

REPORT OF THE TRIPARTITE WORKGROUP ON OLDER WORKERS

STRENGTHENING SUPPORT FOR OLDER WORKERS



Strengthening Support for Older Workers



Key recommendations from the Tripartite Workgroup on Older Workers that you should know



Raising the Retirement and Re-employment Ages

To enable older workers to continue working if they wish to; enable businesses to draw from larger pool of workers

	Today	1 Jul 2022	By 2030
Changes to Retirement Age	62	63	65
Changes to Re-employment Age	67	68	70



Raising CPF Contribution Rates

To boost retirement adequacy; rate increases go to CPF Special Account to maximise interest earned

Age bands	Today	1 Jan 2021	Long Term Target*
55 and below		37% (No change)	
Above 55 – 60	26%	28%	37%
Above 60 – 65	16.5%	18.5%	26%
Above 65 – 70	12.5%	14%	16.5%
Above 70		12.5% (No change)	

* Full increase to be completed within a decade as far as possible, depending on economic conditions.



Create Inclusive and Progressive Workplaces

- ▶ Have structured career planning sessions with older workers on career development and re-employment
- ▶ Redesign jobs to raise productivity and workplace longevity
- ▶ Provide more part-time re-employment opportunities
- ▶ Restructure employer-provided medical benefits from Group Hospital & Surgical insurance schemes to additional MediSave contributions or other flexible benefits
- ▶ Tap on various grants under WorkPro to create age-friendly workplaces

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1 August 2019

Mrs Josephine Teo
Minister for Manpower

Dear Minister,

REPORT OF THE TRIPARTITE WORKGROUP ON OLDER WORKERS

You had convened the Tripartite Workgroup on Older Workers in May 2018 to review the longer-term relevance of and consider the next moves for the Retirement Age and Re-employment Age; examine the CPF contribution rates for older workers and their impact on retirement adequacy; and promote an inclusive workforce and progressive workplaces that value older workers.

2 To help forge a tripartite consensus on the way forward, the Workgroup was formed with representatives from the Government, Singapore National Employers Federation (SNEF) and National Trades Union Congress (NTUC). The Workgroup also engaged with more than 1,500 members of public, union and business leaders, to understand their concerns, and to seek out proposals that would be both pro-worker and pro-business.

3 The Workgroup has completed its work and now submits its final report to the Government for consideration.

4 We examined our older worker employment landscape and looked at international best practices. Singapore is moving forward from a position of strength. Our older worker employment rates have risen significantly and are comparable with that of many developed countries. Older workers are keen to reskill for the future economy. Employers today are more progressive and recognise the need to adopt age-friendly practices. Singapore is primed to turn our ageing population into an opportunity for future growth and meet our seniors' aspirations to continue working for as long as they are able and willing to.

5 We want to enable our older workers to thrive in the future economy. We have proposed 22 recommendations across three themes. In particular, we recommend to increase both the Retirement Age and Re-employment Age to 65 and 70 respectively in small steps by 2030, with the first increases to 63 and 68 in 2022. We also recommend increasing CPF contribution rates for older workers aged 55 to 70. Tripartite partners should also intensify efforts to develop a more inclusive workforce and progressive workplaces, in particular through structured career conversations, transformational job redesign, and more part-time re-employment opportunities.

6 We believe our proposals will build a Singapore where older workers can participate fully in the workforce and our businesses can succeed as progressive and inclusive enterprises.

7 We thank you for the privilege and opportunity to shape the future employment landscape for older workers.



Mr Aubeck Kam (Chairman)
Permanent Secretary, Ministry of Manpower

Tripartite Workgroup Members:

**National Trades Union
Congress (NTUC)
Representatives**

**Government
Representatives**

**Singapore National
Employers Federation
(SNEF) Representatives**



Mr Heng Chee How
Deputy Secretary-General
NTUC



Ms Low Yen Ling
Senior Parliamentary Secretary
Ministry of Manpower &
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Mr Alexander C. Melchers
Vice President
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Ms Teoh Zsin Woon
Deputy Secretary
(Transformation)
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Ms Goh Swee Chen
Vice President
SNEF (until Dec 2018)



Mr Philip Lee
Central Committee Member
NTUC (until Apr 2019)



Dr Benjamin Koh
Deputy Secretary
(Development)
Ministry of Health



Mr Kuah Boon Wee
Council Member
SNEF



Ms Eileen Yeo
Central Committee Member
NTUC



MINISTER
MINISTRY OF MANPOWER
SINGAPORE

8 August 2019

Dear *Chairman and Members*

Thank you for your letter of 1 August 2019 submitting the final report of the Tripartite Workgroup on Older Workers.

2 Singapore's life expectancy has become the highest in the world. We have also started the most significant demographic shift of this generation – the near doubling of citizens aged 65 and older by 2030. Many older workers wish to stay active and be meaningfully engaged through work. Our employment rate for older workers has steadily improved. However, our Retirement Age has not been raised since 1999. In 2007, we announced that we would introduce re-employment legislation in 2012 and that the Re-employment Age would subsequently be raised from 65 to 67; this was completed in 2017.

3 The Workgroup's recommendations are therefore timely in providing a clear roadmap to guide businesses and workers over the next decade. They are also comprehensive, going well beyond changes to the Retirement Age and Re-employment Age. The Government accepts all the 22 recommendations by the Workgroup and will work closely with the tripartite partners to implement them. When successfully carried out, they will strengthen our businesses' foundation for older worker employment and allow older workers to contribute actively while earning and saving more for a better retirement.

4 It will take the joint efforts of the tripartite stakeholders to achieve the desired outcomes. Employers must invest in training older workers and the redesign of workplaces or work processes. Workers must embrace new skills, adapt and be willing to take on new tasks and roles. Government must provide support to both employers and workers to make these necessary changes. I am aware that the Workgroup spent many hours debating the options and trade-offs. In the end, you found ways to move forward together in the best interests of Singaporeans. That you were able to build consensus within a year is noteworthy and a testament of the strong tripartite relations that we have nurtured over the years.

5 On behalf of the Government, I thank you for your thoughtful deliberations and balanced proposals. Your demonstration of Singapore's unique tripartite approach affirms my belief that we can continue to effectively address future economic and social challenges.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Josephine Teo'.

Josephine Teo



**EXECUTIVE
SUMMARY**

Executive Summary

Our vision is to achieve productive longevity in Singapore. Our workforce may be older but it can remain competitive and adaptable. Our seniors can fulfil their aspirations to work for as long as they wish, while contributing meaningfully to a vibrant economy.

