant to have a change in their retirement age compared to the Asian respondent. This is mainly because in the west the retirement is set to be 62 year already. Survey report compiled by the Federation of Malaysian Manufacturers (FMM) and Malaysian Institute of Economic Research (MIER) indicate that Malaysian Businesses are most likely to opt for retirement age at 55year only and not want it to rise and according to public opinion 30% prefer the retiring age to go up to 60 year old. The rest of the population wants the government to maintain the actual working age limit. However the report doesn't state the reason why the population decision is divided this way, Federation of Malaysian Manufacturers.

For the private sector the retirement age has been increase by 5 years to 60 year under the Minimum Retirement Age Act, which was delivered in June and published in August 2012. The implementation date (1st July 2013) was decided upon after discussions with all concerned parties, including the ministry, the Malaysian Trades Union Congress (MTUC) and the Malaysian Employers Federation (MEF). The ruling was deferred its initial implementation date (early 2014) to avoid burdening employers who also had to comply with the minimum wage scheme. Some 600,000 companies registered with the Companies Commission of Malaysia are involved Human Resources Ministry deputy secretary-general. Dr Mohd Shariff Hussin said they cannot any delays in implementing the policy for the private sector since the population growth condition is alarming. It has taken 5 years already for the law to be proceeding in the chamber and be known to the public.

5. Retirement Age in Different Countries:

Retirement is sometimes optional. Most people opt to retire because they are not physically eligible to continue the job they are doing and some people don't just stop working completely, but reduce the working hours, this is called semi-retire. There are those who retire when they reached the age to benefit for pension. Sometimes early retirement is due to some accidents or illnesses which unable the worker to contribute efficiently to his job. For example, in the United States, the retirement age for most public servant like the general or admiral is after they served 40 years of work to the nation. This idea of retirement has been established recently during the last two centuries.

The first country to establish Retirement in 1889 was Germany. And now nearly all developed countries have this scheme, which is to provide pensions for the retired citizen. In the same way undeveloped countries, they provide pension for the elderly who reached retirement age but the finance is provided through the family. In our era it's the all the workers are eligible to have pension when they reached the stage where they are eligible for it independent in what economic sector they work. In some western countries pension is included already into the national Constitutions. This can be found in professional sports as well. There are some players who cease to play at a certain age and then they stay in the sport by coaching and this is called professional sports retirement. Some players retire only from international selection so they can concentrate on playing for their club.

To retire it may depends on the person also, whenever he wants he can retire depending on his physical, mental capacity to work, but most countries have a fix retirement age already. This fix retirement age mean whenever a worker reach that age he/she have to retire unless the job requirement is different as for the case of military where they have a whole new set of rules. The fix retirement age differs from 50 to 70 in most countries (according to latest statistics, 2011). In some countries this retirement age differs from gender like in Austria. The table below shows the deviation in eligibility ages for public old-age benefits in different countries according to the OECD which is Organisation for Economic Co-operation and Development.

Country	Early retirement age	Normal retirement age	Employed, 55–59	Employed, 60–64	Employed, 65–69	Employed, 70+
Austria	60 (57)	65 (60)	39%	7%	1%	0%
Belgium	60	65	45%	12%	1%	0%
France	62*	65*	51%	12%	1%	0%
Germany	65	67	61%	23%	3%	0%
Greece	55	65	65%	18%	4%	0%
Italy	57	67	26%	12%	1%	0%
Sweden	61	65	78%	58%	5%	1%
Switzerland	63 (61)	65 (64)	77%	46%	7%	2%
United Kingdom	65	68	69%	40%	10%	2%
U.S	62	67	66%	43%	20%	5%

Fig. 3: Deviation in eligibility ages for public old-age benefits. Sources: Cols. 1–2: OECD Pensions at a Glance, Cols. 3–6: Tabulations from HRS, ELSA and SHARE. Square brackets indicate early retirement for some public employees (Retrieved on 30 April 2014)

In France, the age to retire has increased by 5 years in just over eight years and now its workers still retire at 67. In Spain, it will be prolonged to 63 and 67 respectively Minder, Raphael New York Times Magazines. This increase will be progressively till 2027. In the U.S the retiring age for the old age survivors insurance (OASI) is slowly increasing to 67 and those who turn 65 in 2008 will benefit full pension payment as from 2009. As discussed earlier the public sector in United States have different laws. For example Military members in the reserve and US National Guard have their retirement based on a point system as they enter the force till they leave it.

