

FACTORS INFLUENCING EMPLOYEE SATISFACTION WITH RETIREMENT BENEFITS IN MALAYSIA

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Article history

Received date : 31-10-2025

Revised date : 1-11-2025

Accepted date : 19-11-2025

Published date : 21-11-2025

To cite this document:

Ismail, F., & Kang, H. Y. (2025). Factors influencing employee satisfaction with retirement benefits in Malaysia. *Journal of Islamic, Social, Economics and Development (JISED)*, 10 (78), 907 – 915.

Abstract: *This research to identify some of the factors that impact on employee perception to retirement benefits in Malaysia. These major dimensions are adequacy of benefits, financial understanding, and health care assistance. The study establishes that low remunerative accumulations for retirement and poor health care facilities cause general employee discontent. The research reveals that ordinations to advance benefit schemes, modifying participant's financial education, and incorporating healthcare support are critical interventions needed to meet retirees' requirements for satisfaction.*

Keywords: *Retirement benefits, Employee satisfaction, Malaysia*

Introduction

Retirement benefits is a major element of social security whereby the world over it serves as a source of income to those people in retirement age to help them maintain a decent standard of living. In developed countries, organized retirement benefit systems like the Singapore CPF are a combination of state systems, employer contributions and saver systems to address complexities of an aging generation, inflation and other overwhelming living costs (Mercer, 2023). Nevertheless, there is concern with questions about the sufficiency and availability of these benefits in many countries. On a Global level, the level of employee satisfaction with retirement benefit was 61% in 2023, a record low from the level recorded in 2022, 64%. Thus, there is a pressing need for international authorities to reconsider the efficiency of the present-generation retirement programs as well as inject new sustainable reforms that will adequately address escalating demands (Jendriks, 2024).

A retirement is the exit from active working situation or the period in which an individual ceases working for an employer (Tai & Sapuan, 2018). Under the Malaysian Labour Law- the Minimum Retirement Age Act 2012- it is mandatory for the retirement age to be 60 years. However, the issue comes in when they retire, this is because both the government and other institutions fail to provide enough support to the retirees, they encounter the retirement period from 60 years till they die (Haron et al., 2019). This is due to a number of factors the existence of which makes the above benefits sorely lacking, Malaysia's aging population. In 2030 the total population of Malaysia will be aged 60 or older will reach 15%, which would turn up the necessity of developing the retirement system (Jaafar et al., 2019).

In Malaysia, most retirement income is sourced from the Employees Provident Fund, personal retirement savings arrangement commanded by all private sector employees known as the EPF, and the Civil Service Pension Scheme for civil servants. The EPF is a defined contribution arrangement through which the employer and the employee contribute a percentage of the wages of the employee. Members can withdraw savings in cash balance or in periods up to the time of their remaining working years; they are to aid them during their post-retirement period (Mohamad Amin et al., 2021). Nonetheless, some issues arise about the adequacy of such benefits especially for migrant workers because employer's contribution is restricted, and moderately limited, many retirees remain at risk (Noor et al., 2024).

Current statistics reveal that only 32% of active EPF members have achieved the recommended minimum savings of RM240,000 by age 55 in Figure 1. This amount is considered necessary to sustain a comfortable retirement, allowing withdrawals of RM1,000 per month for 20 years. The remaining 68% of members fall below this benchmark, raising questions about the adequacy of their retirement preparedness (Freedom, 2023). Moreover, low financial literacy among employees further exacerbates the problem, as many lack the knowledge and skills needed for effective retirement planning (Detthamrong et al., 2024). Healthcare is another critical concern, as retirees face increasing medical expenses without a dedicated healthcare plan integrated into the retirement system. While EPF funds can be used to cover some medical costs, this is often insufficient to address long-term healthcare needs (Kimiyaahlam et al., 2019).