To this end, we should:

1. **Refresh our retirement and re-employment framework;**
2. **Strengthen older workers' retirement adequacy; and**
3. **Promote an inclusive workforce and progressive workplaces that value older workers.**

Achieving productive longevity takes joint effort. Employers must redesign jobs and careers around the abilities and strengths of older workers, and provide them with appropriate training. Workers must have the right mindset and be willing to adapt, master new skills and take on different responsibilities. Government must support both employers and workers in these endeavours.

Our collective efforts will turn our ageing population into an inclusive and dynamic workforce; transform our businesses into progressive and productive enterprises; and build a Singapore where older workers can thrive in the future economy.



Introduction

- 1 Today, Singapore has the **highest life expectancy and healthy life expectancy** in the world. We stay healthy for longer even as we grow older.
- 2 Like many other developed countries, our population and **workforce are ageing rapidly**. Many older persons wish to **stay active** and be **meaningfully engaged** through work.
- 3 Over the past decade, our older worker employment rates have risen considerably, and compare well with OECD countries. Our seniors' education, income and occupation profiles have also improved. Older workers have greater potential to contribute to society.

Tripartite Workgroup on Older Workers

- 4 The Retirement Age was first introduced in 1993 and last raised 20 years ago in 1999. In 2007, Prime Minister Lee Hsien Loong announced re-employment legislation that would take effect from 2012. Today, our Retirement Age is 62 while the Re-employment Age is 67.
- 5 In May 2018, the Ministry of Manpower convened the Tripartite Workgroup on Older Workers to prepare Singapore's ageing workforce for the future. Its terms of reference were to: (a) review the longer-term relevance of the Retirement Age and Re-employment Age and consider its next moves; (b) examine the CPF contribution rates for older workers; and (c) promote an inclusive workforce and progressive workplaces that value older workers.
- 6 The Workgroup **consulted extensively** and benefited from the diverse views of stakeholders. Collectively with the tripartite partners, it engaged more than 1,500 stakeholders, including employer representatives, union leaders, older workers, younger workers, students, HR professionals, SME employers, and representatives from trade associations and chambers of commerce. Study trips were also made to Denmark, Japan, the Netherlands and Sweden.



Overview of Recommendations

- 7 The Workgroup studied the trends on ageing, looked at international best practices and carefully considered the concerns of businesses and workers. It has made a total of **22 recommendations**:
 - (a) Nine recommendations are to refresh our retirement and re-employment framework;
 - (b) Six recommendations are to strengthen older workers' retirement adequacy; and
 - (c) Seven recommendations are to promote an inclusive workforce and progressive workplaces that value older workers.

Refreshing Our Retirement Age and Re-employment Age Framework

- 8 Singapore's **older worker employment rates have risen significantly** and are high by international standards. Our retirement and re-employment model has been key to keeping older workers employable, and enabling businesses to draw from a larger pool of workers.
- 9 In 2005, the tripartite partners had explored raising the Retirement Age. However, there were concerns about the impact on business costs and productivity, especially given the seniority-based wage practices then. The tripartite partners innovated and adopted the model of re-employment instead. This model was pioneered in Japan. On reaching the Retirement Age, currently at 62, an employer must offer an eligible worker annual re-employment up to the Re-employment Age, though the job and salary may change.
- 10 This has produced good outcomes for both workers and employers. The re-employment legislation came into effect in 2012. Since then, well over 90% of workers who are eligible for re-employment and wish to continue working upon reaching 62, are being offered re-employment. Of those who accepted re-employment in the same job at 62, the vast majority did not suffer any cut in basic wages. In 2017, the Re-employment Age was raised from 65 to 67, older than in Japan.
- 11 We believe this model is still the right approach for Singapore:
- (a) The Retirement Age **protects workers from being retired earlier than 62**, without taking away their choice of when they wish to stop working. Additionally, companies are required to offer re-employment from 62 until the Re-employment Age of 67. Workers are **free to decline** the offer if they do not wish to continue working.
 - (b) Some companies have gone beyond what the Retirement and Re-employment Act (RRA) requires of them. Retaining the Retirement Age and Re-employment Age, however, assures workers of employment until the Re-employment Age, regardless of changes to company policies.
- 12 The Retirement Age was raised to 62 in 1999. Since then, the health-adjusted life-expectancy of seniors has gone up by more than three years. Coupled with older workers' higher education and skills profile, the **Retirement Age and Re-employment Age should increase by three years to 65 and 70 respectively**. This would allow more workers to work longer without any change in employment terms, while preserving flexibility for employers to reset jobs and employment terms for their older workers.
- 13 These proposed changes will coincide with a decade of significant demographic shifts in Singapore. The number of citizens aged 65 and over will almost double to reach 900,000 by 2030. It is thus important to **pace the increases** so that more cohorts of older workers can benefit, while **providing a**

clear roadmap for businesses to plan ahead. The increases in the Retirement Age and Re-employment Age should be implemented in small steps with sufficient lead time for each move. The first increases in the Retirement Age (to 63) and Re-employment Age (to 68) should take effect from 1 July 2022. The exact timing of future moves will be decided later, but the full increase of three years should be completed by the end of the next decade (i.e. by 2030). By then, the assurance of employment until 70 in Singapore will be one of the highest in the world.

14 Strong Government support to employers, in the form of the Special Employment Credit, is a key reason employment rates of older workers have improved significantly. The Government should provide a **wage offset scheme** to accompany the raising of the Retirement Age and Re-employment Age. This will show clearly that the Government is committed to supporting employers as they make these changes.

RECOMMENDATIONS

TO REFRESH OUR RETIREMENT AND RE-EMPLOYMENT FRAMEWORK

- 1 Both the Retirement Age and Re-employment Age remain relevant. They ensure that Singaporeans can remain active in work for as long as they are able and wish to, while businesses can continue to tap on a pool of experienced older workers.
- 2 Both the Retirement Age and Re-employment Age should be raised by three years to 65 and 70 respectively. This is a realistic goal, taking into account improvements in healthy life expectancy, the better-educated and higher-skilled workers today, and enhanced organisational capacity to manage older workers well.
- 3 The raising of the Retirement Age to 65 and Re-employment Age to 70 should be completed by the end of the next decade (i.e. by 2030).
- 4 The first increases in the Retirement Age (to 63) and Re-employment Age (to 68) should take effect from 1 July 2022.
- 5 The minimum re-employment contract duration should be retained at one year, to accord businesses some flexibility. Employers are encouraged to offer re-employed workers longer contracts beyond what is required under the RRA.
- 6 The Employment Assistance Payment formula should be updated and take effect from 1 July 2022.
- 7 For employees hired at age 55 and over, the qualifying period to be eligible for re-employment should be reduced from three to two years.
- 8 Government should continue to work with employers, including public sector agencies, to conduct periodic reviews to ensure the relevance of the current exemptions for specific groups.
- 9 Government should provide a wage offset scheme to accompany the raising of the Retirement Age and Re-employment Age to 65 and 70 respectively.

