

**THE RELATIONSHIP BETWEEN
INTERGENERATIONAL CASH TRANSFERS,
FINANCIAL STATUS AND LABOUR FORCE
PARTICIPATION OF OLDER MEN AND OLDER
WOMEN IN MALAYSIA**



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UNIVERSITI MALAYSIA SABAH

**FACULTY OF BUSINESS, ECONOMICS AND
ACCOUNTANCY
UNIVERSITI MALAYSIA SABAH
2023**

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FINANCIAL STATUS AND LABOUR FORCE
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WOMEN IN MALAYSIA**

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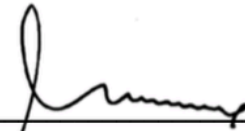


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DECLARATION

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ABSTRACT

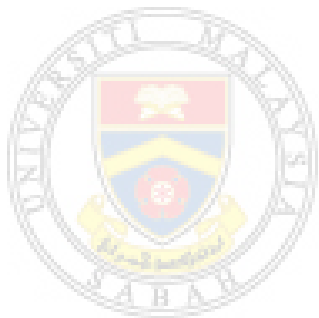
An ageing society is a global phenomenon, and it has a great impact on all facets of human life. It is one of the most challenging issues to any country regardless of its status. Ageing population is growing at an alarming rate in Malaysia and Malaysia is already an ageing country as the population of older persons accounted for 7.4 percent, and it is expected to double by 2030. One of Malaysia's aspirations is to create an active and healthy ageing society but it is yet to be realised. Current studies on the labour force participation of older people in Malaysia are still limited and a range of questions on aspects of family life, financial security and well-being of the older people especially staying in the rural areas in Malaysia, are still yet to be explored. Many studies focused on the labour force participation of older people in general rather than segregating it between older men and older women. There is a limited study specifically on labour force participation of older men and older women in Malaysia and hence, this study will extend the existing studies by distinguishing the older people by their gender and exploring more variables that are commonly associated with the labour force participation decision of older people such as demographic, socio-economic, health, geographical, intergenerational cash support and financial variables using most optimal data collected via the Malaysian Population and Family Survey (MPFS) conducted by the National Population and Family Development Board (NPFDB) under the Ministry of Women, Family and Community Development in Malaysia. The survey was conducted on 4,059 respondents aged 60 and above. This study employed logistic regression analysis in investigating the relationship of the selected explanatory variables with the labour force participation decision of older men and older women in Malaysia. Based on the logistic regression analysis, labour force participation of older women has a significant relationship with marital status, ethnicity, number of living children and religion, but the labour force participation of older men shows insignificant relationship to these factors. Factors like health status, region and savings are significantly related with the labour force participation of older men but show insignificant relationship with the labour force participation of older women. Some financial variables such as income level and investment status were found to have no significant relationship with the labour force participation decision by both older men and older women in Malaysia. The study discovered that the magnitude change in the associations of the labour force participation between older men and older women with age, and number of difficulties in Activities of Daily Living (ADLs) are varied. The magnitude change in odds of working for older men is greater than older women when their age and number of difficulties in ADLs increase. The findings from the study enable the policymakers to design a better ageing policy by incorporating more effective incentive and recruitment systems for the older people with minimal to no effects on the employment opportunities for the young adults. The intergenerational cash support can be explored further in terms of its direction and the cash transfers by working adult grandchildren to their older grandparents. These were not covered in the MPFS-54 survey which could shed more information on how an older person made his or her decision whether to join the labour force or not. This study also provides more opportunities for future research to enrich the findings of this study from different aspects of the labour force participation of older people in Malaysia.

ABSTRAK

HUBUNGAN ANTARA PINDAHAN TUNAI ANTARA GENERASI, STATUS KEWANGAN DAN PENYERTAAN TENAGA BURUH WARGA EMAS LELAKI DAN WARGA EMAS PEREMPUAN DI MALAYSIA

