

Getting the conditions right for older workers

The Government should raise CPF contribution rates for older workers, and it should also peg the retirement age to health-adjusted life expectancy

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For *The Straits Times*

Singaporeans are not only living longer, they are increasingly working longer too. In the decade from 2007 to 2017, life expectancy for both men and women aged 65 in Singapore increased by 1.9 years to 84.1 and 87.5 years, respectively.

Over the same period, we estimate that the mean effective age of retirement for men and women rose by 3.1 and 3.6 years, respectively. On average, men are effectively remaining in the workforce until 66.1 years, with women retiring at 62.2 years.

This trend of living and working longer is the same across many developed countries. The average effective retirement age in the 36 member countries of the OECD has risen by 1.4 and 1.3 years for men and women respectively in the past 10 years.

LIVING AND WORKING LONGER

In many developed countries, people living longer and generally healthier lives is one reason for later retirement. Countries with generous defined benefit pension schemes, most notably in Scandinavia, have also raised pension withdrawal ages or reduced payouts because of worries about the sustainability of their pension funds.

Under the Retirement and Re-employment Act (RRA), Singapore's minimum retirement age is 62, and employers are not allowed to dismiss any employee below 62 on the basis of age. From 2012, employers have been required to offer re-employment

to eligible workers aged up to 65 under the RRA and, from July 2017, to employees aged up to 67.

We believe the changes in Singapore's RRA and a generally tight labour market have led to the rising average effective age of retirement here. However, it is also likely that some seniors are remaining in the workforce longer because they need the income, as they do not have enough saved to retire completely, or lack familial financial support.

Whether the decision by seniors to continue working is voluntary or otherwise, getting the conditions right for older workers is clearly important at several levels.

For the individual, many studies on ageing have shown substantial health benefits from remaining in gainful employment over and beyond the monetary rewards. Employees nearing retirement age often express the desire to continue working – a departure from the desire to retire early that younger workers may imagine for themselves.

The continued independence of seniors relieves their families of responsibilities for care and financial assistance. At a national level, sustaining the productivity of seniors can somewhat offset the effects of lower birth rates and slower population growth on available labour supply.

DYNAMICALLY ADJUSTING RETIREMENT AND RE-EMPLOYMENT AGES

It is clear that, with increasing life expectancy, we need to enable older workers to work as long as they want. One way to ease this transition is to benchmark the RRA ages to health-adjusted life expectancy (Hale). Hale is the number of years the average person is expected to live in a healthy state, and this was 72.0 and 75.2 years for men and women, respectively, in Singapore in 2016.

Doing this would remove the policy decision-making process from the political arena, and make more explicit the connection between older workers' productivity and an indicator of their health-span.



Future changes to retirement or re-employment ages can then be announced every three years to keep up with changes in Hale.

This does not mean we need to increase both the retirement and re-employment ages concurrently.

Raising the retirement age to 65 would harmonise the minimum retirement age threshold with the CPF withdrawal eligibility.

Allowing longer re-employment contracts (now set at one year) that are benchmarked to Hale would better balance employers' needs with the acknowledgement that workers are living longer.

The Government should also continue to phase in changes to the retirement and re-employment ages. Phased introduction of these adjustments ensures that all parties have time to prepare for, and adopt other necessary improvements for the workplace to remain attractive to older workers.

FLEXIBLE WORK AND JOB MATCHING

While tripartite guidelines now encourage employers to adopt flexible working arrangements, the take-up appears low with only 330 companies participating as at early last year. This may require some hand-holding to match the needs of

workers to employers in need. An example is the "Seniorjob" programme in Denmark, where the municipal government matches unemployed older workers of close to retirement age to jobs with shorter working hours.

To better assess the suitability of jobs, the Work Ability Index used in Australia and Finland recognises the social, environmental and physical factors affecting workers. This can be used to help seniors seeking jobs with more flexible working arrangements.

Indeed, one critical piece in our re-skilling and training eco-system is improving the way older workers are matched with suitable jobs, offering flexible work and having counsellors who are aware of the specific employment barriers for older workers. Lower-skilled, older workers may not be as savvy as younger ones in making use of technology to find jobs. Many job advertisements have moved from print media to online job portals.

OTHER SUPPORTIVE MEASURES

The Government has introduced various incentives to take on older workers. These include government grants for progressive companies willing to take on flexible work arrangements,

explicit subsidies like the Special Employment Credit and Workfare where older, lower-skilled workers receive enhanced incomes.

However, we believe that CPF contribution rates for older workers, last lowered to increase the employability of such workers, should be raised to improve their retirement adequacy.

More can also be done to help employers overcome barriers and lower costs of hiring older workers through the implementation of portable medical insurance coverage, encouraging job redesign and introducing flexible work arrangements.

Most important of all is the need for a more positive outlook on employing older workers.

Adopting progressive approaches to retirement and re-employment that view older workers as mature age assets, not ageing health liabilities, will make workplaces more accommodating towards older workers.

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