Strengthening Older Workers' Retirement Adequacy

- 15 With extended career runways, Singaporeans have the **opportunity to earn and save more for a more secure retirement.**
- 16 Today, the full Central Provident Fund (CPF) contribution rate is 37% for workers aged 55 and below. The CPF contribution rates taper down after age 55, with a greater reduction every five years thereafter. The Workgroup recommends raising CPF contribution rates for workers aged 55 to 70.
 - (a) Those aged 55 to 60 should reach the total CPF contribution rate of 37%.
 - (b) Those aged 60 to 70 should have smaller but meaningful increases in CPF contribution rates.
 - (c) Those aged above 70 should see no change to their current CPF contribution rates. Raising their CPF contributions could affect their employability with not much boost to their retirement savings, as employers have no obligation to re-employ workers beyond 70.



- 17 The earlier we start the journey; the more workers will benefit. As a start, employers and workers should each increase their CPF contribution rate by either 0.5%-point or 1%-point in 2021. Achieving a better retirement for workers is a tripartite effort, with CPF contributions from both employers and workers, and Government providing progressive and risk-free interest rates to grow CPF savings.
- 18 Each increase should not exceed 1%-point for workers or employers, to minimise the impact on take-home pay and wage costs. Future increases should be taken **step-by-step**. While aiming to complete the full increase within a decade, we should also retain the flexibility to stretch the timeline beyond 2030 if necessary. This provides **room to defer** the increases in some years if economic conditions warrant.

- 19 To maximise the interest workers can earn, the increases should go to the Special Account (SA). Workers can look forward to higher retirement income, with no impact to how much they can use for housing today. For the majority who have set aside enough at age 55, the higher contributions can become higher payouts or be withdrawn as cash at any time. This will give all workers more resources and choices when planning for their retirement.
- 20 The Workgroup recognises the headwinds our economy faces but believes these changes are still needed. The Government should support this journey every step of the way. One-off wage offsets will help to ease the transition.

RECOMMENDATIONS

TO STRENGTHEN RETIREMENT ADEQUACY FOR OLDER WORKERS

- 10 Raise CPF contribution rates for workers aged 55 to 70, retaining a stepped reduction in CPF contribution rates by age bands.
- (a) The total CPF contribution rate for those aged 55 to 60 should be raised to 37% in the longer term.
- (b) For workers aged 60 to 70, the CPF contribution rate increase should be smaller but meaningful.
- (c) For workers above 70, the total CPF contribution rate should remain unchanged at 12.5%. Raising CPF contributions risks making these workers less employable, with no significant gains in retirement adequacy, as employers have no obligation to re-employ workers beyond the age of 70.
- 11 As a first step, the CPF contribution rates should be raised from 1 January 2021 (please refer to Figure 4.3). Employers and workers will each increase their contribution by either 0.5%-point or 1%-point.
- 12 Both employers and workers should be involved at each step of the series of rate increases. This is consonant with the tripartite approach to improving retirement adequacy, with CPF contributions from employers and workers, and Government providing progressive and risk-free interest rates to grow CPF savings.
- 13 Each subsequent increase in CPF contribution rates should not exceed 1%-point for workers or employers. This will minimise the impact on take-home pay and wage costs. There may be a need to defer the contribution rate increases in some years if economic conditions warrant. While aiming to complete the full increase within a decade, we should also retain the flexibility to stretch the timeline beyond 2030 if necessary.
- 14 The contribution increases should be fully allocated to the Special Account (SA). This will maximise the interest earned and provide a bigger boost to workers' retirement incomes.
- 15 Given the economic slowdown and uncertain outlook, employers feel strongly that the Workgroup's recommendations are ambitious in scale. The Government should provide transitional support to employers, in the form of one-off wage offsets, to mitigate the higher CPF contribution rates.



An Inclusive Workforce and Progressive Workplaces that Value Older Workers

- 21 Raising the Retirement Age and Re-employment Age must be accompanied by efforts to reduce, and eventually eliminate, the barriers to a **truly age-friendly labour market**. This will ensure that older workers are valued and embraced as part of a diverse and inclusive workforce.
- 22 Older workers are open to reskilling for the future economy. More are stepping forward to participate in training. As older workers are more likely than younger workers to stay longer in their jobs, employers can expect a higher return when they invest in training older workers.
- 23 Older workers, however, are more likely to look to employers to signal what training to undertake. As employers are more attuned to changes in industry demand and technology, they should guide older workers on what training they need for career development and re-employment. Employers should engage employees in structured career planning sessions at various age milestones (e.g. 45 and 55). This will help keep older workers' skills and knowledge relevant in the future economy, and enable employers to benefit from retaining experienced and well-trained workers.
- 24 Our employers today are more progressive. They recognise the need to adopt age-friendly practices, especially job redesign. Today, job redesign is predominantly task-specific, and benefits only a few workers at a time. Employers should move beyond this, to organisation-wide and systems-level redesign. This will extend the age ceiling of more jobs and workers.
- 25 As older workers approach retirement, many hope for options to gradually work less intensely, and shift focus to other pursuits. Part-time re-employment opportunities will help fulfil these aspirations. Employers stand to benefit too; they will retain experienced workers who may otherwise retire prematurely.
- 26 As the workforce ages, healthcare costs will continue to rise. Most employers still provide their employees Group Hospitalisation and Surgical (GHS) schemes. But MediShield Life now provides all Singaporeans with lifetime protection against large hospital bills and expensive chronic treatments. Employers therefore have an opportunity to restructure their medical benefits schemes, and provide additional MediSave contributions or other flexible benefits instead. This eliminates duplication between employer-provided medical schemes and MediShield Life, and helps manage employers' healthcare costs.

- 27 To bring about these changes, employers will have to significantly enhance their HR policies, processes and practices. These will ultimately put our businesses in a stronger position to employ older workers, and enable both businesses and older workers to thrive in the future economy. The Government should support employers to undertake these key shifts.