Masyarakat yang semakin tua adalah fenomena global dan ia mempunyai impak yang besar dalam setiap aspek kehidupan manusia. Ia adalah salah satu isu yang mencabar kepada mana-mana negara tanpa mengira status. Penduduk berumur 60 tahun dan ke atas semakin meningkat pada kadar yang membimbangkan di Malaysia dan Malaysia telah dikategorikan sebagai negara tua kerana populasi warga emas telahpun menyumbang kepada 7.4 peratus daripada jumlah populasi, dan ia dijangka meningkat dua kali ganda pada tahun 2030. Salah satu aspirasi Malaysia adalah untuk mewujudkan masyarakat warga emas yang aktif dan sihat tetapi ia masih belum dapat direalisasikan. Kajian semasa mengenai penyertaan tenaga buruh warga emas di Malaysia masih terhad dan pelbagai persoalan mengenai aspek kehidupan berkeluarga, kestabilan kewangan dan kesejahteraan warga emas terutamanya yang tinggal di kawasan luar bandar di Malaysia, masih belum dapat diterokai sepenuhnya. Banyak kajian memfokuskan kepada penyertaan tenaga buruh warga emas secara umum dan tidak mengasingkan antara warga emas lelaki dan wanita. Terdapat kajian khususnya mengenai penyertaan tenaga buruh warga emas lelaki dan wanita di Malaysia tetapi sangat terhad, dan oleh itu kajian ini akan meluaskan kajian sedia ada dengan membezakan warga emas mengikut jantina dan meneroka lebih banyak pembolehubah yang biasanya dikaitkan dengan keputusan penyertaan tenaga buruh oleh warga emas seperti pembolehubah demografi, sosio-ekonomi, kesihatan, geografi, sokongan tunai antara generasi dan kewangan dengan menggunakan data paling optimum yang dikumpul melalui Kajian Penduduk Dan Keluarga Malaysia Kelima (KPKM-5) oleh Lembaga Penduduk Dan Pembangunan Keluarga Negara (LPPKN), salah satu agensi di bawah Kementerian Pembangunan Wanita, Keluarga Dan Masyarakat (KPWKM). Soalselidik telah dijalankan ke atas 4,059 responden yang berumur 60 tahun dan ke atas. Kajian ini menggunakan analisis regresi logistik dalam menganalisa hubungan antara pembolehubah yang dipilih dengan penyertaan tenaga buruh oleh warga emas lelaki dan wanita di Malaysia. Berdasarkan analisis regresi logistik, hubungan antara faktor-faktor seperti status perkahwinan, etnik, bilangan anak yang masih hidup, dan agama dengan penyertaan tenaga buruh warga emas wanita adalah signifikan tetapi faktor-faktor tersebut tidak mempunyai hubungan yang signifikan dengan penyertaan tenaga buruh warga emas lelaki. Faktor-faktor seperti status kesihatan, wilayah dan simpanan mempunyai hubungan yang signifikan terhadap penyertaan tenaga buruh warga emas lelaki, tetapi menunjukkan hubungan yang tidak signifikan dengan penyertaan tenaga buruh warga emas wanita. Kajian ini juga mendapati perbezaan dalam perubahan magnitud bagi hubungkait penyertaan tenaga buruh antara warga emas lelaki dan warga emas wanita dengan pembolehubah seperti umur dan bilangan kesukaran dalam menjalani Aktiviti Harian Hidup (ADLs). Perubahan magnitud dalam kemungkinan warga emas lelaki akan terus bekerja adalah lebih tinggi berbanding warga emas wanita apabila umur dan bilangan kesukaran dalam menjalani ADLs meningkat. Hasil penyelidikan daripada kajian ini membolehkan penggubal dasar polisi menggubal polisi warga emas yang lebih berkesan melalui sistem insentif dan pengambilan pekerja yang lebih komprehensif bagi golongan warga emas tanpa mempengaruhi peluang pekerjaan bagi golongan muda. Sokongan tunai antara generasi boleh diterokai dengan lebih

lanjut dari segi hala tujunya dan pemindahan wang tunai oleh cucu dewasa yang bekerja kepada datuk dan nenek mereka yang berusia 60 tahun dan ke atas. Data ini tidak termasuk dalam tinjauan MPFS-54, dimana data tersebut boleh memberi lebih banyak informasi berkenaan dengan pengaruh tersebut terhadap keputusan untuk bekerja bagi warga emas di Malaysia. Kajian ini juga memberi peluang kepada peyelidikan akan datang untuk mengukuhkan lagi hasil penyelidikan kajian ini dalam aspek-aspek lain berkenaan dengan penyertaan tenaga buruh warga emas lelaki dan warga emas wanita di Malaysia.



