

## **Ageing Population in Malaysia: A Conceptual Paper on The Effects and Challenges**

**Asma' Rashidah Idris, Nur Fadhlin Zainal Abedin, Aini Hayati Musa, Purnomo M Antara, Farrah Nadia Baharuddin, Sarah Mardhiah Selamat**

Universiti Teknologi MARA Negeri Sembilan Kampus Rembau  
Malaysia

**To Link this Article:** <http://dx.doi.org/10.6007/IJARBSS/v13-i11/19135> DOI:10.6007/IJARBSS/v13-i11/19135

**Published Date: 02 November, 2023**

### **Abstract**

In recent decades, the world's ageing population is a significant demographic trend observed worldwide. This trend is driven by several factors including fertility rate, advances in healthcare and increase in life expectancy. The implications of this trend vary across different regions and countries. In response to this demographic trend, this conceptual study is likely to highlight the effects and challenges of ageing population in Malaysia. The ageing population can have crucial effects on various aspects of society such as productivity and government revenue, healthcare, social security system and investment pattern and labour market. By taking a proactive approach to address the challenges of an ageing population, society can better support their well-being of elderly citizens in future while maintaining economic growth and stability.

**Keywords:** Ageing Population, Demographic Change, Fertility, Life Expectancy, Malaysia.

### **Introduction**

Ageing population denotes to a demographic change characterized by an increasing proportion or absolute number of older individuals within a population (Kochhar & Oates, 2014). It occurs when the medium age of a population rises over time, usually due to declining pattern of fertility rates and increasing life expectancy. The ageing population measured by looking at the proportion of individuals aged 65 and older compared with younger people (Dobriansky, Suzman, & Hodes, 2007).

Currently, Malaysia is moving towards having an ageing population. It is estimated that Malaysia may become an ageing nation by 2030 with people aged 60 years and over surpassing 15% of the working population (DOSM, 2023). In 2020, the elderly population accounted approximately 9.1% of the total population which is 3.3 million and it is projected to reach 20% by 2045. Malaysia's ageing index was 11.7, indicating that there were approximately 12 elderly persons for every 100 working-age individuals (TMR, 2021).

In the meantime, fertility demonstrates a decreasing trend which is alarming in most of the countries that will likely reduce the number of young age population and will be facing decreasing populations in the future. Over the last five decades, Malaysia experiencing dramatic fertility decline around 50% over the period of 1961 to 2013. this trend continues it is expected that the annual population growth will continue to decline until it reaches a level of 0.7 per cent in 2050. The fertility rate for Malaysia in 2022 was 1.941 births per woman, a 0.87% decline from 2021 (United Nation, 2022)

Apart from an increase in the aged population, the aged are also living longer as evidenced by an increase in life expectancy. The average life expectancy was around 75 years for males and 79 years for females (United Nations, 2022). It is significant to know that life expectancy can change over time because of several factors for example advance in medical technology and health care, lifestyle, socioeconomic conditions of the people (Kaare & Vaupel, 1996).

The issue of ageing population, fertility decline and longevity are interconnected and have significant implications for societies and economies around the world which this trend is vary across different regions and countries (Jayawardhana, Anuththara, Nimnadi, Karadanaarachchi, Jayathilaka & Galappaththi (2023). In response to this demographic trend, this study is likely to highlight the effects and challenges of ageing population in Malaysia. The ageing population can have crucial effects on various aspects of society such as productivity and government revenue, healthcare, social security system and investment pattern and labour market.

### **The effects and Challenges of ageing population in Malaysia**

The implication of an ageing population is wide-ranging and will affect various aspects of society including it can place pressure on healthcare system, pension and social security system, government revenue, financial stability, labour market and overall structure and functioning of societies.

#### **Dependency ratio and Government Revenue**

The ageing population has implication for dependency ratio which is the ratio of the economically dependent population (those under 15 and above 65) to the working-age population or productive population (15-65 years). As of 2020, Malaysia's dependency ratio was 49.3 meaning that for every 100 working-age populations, there were about 49 dependents. As the elderly population increases, it put pressure on working-population to support the dependent population (Cristea, Noja, Stefea & Sala (2020).