RECOMMENDATIONS

TO PROMOTE AN INCLUSIVE WORKFORCE AND PROGRESSIVE WORKPLACES THAT VALUE OLDER WORKERS

- 16 Employers should engage mature and older workers in structured career planning sessions. Conversations with mature workers (around age 45) can be centred on their future career plans and potential support from companies, while those with older workers (around age 55) can focus on relevant skills needed for re-employment.
- 17 Employers should embark on job redesign to effect organisation-wide and systems-level changes so as to (i) increase the number of older workers who can perform the job; and/or (ii) extend upwards the age at which workers can do a job.
- 18 Employers should be encouraged to provide part-time re-employment opportunities, and commit to do so via their HR policies and employment contracts. The approach should be promotional.
- 19 Employers should restructure employer-provided medical benefits from GHS schemes to additional MediSave contributions or other flexible benefits. Such MediSave contributions or flexible benefits could be used by employees to purchase portable medical benefits, such as Integrated Shield Plans that ride on MediShield Life.
- 20 Employers' determination of a worker's fitness for work in a particular role should not be based solely on age, but also on the objective assessment of (i) job requirements; and (ii) relevant health or physical conditions that would affect his performance of those job requirements.
- 21 Employers should implement workplace health programmes that are appropriate for the ageing profile of their workforce. At the same time, the Workgroup calls on workers to take responsibility for their health, keep themselves fit for work, and participate in workplace health programmes.
- 22 Government should support employers to undertake key shifts in their HR policies. In particular, to: (i) systematically create part-time opportunities for employees seeking re-employment; (ii) raise awareness of structured career planning sessions, and build capabilities to conduct such sessions; and (iii) support transformational job redesign to overhaul organisation-level systems and processes, so as to benefit more older workers.

Conclusion

28. The Workgroup's recommendations are **far-reaching**, and will guide our older worker employment strategy over the next 10 years. They will maximise the potential of our ageing working population, and prepare older workers for meaningful careers and productive lives. Employers will also be able to continue to harness the skills and experience of an expanding pool of older workers.
29. However, the Workgroup is mindful that economic conditions have changed considerably since it started discussions. The economy as a whole may experience more turbulence in the next decade. Given the evolving backdrop, implementation of its key recommendations should be **carefully timed**. To help employers and workers prepare, there should be no ambiguity on the first moves in 2021 and 2022. Thereafter, the next moves should be decided through close tripartite consultations, with ample notice provided before they take effect.
30. Notwithstanding the economic uncertainties, the Workgroup believes it is possible to raise the Retirement Age and Re-employment Age to 65 and 70 respectively by 2030. This is because Singapore is fundamentally labour constrained and older workers are a valuable resource. However, there should be more flexibility with regards to CPF rate increases because of their direct impact on wage costs and take-home pay. While aiming for the full increase within a decade, tripartite partners should be prepared to stretch the timeline beyond 2030 if economic conditions warrant.
31. It was not easy to achieve consensus on these extensive recommendations. The tripartite stakeholders struck a balance, and made trade-offs for a **win-win-win** solution for employers, workers, and for Singapore. That they achieved resolution on these issues shows again the importance of **goodwill and trust in industrial relations** in Singapore. These recommendations, when implemented, will show how **constructive tripartism** can successfully address economic and social challenges, to build a better Singapore.
32. Achieving productive longevity will take **joint efforts**. We are confident that everyone will play their part. Employers will redesign their training, jobs and careers around the abilities and strengths of older workers. Workers will adopt the right mindset and be ready to adapt, learn new things and take on different responsibilities. Government will support both employers and workers in these endeavours.
33. Our collective efforts will turn our ageing population into an **inclusive and dynamic** workforce; transform our businesses into **progressive and productive** enterprises; and build a Singapore where older workers can **thrive in the future economy**.



**CHAPTER 1
SINGAPORE'S IMPROVING LIFE
EXPECTANCY AND OLDER WORKER
EMPLOYMENT LANDSCAPE**

Chapter 1: Singapore's Improving Life Expectancy and Older Worker Employment Landscape

1.1 Longer Life Expectancy

- 1.1.1 Singaporeans are living longer and spending more years in better health. Seniors make up a growing proportion of our population and workforce. These trends are expected to continue in the coming decade.
- 1.1.2 Singapore has the highest life expectancy at birth (84.8 years) and healthy life expectancy at birth (74.2 years) in the world¹. Singaporeans reaching the statutory Retirement Age of 62 are living longer. Between 1999 (when the Retirement Age was last raised) and 2017, the expected age a resident aged 62 can live to has risen by almost five years to 85.6. Health-Adjusted Life Expectancy (HALE) at age 62 has similarly risen by more than three years over the same period (Figure 1.1)². These are projected to rise further with continued advances in healthcare.

Figure 1.1: Life expectancy has risen significantly

Years	Life Expectancy at Age 62	HALE at Age 62
1999	18.9, i.e. 80.9*	15.9, i.e. 77.9*
2017	23.6, i.e. 85.6	19.5, i.e. 81.5*

Source: Singapore Department of Statistics. Figures marked by asterisks are Singapore Ministry of Manpower estimates using figures from Singapore Department of Statistics and Institute for Health Metrics and Evaluation.

Note: Life expectancy figures pertain to residents, while HALE figures pertain to the total population (i.e. residents and non-residents).

¹ Source: "The Burden of Disease in Singapore, 1990-2017", Institute of Health Metrics and Evaluation and the Ministry of Health.

² HALE is an internationally adopted indicator to reflect the number of years a person at a given age can expect to live in full health, taking into account mortality and disability.

1.2 Ageing Population and Labour Force

1.2.1 With longer life expectancy, more residents are entering the older age bands. This has led to a corresponding increase in the proportion of older workers in the resident labour force. In 2018, close to a quarter of our resident labour force was aged 55 and over, up from about 15% a decade ago (Figure 1.2).