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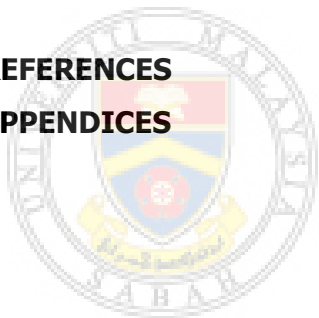
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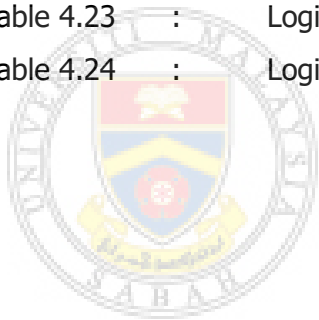
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LIST OF ABBREVIATIONS

ADLs	-	Activities of Daily Living
ASEAN	-	Association of Southeast Asian Nations
CDA	-	Children Development Account
CVD	-	Cardiovascular Disease
DOSM	-	Department of Statistics Malaysia
EEO	-	Equal Employment Opportunity
EPF	-	Employee Provident Fund
GDP	-	Gross Domestic Product
GST	-	Goods and Services Tax
HWR	-	Health, Work and Retirement
IADLs	-	Instrumental Activities of Daily Living
IMF	-	International Monetary Fund
KPKM-5	-	Kajian Penduduk Dan Keluarga Malaysia Kelima
KPWKM	-	Kementerian Pembangunan Wanita, Keluarga Dan Masyarakat
LPPKN	-	Lembaga Penduduk Dan Pembangunan Keluarga Negara
MPFS	-	Malaysian Population and Family Survey
NGO	-	Non-Government Organisation
NPFDB	-	National Population and Family Development Board
OLG	-	Overlapping Generations
SPSS	-	Statistical Software Package for Social Science
SST	-	Sales and Service Tax
UN	-	United Nations
WHO	-	World Health Organisation

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CHAPTER 1

INTRODUCTION

1.1 Introduction

As the time goes by, the world is ageing. Ageing process will take its course naturally and no one can obstruct the process. In this 21st century, ageing population is a common economic problem faced by every country, particularly industrialised countries like the United States, Japan and Singapore. Most of the developing countries including Malaysia begins to experience the rising proportion of elderly in the population (Ismail *et al.*, 2021). Hence, there is a rise of concerns on ageing population issues as the world is 'greying'. Ageing is a gradual process that overtakes an individual causing a decline in certain physical functions (Husain, 2019). Another simple definition of ageing from Oxford Dictionaries (2017) is a process of growing old. When a population or demographic ages, it indicates that the population is growing old where the number of people aged 60 years and above is increasing, while the number of people aged 59 and below is shrinking (Husain, 2019).

The term 'ageing population' is far deeper than it appears. Countries with ageing population issues are classified differently. According to the United Nations (2017), a country is classified as ageing if seven per cent of its total population is aged 65 and above. If this percentage doubled, it would hit a new rank which is called an aged country. A country that has over 20 percent of its citizens above that threshold will be known as a super-aged country (United Nations, 2017). It is a known fact that the world population is ageing. According to the World Population Ageing Report by the United Nations (2017), there were 962 million people aged 60 and above in 2017. The number is expected to reach 2.1 billion people by 2050, which accounted for 22 percent of the total population in the world.

Many studies adopted the United Nations' earlier definition of an older person as the benchmark of their studies in classifying a person as an older person (d'Albis *et al.*, 2013). Some studies adopted WHO's chronological age of 65 years as the criterion of being an older person (Hatcher *et al.*, 2019; Lim, 2018; Naja *et al.*, 2017). In a recent report by the United Nations, older people are those aged 65 and above (World Population Prospects: 2019 Highlights, 2019). There are other studies that adopted age 60 as the eligible age to be an older person (Aziz *et al.*, 2022; Husain, 2019; Devasahayam *et al.*, 2018; Halaweh *et al.*, 2018; Ramely *et al.*, 2016; Giang & Le, 2015), while some studies suggested retirement age as the benchmark age of an older person (WHO, 2019). In conclusion, older people can be classified as those under the age thresholds of 60, 65, or 70 years and above (Chang *et al.*, 2019). For Malaysia, the official age for a person to be classified as an older person is either age 60 or 65, as certain departments in Malaysia are adopting age 65 and others using age 60. Hence, in this thesis, age 60 will be used in distinguishing between an older and a non-older person which is aligned with the benchmark age adopted by the National Population and Family Development Board as this study is using the data collected via MPFS-54 survey.

Ageing population is not a 'disease' but rather a universal issue faced by all economies particularly developed countries. A significant number of older persons are less participative in economic, social or outdoor activities (Husain, 2019) which is due to personal reasons such as anxiety, depression and loneliness experienced by the older people (Elias *et al.*, 2019) or ageism and stereotyping in the labour market (Ramely *et al.*, 2016). Many studies aim to explore the rising importance of older persons in labour supply as the society is rapidly ageing (Husain, 2019; Thang, 2011; Wan Ahmad *et al.*, 2011; Vodopivec & Aruntlake, 2011) while some studies explored the labour force participation between older men and older women (Tey & Hamid, 2014; Adhikari *et al.*, 2011) found that there is a significant progression for both labour force participation of older men and older women but at different rate (Husain, 2019). Studies found that active participation of older men and older women in the labour market are beneficial in aggregate (Carlstedt *et al.*, 2018; Halaweh *et al.*, 2018) although it may not be benefitting certain groups of people in the economy (Cuervo, 2013). Hence the topics associated with the labour force participation decision made by older men and older women become increasingly important.