An ageing population lead to a decline in the working-age population, potentially affecting tax revenues, economic productivity and growth (Boucekkine, de la Croix, & Licandro, 2003). With fewer people in their working years, there will be reduction in labour supply and economic output (Hondroyiannis & Papapetrou, 2001). This can impact tax revenues, which are important source of government revenue (Davis, 2002).

#### **Social Security System and Investment Pattern**

Social security system in Malaysia will not be sufficient to financially support the ageing population. As people live longer, there is a need to ensure sufficient retirement saving and pensions plan to support old-age population during retirement years (Mason & Tryon, 1990; Borsch-Supan, McFadden & Schnabel, 1996). Government and employers need to ensure the sustainability of pension systems while providing adequate and they remain financially viable and able to meet the needs and support the retirees.

The financial behaviour of old-age people can influence overall financial stability. Old-age population commonly risk-averse person which they tend to shift their investment strategies towards lower-risk assets and draw down their savings for retirement expenses (Imam, 2013; Bakshi & Chen, 1994). These patterns can have implications for financial market and investment flows, potentially affecting economic stability (Borio & Drehmann, 2009).

Ashcraft and Adrian (2012) demonstrates the gradual decline of the of the traditional funding sources of the commercial bank in the form of deposits and the relative increase in market-based funding sources offered by other financial institutions from 1945-2011.

### **Live Expectancy and Health Care**

Malaysia has made substantial progress in improving life expectancy, mainly due to improvement of healthcare, better access to hospital and medical services, upgrade in income level, education and living standards. Government has provided various initiatives and healthcare programs to enhance health and well-being. As a result, people are living longer and the proportion of old-age population is growing (Bloom, Canning & Fink, 2011).

However, the elderlies are less healthy than the young population, hence an increase in the proportion of the old-age population is associated with an increase in the occurrence of ill health. Some common health condition of the elderly that tend to be more prevalent for examples chronic diseases; heart disease, diabetes, hypertension, arthritis, cognitive decline; alzheimer's disease, vision and hearing impairment, mental health and other diseases (McKee, Stransky & Reichard, 2018).

Therefore, in this case, the elder population needs regular medical check-ups, healthy diet, social engagement and access to quality health care and infrastructure to support and promote the well-being and quality of their living (NHMS, 2018). The present health care system is thus inadequate and even inappropriate to service the elderly with their chronic diseases and disabilities (Norlaily, Azidah, Asrenee, Rohayah & Juwita, 2009). The prevention and primary health care as hospital based care involve lots of costs and public health expenditure (Turner, Giorno, De Serres A, & Richardson, 1998) which burden both parties; family members (working-population) and policymakers.

### **Labour Market**

The ageing population has crucial impact on labour market. As the population ages, the size of labour market will like to decline and a country experiences slower productivity. This is particularly due to a decrease in the number of young people entering workforce compared to elder people. As a result, there will be shrinking pool of available workers and contributing to labour shortage (McKenzie, 2003), particularly in sectors that heavily rely on younger workers. This can be problematic for certain industries that needs the young population to operate.

The ageing population can also influence intergenerational dynamics in the labour market. Younger workers may face challenges such as limited job opportunities and slower career growth due to a higher proportion of older individuals occupying senior positions (Siliverstovs, Kholodilin, & Thiessen, 2011). Balancing the needs and opportunities for both younger and older workers is crucial for fostering a harmonious and inclusive labour market.

### **Recommendations and Conclusion**

The increase in the ageing population in this country is unavoidable. The aged population has its own unique effects and will generate new challenges to address the potential challenges associated with the ageing population, policymakers need to adopt proactive measures. These include implementing reforms to pension systems, healthcare financing, and social security programs as well as encouraging workforce participation and promoting financial literacy and planning among individuals of all age groups. Moreover, policymakers, employers and society need to adapt to the changing dynamics of the labour market resulting from the ageing population. This includes implementing age-friendly workplace policies, promoting lifelong learning, supporting flexible work arrangements, and fostering intergenerational collaboration. In conclusion, this undoubtedly requires a sharing of responsibilities between the government, private sector, non-governmental agencies and the community. We will all age and we will all require the services for the aged at some point in time. Everybody needs to address the specific needs and challenges faced by elderly population so that policymaker can propose a strategic planning for the purpose of old-age population well-being in the future.

### **Acknowledgement**

We thanks the anonymous reviewers for their useful suggestions.