Figure 1.2: Resident labour force has higher proportion of workers aged 55 & over

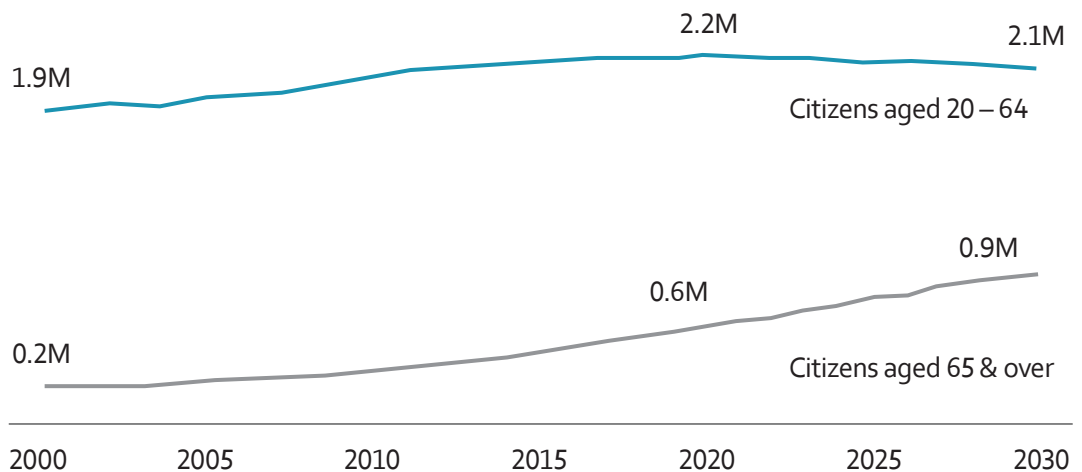
Age Groups	2008 Proportion of Resident Workforce	2018
15 – 54	85%	76% ▼
55 – 59	8%	10% ▲
60 – 64	4%	8% ▲
65 – 69	2%	4% ▲
≥70	1%	2% ▲

Close to 1 in 4

Source: Comprehensive Labour Force Survey, Manpower Research and Statistics Department, Singapore Ministry of Manpower.

1.2.2 Looking ahead, Singapore’s working age citizen population is expected to peak around 2020 and decline slightly thereafter. On the other hand, the number of citizens aged 65 and over is projected to almost double from today and reach 900,000 by 2030 (Figure 1.3). This growing senior population segment presents an opportunity for more seniors to participate in the labour market and engage actively in the future economy.

Figure 1.3: Number of citizens aged 65 & over projected to rise

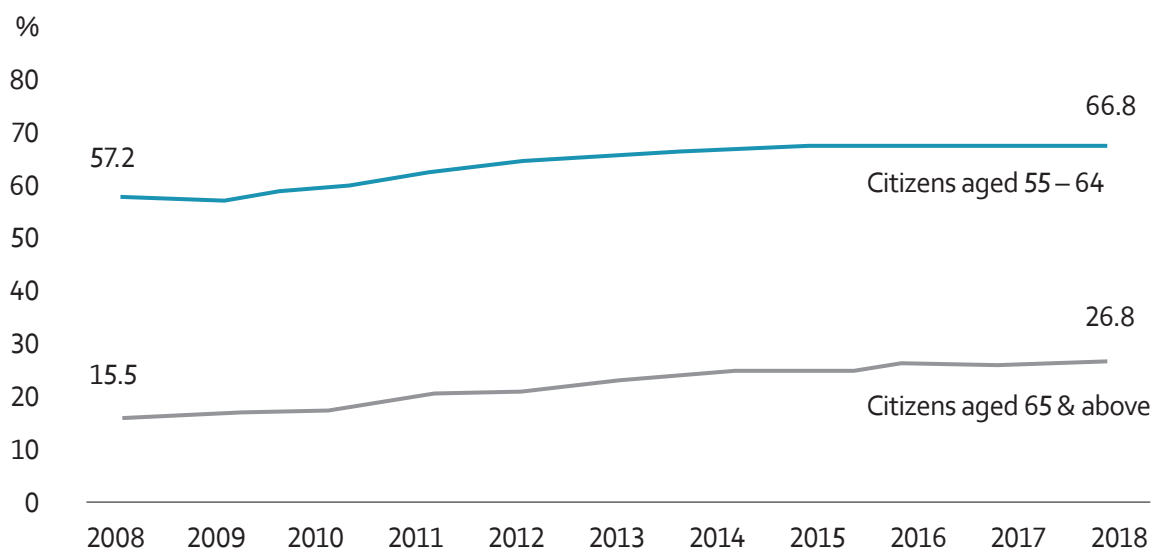


Source: Singapore Department of Statistics.

1.3 More Older Workers are Employed

- 1.3.1 Over the past decade, Singapore has responded well to improving life expectancy and an older workforce. Concerted tripartite and Government efforts have led to strong older worker employment outcomes. In fact, Singapore compares favourably with OECD countries in this regard.
- 1.3.2 Singapore's employment rate for residents aged 55 to 64 increased from 57% in 2008 to 67% in 2018. Employment rate for those aged 65 and over saw substantial gains as well, from 16% in 2008 to 27% in 2018 (Figure 1.4). Compared with the 36 OECD countries, Singapore has the 13th highest resident employment rate for the 55 to 64 age group, and 4th highest for those aged 65 and over.

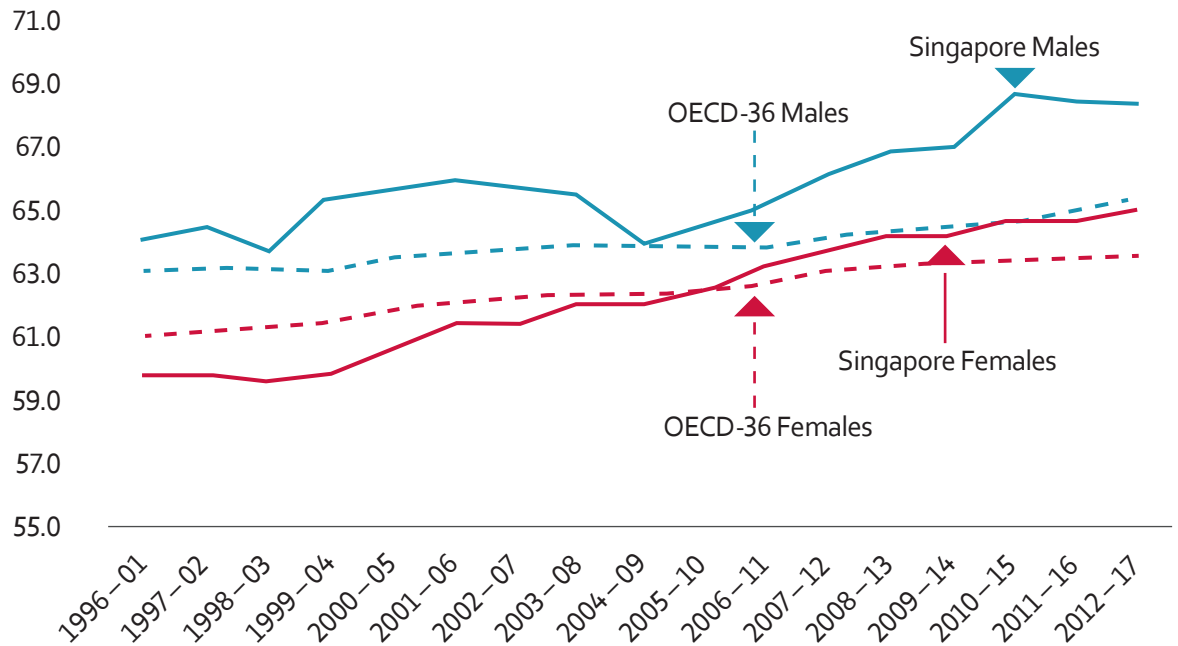
Figure 1.4: Employment rates of older workers have risen