Planning for Retirement



Figure 1: EPF Savings and Recommended Retirement Targets by Age (Freedom, 2023)

Regarding employee satisfaction with retirement benefits in Malaysia is the sustainability and sufficiency of the current pension system, especially when considering the demographic shift towards an aging population (Jaafar et al., 2019). The problem faced by existing retirement schemes, like the Employees Provident Fund (EPF), may not provide enough financial support to sustain retirees throughout their post-retirement years, which could result in a diminished quality of life and an increased risk of poverty for the elderly (Pension Policy International, 2023). A compensation package that employees obtain is one of the aspects that can determine the job satisfaction. Zulfaka & Kassim, (2021) say that while compensation and workplace to some extent increase on job satisfaction and workers performance. These are many factors will influence employee satisfaction. The objective of this study is to determine the factor influencing employee satisfaction with retirement benefits in Malaysia.

Discussion

Development of Retirement Benefit in Malaysia

An appreciation of the changes of retirement benefits in Malaysia can be attributed to historical, economics and social factors. Malaysia provident fund is believed to be the world's oldest provident fund and many have considered it to be very successful (Mohamad Amin et al., 2021). The EPF was formed formally in operation on eighteen February 1951 due to the significant advancement and spread of few provident funds among the plantation and mining companies. EPF Ordinance was introduced in 1951 by the Federal Labour Department to create a necessity for the retirement savings benefits to be easier for every employee to have some financial security when they retire. Besides, EPF was originally implemented as a defined contribution (DC) scheme drawn from savings meaning that both employees and employers shall contribute mandatory amounts that shall be invested to give back to members upon retirement. EPF offers retirement benefits for the private sector workers and non-pension age civil servants (KWSP, 2023). It relative to the public sector employees, pension is provided under the Pension Act 1980. It contemplates on and gives ways on how the pensions, gratuities and other reimbursements shall be made for such civil servants and their beneficiaries

(Mohamad Amin et al., 2021). The Minimum Retirement Age Act 2012 which regulate and provide for the minimum retirement age of sixty years also reached another important landmark. This law was supposed to help employees work longer to have more savings in the retirement accounts (Haron et al., 2019).

EPF's first partial-withdrawal scheme was in 1968 that allows members to withdraw up to one-third of their savings with them (Abdullah, Rahim, & Wahab, 2024). Since then, EPF has made several changes on pre- retirement withdrawal arrangements. Several modifications have been made on the framework of the fund. The latest is the provision made in EPFA where the fund can be withdrawn to undertake hajj or pilgrimage for Muslim members of the fund. This is so, provided that the member had received a letter of offer to perform the hajj from the Pilgrim Fund Board (Lembaga Tabung Haji). Since its establishment, EPF has made many strategies and structural changes which include the following invests in all the major markets in different classes of assets. The decision-making process is divided into two, namely the Board and another panel vested with decision making on the investment. To enhance on transparency, the EPF would be free to give quarterly report on the status and performance of the investment as opposed to the legal provision of an annual report (KWSP, 2024).

Factors Influencing Employee Satisfaction with Retirement Benefits in Malaysia

Quality and Adequacy of Retirement Benefits

Employees have expressed satisfaction concerning income adequacy and quality of retirement benefits. From the study conducted by Zulkiflee et al., (2021) notes that, the level of job satisfaction is higher in employees who believe that their retirement benefits will be able to support them in the retirement period. This is in line with the recommended benchmark for personal savings for the Malaysian people, which is to have at least RM240,000 to retire and withdraw RM1,000 per month for twenty years. But the reality it seems is so for many as only 32 percent of EPF members have achieved this goal, which means a big chunk of the workforce is possibly dissatisfied with their current savings and concerned with adequacy of funds that will be needed after they retire (KWSP, 2023). This disparity between the recommended savings and actual savings of many workers shows that there is a crying need to enhance employee financial planning and retirement benefits for decent worthy retirement of every employee.

Financial Literacy and Awareness

The research also revealed that financial literacy is relevant to the satisfaction level of employees with their retirement benefits (Detthamrong et al., 2024). Self-employment which includes knowledge on long-term savings and investment appears to have stronger satisfaction levels on retirement planning. This implies that decision making procedures through financial education reaches employees' capacity to make right decisions on their retirement funds, leading to higher satisfaction levels of the received benefits. Any organisation thereby extending its 'helping hand' through offering financial planning aid in form of conducting scheduled financial planning workshops and or providing informative financial planning materials to their employees equally go a long way in improving the financial planning literacy level of employees and thus improving overall employee's satisfaction on issues relating to their retirement income (Freedom, 2023). Through providing a financially literate work force,

organisations create happiness among employees concerning the retirement benefits available to them hence enhancing organisational loyalty and productivity.