### **Corresponding Author**

Asma' Rashidah Idris

Faculty of Business and Management, Universiti Teknologi MARA Cawangan Negeri Sembilan, Kampus Rembau, 71300 Rembau, Malaysia.

Email: asmar440@uitm.edu.my

### **References**

- Adrian, T., & Ashcraft, A. B. (2012). Shadow banking regulation. *Annu. Rev. Financ. Econ.*, 4(1), 99-140.
- Bakshi, G. S., & Chen, Z. (1994). Baby boom, population aging, and capital markets. *Journal of business*, 165-202.
- Bloom, D. E., Canning, D., & Fink, G. (2014). Disease and development revisited. *Journal of Political Economy*, 122(6), 1355-1366.
- Borio, C. E., & Drehmann, M. (2009). Assessing the risk of banking crises—revisited. *BIS Quarterly Review*, March.
- Borsch-Supan, A., McFadden, D. L., & Schnabel, R. (1996). Living arrangements: health and wealth effects. In *Advances in the Economics of Aging* (pp. 193-216). University of Chicago Press.
- Boucekkine, R., Croix, D. D. L., & Licandro, O. (2003). Early mortality declines at the dawn of modern growth. *The Scandinavian Journal of Economics*, 105(3), 401-418.
- Christensen, Kaare, and James W. Vaupel. Determinants of longevity: genetic, environmental and medical factors. *Journal of internal medicine* 240.6 (1996): 333-341.
- Cristea M, Noja GG, Stefea P, Sala AL. The Impact of Population Aging and Public Health Support on EU Labor Markets. *Int J Environ Res Public Health*. 2020 Feb 24;17(4):1439. doi: 10.3390/ijerph17041439. PMID: 32102277; PMCID: PMC7068414.
- Davis, E. P. (2002). *Ageing and financial stability* (pp. 191-227). Springer Berlin Heidelberg.
- Dobriansky, P.J., Suzman, R.M., Hodes, R.J. (2007). *Why Population Aging Matters—A Global Perspective*; Department of State: Cambridge, UK.

- DOSM (2023). Department of Statistics Malaysia. (<https://www.dosm.gov.my/>).
- Hondroyannis, G., Papapetrou, E. Macroeconomic influences on the stock market. *J Econ Finan* **25**, 33–49 (2001). <https://doi.org/10.1007/BF02759685>
- Imam, P. (2013). Demographic shift and the financial sector stability: the case of Japan. *Journal of Population Ageing*, *6*, 269-303.
- Jayawardhana T, Anuththara S, Nimnadi T, Karadanaarachchi R, Jayathilaka R, Galappaththi K (2023) Asian ageing: The relationship between the elderly population and economic growth in the Asian context. *PLoS ONE* *18*(4): e0284895.
- Kochhar, R.; Oates, R. Attitudes about Aging: A Global Perspective; Pew Research Center: Washington, DC, USA, 2014
- Masson, Paul R. and Ralph W. Tryon, 1990. Macroeconomic effects of projected population ageing in industrial countries, *International Monetary Fund Staff Papers*, vol. 37, No. 3, pp. 453-485.
- McKee, M. M., Stransky, M. L., & Reichard, A. (2018). Hearing loss and associated medical conditions among individuals 65 years and older. *Disability and Health Journal*, *11*(1), 122-125.
- McKenzie, D. J. (2006). The consumer response to the Mexican peso crisis. *Economic Development and cultural change*, *55*(1), 139-172.
- Norlaily, H., Azidah, A. K., Asrenee, A. R., Rohayah, H., & Juwita, S. (2009). Proportion of dementia and its associated factors among elderly patients attending outpatient clinics of Universiti Sains Malaysia Hospital. *The Medical journal of Malaysia*, *64*(2), 140-145.
- Siliverstovs, B., Kholodilin, K. A., & Thiessen, U. (2011). Does aging influence structural change? Evidence from panel data. *Economic Systems*, *35*(2), 244-260
- TMR (2021). The Malaysian Reserve. Malaysia's Social Protection System Not Ready for Ageing Nation. 26<sup>th</sup> July 2021.<https://themalaysianreserve.com/2021/07/26/malaysias-social-protection-system-not-ready-for-ageing-nation-status/>