Source: Comprehensive Labour Force Survey, Manpower Research and Statistics Department, Singapore Ministry of Manpower.

1.3.3 Workers are also leaving the workforce later. The Average Effective Retirement Age (AERA) in Singapore has risen over the last 20 years and at a rate that is faster than the OECD average (Figure 1.5)³.

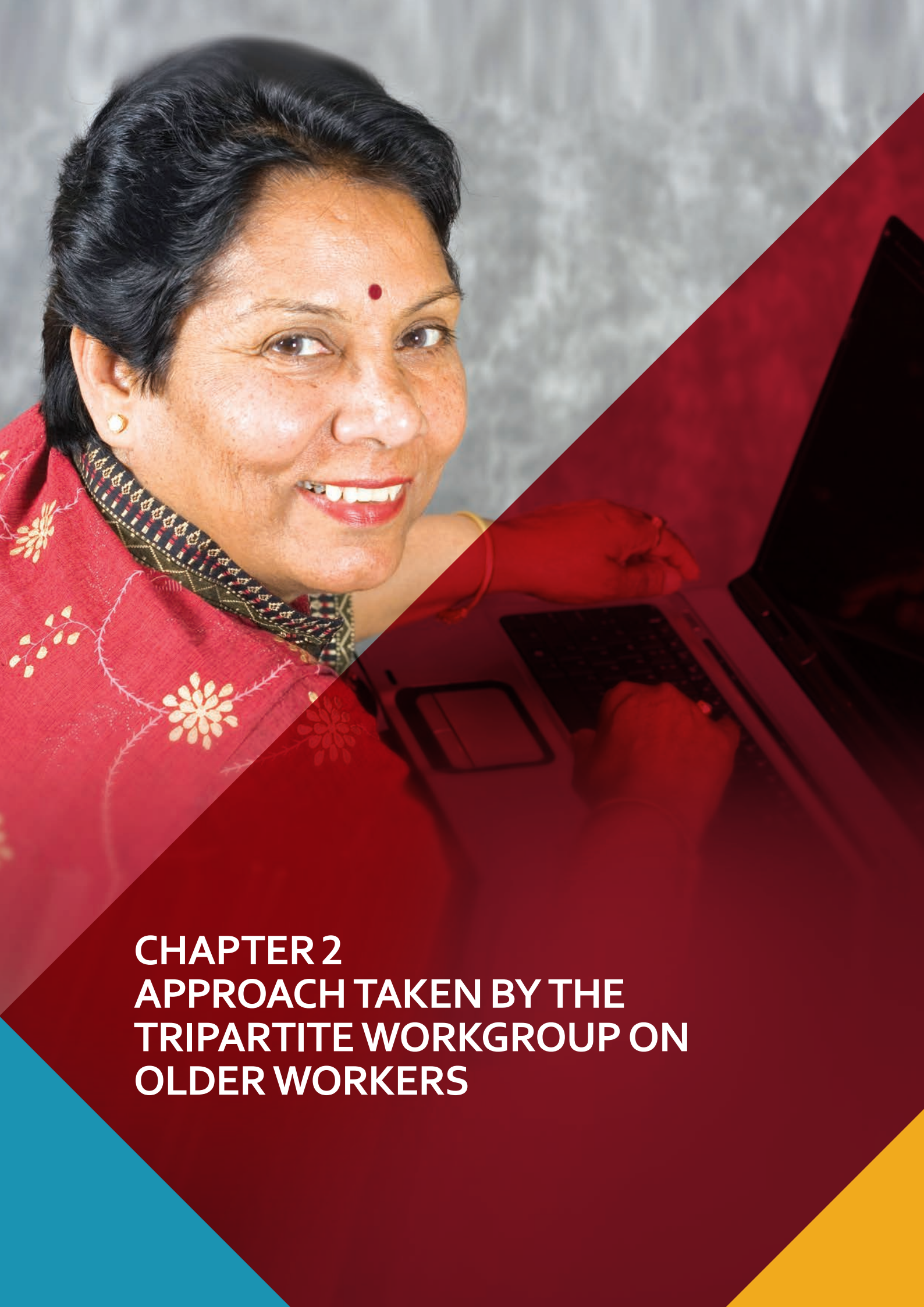
Figure 1.5: Average Effective Retirement Age rose faster than the OECD average



Source: OECD estimates for five-year periods based on results of national labour force surveys, European Union Labour Force Survey and, for earlier years in some countries, national censuses. Singapore data from IPS estimates, 2018
Note: OECD-36 refers to the 36 member countries of OECD.

³ Conceptually, AERA is the average age of all persons withdrawing from the labour force in a given period. It is the sum of each year of age weighted by the proportion of all withdrawals from the labour force occurring at that year of age. AERA provides a gauge of what age people actually stop working, as opposed to a statutory age specified in retirement or pension legislation.

- 1.3.4 There have also been improvements in the income and occupation profiles of older workers, in line with increases in their levels of education attainment. More older workers are taking on better paid, white-collar occupations. For example, the proportions of older workers aged 55 to 64 employed as Plant & Machine Operators & Assemblers, and Cleaners, Labourers & Related Workers have fallen, while the proportions of those employed as Professionals, and Associate Professionals & Technicians have risen significantly. Incomes have also increased across all occupation groups.
- 1.3.5 Notwithstanding the positive employment outcomes for older workers, there is room to further improve older worker employment in Singapore. While we have made tremendous improvement over the past decade, Singapore's employment rate for those aged 55 to 64 remains lower than that of OECD countries like Sweden and Japan.
- 1.3.6 Additionally, there is scope for Singapore to improve the part-time employment rate of older workers. Our part-time employment rate for age 55 to 64 is 8%, lower than the OECD average, and well below that of the Netherlands (24%), for instance. If we can improve the part-time employment rates of older workers, and at the same time sustain our already high full-time employment rates, it would further boost Singapore's overall older worker employment rate.