Healthcare Coverage

Medical expenses are always of major concern for retirees and the provision of post-retirement health care benefits, therefore, receive massive consideration (Kimiyaahlam et al., 2019). In Malaysia, the Employees Provident Fund (EPF), you can withdraw savings to cater for medical bills; this is however not a healthcare plan as regard to retirement. There is no clear, viable healthcare plan that caters the numerous and occasionally complex health requirements in post-retirement and this can pose security threats to a worker. Such uncertainty raises dissatisfaction among employees who are also concerned about their healthy eating and the years they will spend in their retirement. Hence, it has become increasingly important for the employers and the government to strive to ensure that there is adequate healthcare solutions offered that would enhance the retirement benefits and ensure that retirees are protected financially in their post working years (Hamid et al., 2022).

Comparison of Retirement Benefits Malaysia and Singapore

Structure of Retirement Savings Schemes

Malaysia follows contribution based mandatory retirement savings scheme known as the Employees Provident Fund (EPF) whereby employers and employees contribute a fixed number of wages with capped contribution based on the standard wage employee plans mostly for retirement without accounts for other lifestyles (KWSP, 2024). Singapore CPF is a mandatory savings scheme used for retirement funding as well as health, shelter, and insurance. CPF divides contributions into several accounts, each dedicated to a specific purpose: The Ordinary Account (OA), which pays for housing and education needs, the Special Account (SA), for retirement, and the Medisave Account for most of the healthcare costs. Part of OA and SA is transfer to the Retirement Account to pay monthly pension to the retiree for the rest of employee's life (Shen et al., 2019).

Healthcare for Retirees

Currently, there is no well-formed specialised support system for health care needs of retirees under EPF in Malaysia. The money that is accumulated in EPF is meant for retiring and although employees can use some of it for specific personal or medical expenses, it is not enough to cater for long term medical expenses, especially because medical bills are likely to rise in the future with age (KWSP, 2024). Medisave is one of the special aspects of CPF for Singapore; it is a compulsory health fund, a basic health insurance plan, which is contributed and partly financed by the CPF (Shen et al., 2019). This all-encompassing health help is that retirees in Singapore can pay for their health expenses suitably without draining their retirement savings.

Adequacy and Adjustments of Retirement Savings

EPF Malaysia is the only retirement wealth of many employees and it often is not enough for a comfortable retirement if he has to meet with health costs or other unpredictable expenses (KWSP, 2024). Increasing the encouragements towards PRS or designing extra voluntary schemes could help boost preparedness of Malaysian employees for their retirement. However, the adoption of the PRS is still exceptionally low since there is little awareness, and there are

no rewards to appreciate implementation efforts. Singapore's CPF is often tweaked annually by the government to compensate for inflation and increase cost of living. The CPF Board adjusts and redesigns minimum contributions, the Minimum Sum, and other factors required for lifetime CPF payouts to make sure that retirees have a regular income that can compete with financial characteristics of economy (Shen et al., 2019).

In conclusion, Singapore's CPF system could be used for improving retirement benefits system of Malaysia. First, the employees provident fund (EPF) could be made even better by adding sub accounts focused on health care expenses and home ownership just as what CPF has in Medisave AND Ordinary Account (Shen et al., 2019). This would mean that retiree's wealth would be dedicated part of the wealth towards basic needs to avert this they are depleted. Furthermore, systemising an endowment pension like CPF LIFE could apply longevity risks for retirees receive monthly payouts as long as they live, to cater for their needs in their post-retirement age. For Malaysia, the contribution rates and the recommended savings should be revised periodically to reflect inflationary aspirations and high cost of living thereby maintaining adequacy of savings in the future (Pilipiec et al., 2021). Last but not the least, it will be appropriate to adopt Medisave like Health Care Savings Scheme for retirement funds like EPF as the medical costs will rise sharply in future and without saving for those it will be very difficult to manage our retirement funds too. Such reforms would help to develop a stable and much needed personal retirement benefits system, which would benefit employees in Malaysia and positively impact the satisfaction level among the human capital.