The motivations behind older men and older women to continue working are imperative in developing an effective ageing policy. Older men and older women might have different motivation factors to their labour force participation decision as the empirical evidence in a study by Heron and Baird (2018) shows that the labour force participation rate for older men is greater than the older women despite the offer of stronger incentives for the return of older women to the labour force. A past study proves that the intergenerational support from the adult children to their older parents have a significant association with the labour force participation of older people in Malaysia (Pazim, 2019). Intergenerational support can exist in two forms; tangible and non-tangible (Bui *et al.*, 2022; Wu, 2021). Financial resources are also highlighted as one of the main driving forces for older people to continue working despite reaching an age where they should have a peaceful and relaxing life (Vaghefi *et al.*, 2017).

In this chapter, a thorough explanation on the ageing population size for ASEAN countries are presented. On top of that, this section also provides an extensive overview on Malaysia's ageing population issues. Next, this section also outlines and explains the significance of the study. Problems and objectives associated with the study are transformed into statements and outlined in this section. The following subsection outlines the research questions which are the questions to be answered in this study. Lastly, is the description of the scope of study followed by a brief summary on organisation of topics of the study. This thesis will serve as an extension to any existing studies on participation of older people in the labour force based on gender in context of Malaysia.

1.2 Ageing Population in ASEAN

The idea of setting up the Association of Southeast Asian Nations (ASEAN) is from the idea of inception of the Southeast Asia Friendship and Economic Treaty (SEAFET) (Keling *et al.*, 2011). ASEAN was established in 1967 (Putra, 2015). In earlier stages, ASEAN only consisted of five nations from Southeast Asia which are Thailand, Malaysia, Singapore, Indonesia and the Philippines (Keling *et al.*, 2011). Around the

1980s and 1990s, ASEAN's members increased with the addition of Brunei, Cambodia, Laos, Vietnam and Myanmar (Putra, 2015; Keling *et al.*, 2011).

In the past 50 years, ASEAN countries were relatively young and the proportion of older people from the total population were still below 7 percent. Over time, the proportion of older people from the total population is growing. Below is the map showing the latest information on ageing population size for the ASEAN countries as of 2021.

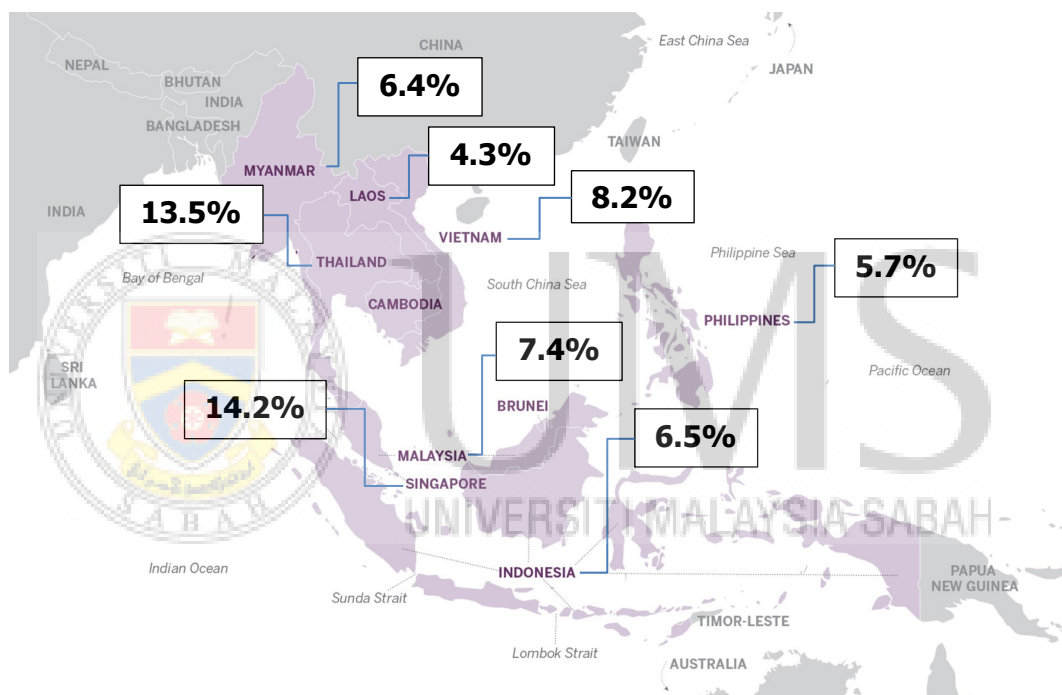


Figure 1.1 : Ageing Population Size for ASEAN Countries

Source : Modified Map from US-ASEAN Business Council Inc. (2021)