CHAPTER 2
APPROACH TAKEN BY THE
TRIPARTITE WORKGROUP ON
OLDER WORKERS

Chapter 2: Approach Taken by the Tripartite Workgroup on Older Workers

2.1 Terms of Reference and Composition

2.1.1 The Tripartite Workgroup on Older Workers was appointed by the Minister for Manpower in May 2018 to:

- (a) Review the longer-term relevance of the Retirement Age and Re-employment Age;
- (b) Consider the next moves on the Retirement Age and Re-employment Age;
- (c) Examine the Central Provident Fund (CPF) contribution rates for older workers and their impact on retirement adequacy; and
- (d) Promote an inclusive workforce and progressive workplaces that value older workers.



2.1.2 The Workgroup comprises 10 representatives from the Singapore National Employers Federation (SNEF), National Trades Union Congress (NTUC) and the Government (see **Appendix A**).

2.2 Public Consultations

2.2.1 To better understand the concerns of businesses, unions, and workers, the Workgroup embarked on public consultations to solicit feedback. From September to November 2018, the Workgroup heard from more than 500 participants over 12 focus group discussions (FGDs).

2.2.2 Participants from the FGDs comprised of older workers, younger workers, union leaders, HR professionals, SME employers, business leaders and various other stakeholders. They shared with the Workgroup their views and key concerns surrounding older worker employment, including retirement, re-employment, and the CPF, amongst other issues. The diversity of opinions showed the complexity of the issues the Workgroup had been tasked to study.

- 2.2.3 In addition to public consultations, the Workgroup's members engaged different segments of their respective communities. NTUC tapped on its multiple touchpoints with unions and engaged close to 500 union leaders and workers across the industrial, public and services sectors.
- 2.2.4 SNEF also engaged close to 300 employer representatives from all 16 industry groups under SNEF and other trade associations and chambers of commerce. The Workgroup's Government representatives held over 30 engagement sessions with 17 employer associations and 14 union clusters. The Workgroup members' extensive consultations with their respective communities and stakeholders ensured that their constituents' varied positions and concerns were heard and considered during the Workgroup's deliberations.

2.3 Public Forum on Older Workers

- 2.3.1 The Workgroup also partnered with the Institute of Policy Studies (IPS) to organise a public Forum on Older Workers on 9 January 2019. There were over 200 attendees, including members of tripartite organisations, grassroots leaders, academics, civil society organisations and the media. A summary of the content of the IPS Forum can be found in [Box 2.1](#).

BOX 2.1

IPS FORUM ON OLDER WORKERS

IPS organised a public Forum on Older Workers in partnership with the Workgroup on 9 January 2019.

The Forum was structured around three sessions. The first session set the context through discussion on current policy frameworks shaping the older worker employment landscape in Singapore, and sharing of views expressed by participants from the Workgroup's public consultation. The second session explored the comparative experiences of public policy on older workers in other developed economies, and discussed how technology could be harnessed to benefit older worker employment. The third session featured a dialogue with the Workgroup members on the considerations in their review of current older worker employment strategies and their views on the next steps for Singapore.

By welcoming the diverse voices from the private, public and people sectors, discussions at the Forum grappled with questions about the changes needed in public policy, human resource practices, technological development as well as national social norms to foster inclusive, progressive and rewarding workplaces in Singapore.

Presentation materials and video clips of the Forum can be found at IPS' website by scanning the following QR code:



2.4 Tripartite Study Trips

2.4.1 The Workgroup's advisors and members conducted study trips to Denmark, Japan, the Netherlands, and Sweden in January and February 2019.



2.4.2 Comparing the employment rates for older workers aged 55 to 64, Sweden is ranked 2nd among OECD countries in 2018 while Japan is ranked 4th and Denmark 8th. The Netherlands is ranked 1st in the OECD for part-time employment rate of its older workers.

2.4.3 Like Singapore, these countries are also grappling with the challenges of an ageing workforce, such as the sustainability of pension systems and potential labour shortages. The key objective of these trips was to learn best practices in relation to supporting and improving the employability of older workers. For Japan in particular, the Workgroup sought an update on the implementation of its re-employment practices which had inspired Singapore's introduction of the re-employment legislation in 2012.

2.4.4 The trips provided useful insights. For example:

- (a) All the countries visited planned to raise their retirement age⁴ or re-employment age. Changes are paced moderately and realistically, so that both employers and employees are given sufficient time to adjust. In particular, Denmark's retirement age is set to increase from 65 now to 68 by 2030, over a period of 11 years. In Japan, there are plans to raise their re-employment age above 65 over the long-term.
- (b) Across the three European countries visited, rapid increases in life expectancy in recent decades have prompted reforms to support workers to work longer, ensure retirement adequacy and improve the sustainability of their pension systems. For example, Sweden has decided to peg pension payout quantum to the number of years worked. This helps to encourage workers to keep working for a higher future payout.
- (c) Across the countries visited, unions and employers recognised the significance of transforming workplaces to be more inclusive and progressive. They play an active role in supporting part time work, career conversations and job redesign for older workers. As unions and employer federations are in touch with the needs of their members, they are able to arrive at mutually beneficial solutions and take a long-term perspective on these issues.

⁴Unlike Singapore, retirement age in these countries refers to the age at which their workers can access their pensions.



CHAPTER 3
THE FUTURE OF THE RETIREMENT
AGE AND RE-EMPLOYMENT AGE

Chapter 3: The Future of the Retirement Age and Re-employment Age

3.1 Are the Retirement Age and Re-employment Age Still Relevant?

- 3.1.1 The Workgroup noted that the introduction of a Retirement Age in 1993, followed by the introduction of a Re-employment Age in 2012, has been key to keeping older workers employable, and enabling businesses to draw from a larger pool of workers.
- 3.1.2 With a statutory Retirement Age in place, employers could not prematurely terminate an employee on grounds of age. With the introduction of Re-employment, employers were obliged to extend employment for a longer period but also had the opportunity to adjust the terms of employment, thereby making the extension more sustainable. As a result, older worker employment rates have risen significantly and are high by international levels.
- 3.1.3 However, is this model of retirement followed by re-employment still the right approach for the future? Some Singaporeans had proposed that the concept of retirement was no longer relevant in view of longer life expectancy, and argued that the statutory Retirement Age and Re-employment Age could be abolished.
- 3.1.4 To answer this question, the Workgroup considered the history of how the Retirement Age and Re-employment Age came to be introduced in Singapore. It also considered whether norms and practices to allow workers to work longer have been so well established that legislation is no longer necessary to support or maintain them.