Steps to improve employee satisfaction with retirement benefits

Understand the “why” of retirement benefits

There is need to evaluate current retirement benefits such as the EPF based on the goals and approaches being applied in their provision (Wilson, 2024). Think about how the retirement benefits of a company fit into its objectives concerning the ability to acquire and retain employees and if indeed the retirement benefits provided would address the retirement needs of the employees (Mansor, Awang & Rashid, 2022). Cooperate with the benefits administrators and use the data source for comparing the current company's levels of engagement, utilisation, and satisfaction with the industry averages (Chua & Chin, 2022).

Invest in deep personalization

Stop offering fixed benefits that do not cater for the varying financial and other needs of the employees by offering flexible benefits which cater for different employees as they prepare to retire (Wilson, 2024). For instance, consider extending choices such as other normal optional contributions, some other than the EPF that employees may wish to undertake, for instance the PRS. In this case, train your employees, enlighten them on how to effectively use these retirement options in accordance with their aims (Zulfaka & Kassim, 2021). A more targeted strategy for publicising retirement benefits with employees should expand their satisfaction, by offering support for multiple perspectives (Chua & Chin, 2022).

Gather real-time employee feedback

Collect data frequently to capture changing attitudes of staff where retirement is concerned (Wilson, 2024). It is also important not to wait for sporadic research but to receive feedback after the moments employees engage most closely with their retirement benefits, such as EPF

contribution/withdrawal or PRS membership. This real-time information enables one to spot current problems that businesses are facing since they can adapt quickly (Hamid et al., 2022). Understanding what employees hold dear through surveys, benefit changes foster satisfaction and can be fixed on what they consider most valuable (Mansor, Awang & Rashid, 2022).

Leverage technology for benefits advocacy

The most important idea is that the available technology may be utilised for providing the necessary education to the employees on their retirement programmes (Wilson, 2024). Utilise social media and other easily accessible online formats to make EPF, PRS and other retirement benefits information easily accessible for users (Leong, 2024). Employees may be overwhelmed by all the choices because there are so many plans features available due to hybridization; virtual assistants and other interactive help tools can assist them. Moreover, specific retirement benefits offered to the employees can also be tracked through analytics tools about their usage to which extent, so that employers can modify their awareness creation and sensitisation measures towards the benefits more forcefully (Alam & Chen, 2021).

Adapt benefits to shifting employee needs

When the employees are in another life cycle stage change the retirement benefits for them to be significant in that stage (Wilson, 2024). This is for instance young employees may be interested in investment advisory service for PRS while medium employees may be more interested in contribution to the EPF (Zulfaka & Kassim, 2021). Employ data to make changes before they become necessary and offer new products such as long-term care for ageing workers (Mansor, Awang & Rashid, 2022). This dynamic approach keeps retirement benefits relevant to the employees' needs in the future which will make majority of them satisfied hence the increased duration on the company.

Conclusion & Recommendation

In conclusion, this study therefore confirms that employees' perception of retirement benefits in Malaysian employees is influenced by structural and individual aspects. Succession funds such as the Employees Provident Fund (EPF) are central to provision of a retirement pay-check. However, current arrangements for this concept have numerous drawbacks. These costs make it very hard for retirees to depend on EPF savings alone due to the rising cost of living enhanced by an aging population. Retirees face numerous challenges that include poor savings aimed at funding their retirement, and or poor health care cover that can buffer them upon retirement. However, to rectify these problems, what Malaysia requires is a better and a much more flexible retirement scheme. The emphasis should be made on the diversification of the savings after-service, enhancing the knowledge of the population about financial activities, and adding a healthcare component to the retirement system. Through employment, policy makers, employers, and employees have the responsibility of considering adequate and sustainable post working years benefits. Through these changes, it is possible for Malaysia to develop a much-needed retirement benefits system that would equally benefit its working population and those who are in their twilight years through providing them with some much-needed financial security.

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