Ageing issues were common in industrialised economy in the olden days, but not for developing economies. Judging from the current trends of the shifting on demographic in developing countries such as Malaysia, Thailand and others, this is not the case anymore (Ladusingh & Maharana, 2017). Based on the Figure 1.1, there are 4 of the ASEAN members including Malaysia that have attained ageing nation status where at least 7 percent of their population are aged 65 years old and above. As of 2021, Malaysia is ranked 4th in terms of the ageing population size among the

ASEAN members with 7.4 percent of the population aged 65 years old and above. This shows that Malaysia's ageing population is still relatively younger than Singapore, Thailand, and Vietnam but it is still a great concern as the growth rate of Malaysia's ageing population is rising rapidly. Expansion in ageing population accompanied by a contraction in younger population has led to the rise in old-age dependency ratio among ASEAN countries.

The following subsection is the discussion on the old-age dependency ratio in Malaysia and in other ASEAN members. This section shall analyse the level of old-age dependency ratio of Malaysia in ASEAN level and the issues associated with the increase in the level of old-age dependency in Malaysia.

1.3 Comparative Analysis on Old-Age Dependency Ratio in Malaysia With Other ASEAN Countries

Growing in size of an ageing population will increase the dependency ratio. In other words, the burden on the younger population will increase. Younger population may need to produce more goods and services in the economy in order to support the increasing needs of older people. Lower working age population to sustain the rapidly growing ageing population may lead to a decline of the total output produced in an economy (Mohd *et al.*, 2021). Over the years, the growth in overall population is slowing down compared to the growth rate of ageing population in Malaysia. Below is the trends for the growth rate of the entire population and ageing population in Malaysia.

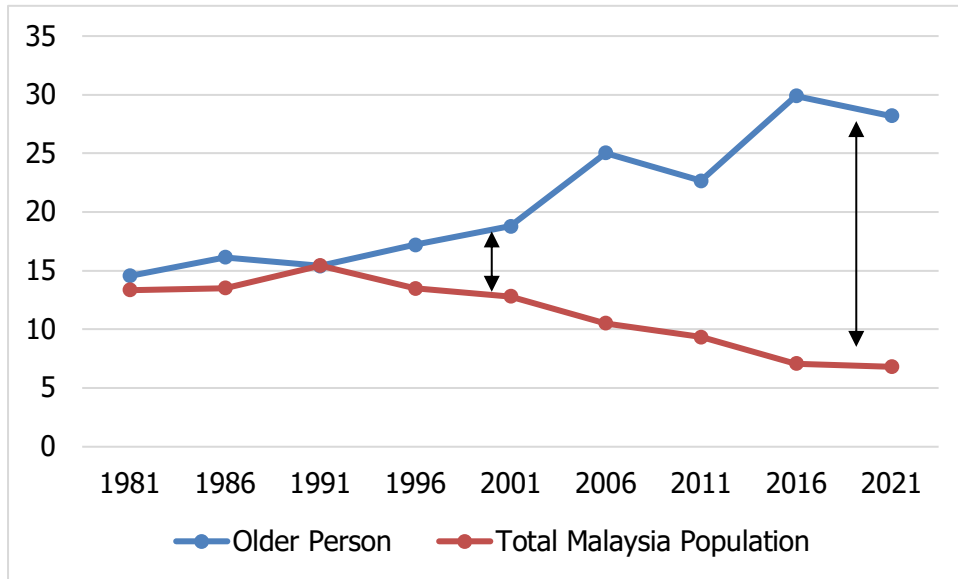


Figure 1.2 : Growth Rate of Total Malaysia Population and Older Person in Malaysia from 1981-2021

Source : World Bank Data (Author's Own Work, 2022)

According to Figure 1.2, the growth rate in the total population in Malaysia has been declining since 1991, while the growth rate of older person is higher than the growth rate of the total population in Malaysia. The gaps between the growth rate for the total Malaysia population and older person has widened for the last 40 years. This again shows that the ageing population is expanding at critical speed which leads to rise in old age dependency ratio where the ratio of an older person to working adult is getting smaller. Below is the diagram showing the changes in old-age dependency ratio for Malaysia from 2010 to 2040.