The Europe current economic environment is unfair and that retirement age for workers should be higher said a senior German retailer. It should be lower than that in Greece not where senior workers retire at the age of 58 only with a pension payment up to 80%. He considers that a productive country is a dynamic country. He worries about the consequence of retail trade in Europe, arguing that it may lead to higher tax policy and reduce sales if the population keeps on increasing. In 2007 the German government raised its retirement age from 65 to 67 and age 69 in the coming years, for full pension payments to start. All these events take place because the life span has increased significantly in Europe.

Increasing the age of retirement by one or two years is often a strategic tool for decreasing public expenses and at the same time increasing the working population of that particular country or state. Even though these suggestions face a lot of governmental conflict, they seem rather un-harmful when comparing them with cross-country differences in the effective average retirement age.

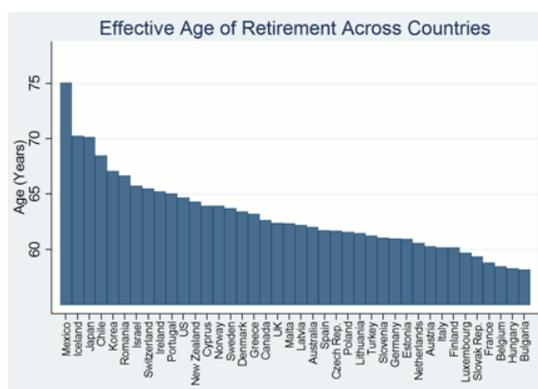


Fig. 4: Effective Age of Retirement Across Countries.

Source: <http://www.express.be/business/fr/economy/peu-de-pays-ont-un-age-de-retraite-aussi-avance-que-la-belgique/156507.htm> (Retrieved on 30 April 2014)

6. Retiring Age in a World Wide Context:

During the 21st century, the unpredictable swing of the demography in Europe has affected the policies in many countries. According to Gendron European countries are affected by this phenomenon are advancements

in healthcare, families problems, exponential growth in aging population and decrease in fertility rate. He also debate that that during the last 40 years the retirement trend that was establishes since then has not benefitted the societies at all, comparing with the current tight labour market. In many developing and developed country the labour force is decreasing while the aging population (60 years and above) is on constant increase.

6.1 France:

For instance, in France,1982 the allowed retirement age was sank from 60 with the outline of solidarity agreements of early retirement (contrats de solidarité préretraite) offered to workers aged 55. This was because the fact that the government wants to give the young labour force a chance in the working world. However, that initiative lead to severe economic recession in the 1980's as the young working population are not competitive enough to match the world. They had to abolish that law by that time. In the mid-1990s, the French government make known to a system that offered a 'replacement allowance for employment or job substitution allowance' worker getting near into the retirement age to benefit full unemployment pension if they manage to hire a young worker that can perform the same task. This scheme also failed as the expenses of early retirement were too high (705,000 beneficiaries). Studies displayed the platform was not sufficient to shield or prove employment of younger workers. Finally the retirement age has reached 68 years old in 2012 in the Hexagon.

The author pointed that the retirement issues in Europe mostly in France is still separating and debating between law marker and troubled enterprises still ongoing. He also suggested that the actual labour market must contain of an intergenerational union. That is the senior citizen convey their know-how and the young generation engross. In short, it is difficult to gain an efficient workforce and high societal costs only by increasing the young labour population.

6.2 Japan:

Japan on its side has had a various experience, where as an alternative of inspiring early retirement, more protective actions to keep older labours to sustenance them handle the rising cost of living. Consequently to Casey, Japan is among the top Asian country with an extremely high older labour force participation (in particularly older men). This is mainly because by 2013 Japan population already reached the peak where its ageing population is dramatically high compared to its normal working force (workers ageing from 25 to 55 year old). 37 % of men aged between 60 and 65 are still in the labour potency and all are economically dynamic (still at work). There are two main reasons why this happen in Japan. First, it's due to the rate of growth of its population that has surpassed its threshold already. Secondly, the life expectancy has increase, meaning the elderly are living far longer than expected. This affects the economy, the welfare and workforce of the country.

Fujioka (2008) distinguished that Japan was the first to introduce re-employment in 2006 that was theoretical to assist the older workers. The new law is a performance-based procedure rather the traditional one. The new legislation caters for the performance of the workers and the pension after retiring is mainly due to how efficient they worked and performed. Research has showed that with this new legislation, those who are reemployed, most of the time they switch jobs because of the how the system assessed there assets to the economy. Furthermore, younger workers in Japan have just reported preferring relaxed way of life and changing jobs as much as the older workers do. This occurrence has been a test for Japanese companies in consecutively with the present labour crisis.

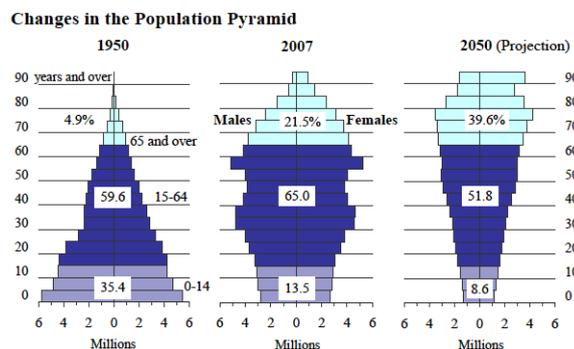


Fig. 5: Changes in the population pyramid of Japan.

Source: Statistics Bureau, MIC; Ministry of Health, Labour and Welfare. <http://pjsaunders.blogspot.com/2012/10/the-demographic-time-bomb-is-no-more.html>(Retrieved on 30 April 2014)

6.3 United Kingdom:

In U.K, the government has set the retirement ages at 68 and 69 and now the British workers under 50 year old will have to work more than any workers among the developed nations. It's going to be implemented in phase, the state pension age of 68 will take effect in the mid-2030s and by late 2040's it will reached 69. The U.K. government's is convicted that retirement should take up less than one third of a worker's adult life and generate the rise in allowance age, which was announced as part of a bi-annual economic update in 2012. People in the UK can now expect to live to 80-years-old, according to the latest study carried by qualified scholars. This boundary is only likely to rise in the next few years and such a growth sets massive and unsustainable pressure on an already overstressed welfare system. We need to stabilise the economy in favour of productivity. As the elderly continue to work after 60 or 65 year old, they will earn more for their own benefit and contribute to the welfare of the country as well. It has to be highlighted that ending the actual retirement age will not automatically lead to lengthier working lives for all. The ILC-UK issued a report which set out why people retire early in their respective nation. There are crucial factors like poor healthcare, helpful duties and a shortage of suitable skills force the citizens to leave the labour force early.

6.4 India:

In India, A parliamentary committee in New Delhi has suggested its retirement age to 65 years old, a rise of 5 years. This is due to the increase in elder population and their productivity in the kingdom. India is the second most inhabited country in the world just a few millions away behind China. The Standing Board headed by Hemanand Biswal sayed that the population of senior citizens is estimated to increase to 12.4 per cent by 2026 against 7.5 per cent in 2001. Ultimately the numbers of those above 60 and 80 years of age would see a monstrous growth of 326 per cent and 700 per cent respectively by 2050. Illiteracy in the kingdom also plays a major role. The percentage of unemployed and aging population is more than three times the work force. The young generation doesn't have adequate education and skill to enter the workforce. The standing committee stated that the senior citizens should acquire an income of at least Rs 1,000 per month, totalling that the criteria for it may be renowned in all nations for all non-income tax payers. They are planning to set up several retirement centre for the elderly in the entire district to cater for the over number of senior citizen. It has suggested the Finance Ministry to raise income tax release once in a while, protection in view the growing cost of living for the citizens and extreme cost of healthcare for senior citizens. The panel also stated that the government should try to use the best practices from the Scandinavian kingdoms, which are renowned for their well-being conveniences for the ageing population.

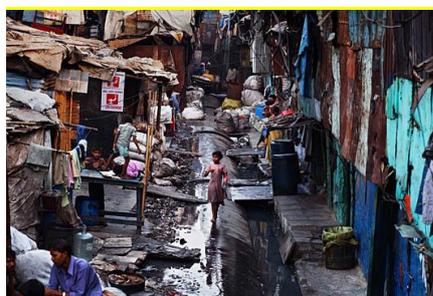


Fig. 6 & 7: Illiteracy in India and Poverty prevails all over the country.

Source: <http://www.yourarticlelibrary.com/poverty/4-main-causes-of-poverty-in-india-explained/4819/>
(Retrieved on 30 April 2014)

6.5 China:

The retirement age will without doubt be rescheduling as China feels the pressure of its ageing population, the Ministry of Human Resources and Social Security. Under mainland law, a man retires at age of 60 and women at age of 50. China should steadily rise the retirement age to 65 over the next 10 to 20 years for all workers, higher social insurance specialists have urged to the government. The life expectancy is 75 in China, while, the average age of retirement is now about 53 said Wang Dewen, a social protection economist working with the World Bank's Beijing office in China.

In china the world most populated country is facing serious issues due to its one-child-per-family policy. It has fewer workers, daughters and daughters-in-law to provide care for its growing population of elders. In a report by Judith Banister, David E. Bloom, and Larry Rosenberg entitled 'China: Population Aging and Economic Growth' from Tsinghua University, Beijing July 2011, the percentage of working-age to non-working-age individuals in China is now reaching at its summit, and it will fall swiftly in the approaching decades. Simultaneously, the portion of the population ages from 60 and above is establishing to increase

swiftly, from about 12% now to about 31% in 2050. It is believable that these demographic alterations will slow the economic growth in every district of China. The origins of the population aging in China are the same as all over the world: a low productiveness rate, growing life expectancy, and the collective effect of historical changes in birth and death rates.

7. Summary:

The conclusion has many characters and views on how retiring age is an important part for a country to developed into a more efficient and effective country to live in. For example, in India the tally of unemployed old people is increasing due to lack of early education which decreases the amount of skill for working forces. This is due to the lack of government interests in aging affairs for India citizen. But it is totally different in United Kingdom (UK) which the retirement age is 69 even though the difference in years is little but the reason why the retirement age is totally different. For instance, the retirement age for Japan is 65 in 2013 which is quite a big figure. It's because the value of live in Japan is crucial for them. The statistics for old people dying is surprisingly low from other countries, to their lifestyles, the way they live daily and how they cater for their health. Furthermore, in Mauritius the rate of birth has decreased exponentially comparing to death rate which is in a slower pace. This is due to the increasing poverty, increasing of number of AIDS inflicted and the woman started to work which lead into late marriages. And in Malaysia, retirement Age Men in Malaysia remained unchanged at 60 in 2014 from 60 in 2013 and Retirement Age Women in Malaysia remained unchanged at 60 in 2014 from 60 in 2013. This is due to fewer births than deaths nowadays and drastic fall in the fertility rate of Malaysian females. To sum up, the retirement age differs from these countries due to acknowledgement research done by several researchers. This is due to its own benefit and characteristics of its country and some for lifestyle and culture reasons. People use trends as their guidelines, but it seems they have forgotten their soil of the country and where they belong.

8. Suggestion for General Retirement Age Around the Globe:

Nowadays we found that many countries are stuck by trends and ended up as failure for its retirement age system. We have made some suggestion based on the demographic value of the countries, the social factors, the economic factors, the environment, and the lifestyle which is appropriate for a country to establish its own actual retirement age which works for its citizen. For example, the lifestyle should be made in a clinical manner, do not let poor suffer and let the rich become richer this will lead into inequitable lifestyle and unsystematic lifestyle. Furthermore, environment should be checked wisely and foreign thinking which is not suitable for the country should be eradicated. A country need to develop its own ideas from the environment of its people and lands in order to lead a better and workable retirement age. Suggestions are made by difficult measures from separate ideology which will lead into an actual and workable retirement age. Developing countries should start working and taking control of its elderly society based on its country environment not by trends and foreign ideologies.

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