Introduction of Retirement Age in 1993

- 3.1.5 Before 1993, there was no legislated Retirement Age. This meant that an employer could retire a worker at any age. At that time, companies typically retired their workers at age 55. In 1988, the Government encouraged employers and unions to voluntarily raise their company-specific retirement ages from the norm of 55 to 60. However, only 10% of all companies surveyed thereafter voluntarily raised their company-specific retirement age to 60⁵. The Retirement Age Act was therefore introduced in 1993 to legislate a Retirement Age of 60. The legal effect of stipulating a Retirement Age in law is that an employer cannot

⁵ Source: Interim Report of the Tripartite Committee on Older Workers, 2006.

retire or dismiss a worker simply because the worker has reached a certain age, if the worker is below the Retirement Age. In 1999, the statutory Retirement Age was raised to 62.

Introduction of Re-employment Age in 2012

3.1.6 In 2005, the tripartite partners explored how to raise the effective retirement age beyond 62. A simple way would be to raise the Retirement Age further. However, there were concerns about the impact on business costs and productivity, especially given the seniority-based wage practices then. The effect may have been the opposite i.e. it may deter employers from hiring older workers. Other fundamental issues such as the mindsets of both employers and older workers, and the availability of employment opportunities for older workers, would also not be addressed.

3.1.7 The concept of re-employment was then considered. This model was pioneered in Japan. It allowed employers flexibility to make reasonable adjustments to the job scope, wages and other employment terms of workers who reached the Retirement Age. At the same time, it obliged employers to offer re-employment contracts to eligible older workers. Hence, it provided assurance to older workers that they could continue working beyond the Retirement Age if they were able and willing to do so.

3.1.8 Announced in 2007, re-employment was subsequently legislated under the Retirement and Re-employment Act (RRA) in 2012. The 5-year period between announcement and legislation was needed to allow employers and workers to familiarise themselves with and prepare for the new model. Under the RRA then, employers were required to offer re-employment to eligible employees from 62 (the Retirement Age then) up to the Re-employment Age of 65. In 2017, the Re-employment Age was raised to 67.

The Case for Abolishing the RRA is Weak

3.1.9 The Workgroup considered arguments that the RRA was no longer needed in Singapore:

- (a) **Workers should not be forced to work till 62 or 67, because these are the ages that are prescribed in the RRA.** This is a misunderstanding of the intent and effect of the RRA. The Retirement Age protects workers from being retired earlier, without taking away their choice as to when they wish to stop working. Similarly, while companies are required to offer re-employment from 62 until the Re-employment Age of 67, workers are free to decline the offer if they do not wish to continue working.

(b) **Many companies have abolished the retirement age and allow their workers to work for as long as they wish.** It is good that some companies no longer have a policy to retire staff. Such companies have gone beyond what the RRA requires of them, but they are still a minority. It should be noted that company HR policies can be revised any time. If the RRA no longer exists, there is nothing to stop a company from choosing to impose or re-introduce a company retirement age earlier than 62. The same applies to the obligation to offer re-employment to workers up to age 67.

(c) **Abolishing the RRA would promote higher employment rates for older workers.** Countries without the equivalent of a statutory Retirement Age do not necessarily have better employment rates for older workers⁶. This is despite some of them having anti-age discrimination legislation. For example, compared with Singapore, Australia and Canada have lower employment rates for older workers aged 55 to 64. Germany and Denmark have lower employment rates for older workers aged 65 to 69.

3.1.10 In short, the Workgroup found the case for abolishing the RRA to be unconvincing and insufficient to warrant the drastic step of doing away with the Retirement Age or Re-employment Age.

3.1.11 The Workgroup also notes that in some countries, discussions on raising the retirement age are contentious. This is mainly because the retirement age is also the age when workers can start drawing on their pensions. Hence, workers would object to raising the retirement age as they wish to start their pension payouts earlier. This is, however, not relevant in Singapore's context. Singaporeans can start to receive their CPF LIFE or Retirement Account payouts from the Payout Eligibility Age of 65. The CPF Payout Eligibility Age is not linked to the Retirement Age.

The RRA has Enabled Older Workers to Continue Working if They Wish To

3.1.12 On the other hand, the RRA has enabled older workers to continue working if they wish to:

- (a) Since re-employment was introduced in 2012, well over 90% of workers who are eligible for re-employment and wish to continue working, upon reaching 62, are offered re-employment.⁷ Of those who are re-employed, two-thirds could continue on their existing contracts without a specified end date.
- (b) Of those who accepted re-employment in the same job at 62, the vast majority did not suffer any cut in basic wages. This shows that most employers

⁶ Internationally, different countries have different interpretations and definitions of the term "retirement age". For accurate comparison with the intent and focus of our Retirement Age, we define statutory Retirement Age to be the specified age limit for legal protection from dismissal on basis of age.

⁷ Supplementary Survey on Employment of Older Workers, Manpower Research & Statistics Department, Singapore Ministry of Manpower. The survey covers private sector establishments with at least 25 employees. Eligible employees refer to those who were not exempted from re-employment legislation and met the work performance and medical fitness requirements.

- are responsible and value their older workers, and do not reduce the basic salary mechanically upon the worker reaching the Retirement Age. Ultimately, with a tight labour market, companies have an incentive to continue paying their older workers good wages so as to retain them. It is also a reflection that employers have largely moved away from seniority-based wage practices.
- (c) Some employers adjust other employment benefits at re-employment. It is still a common practice for certain benefits to be tied to seniority. Leave entitlements, for example, are higher for workers with longer years in service. Employers therefore make adjustments to achieve internal parity with other staff, including new employees, whose job responsibilities are similar to those of the re-employed employees. Such adjustments reflect the correct working of the re-employment concept which allows for reasonable adjustments at re-employment and help older workers remain employable.
- (d) A post-implementation study also showed that the introduction of the concept of re-employment in 2012 raised the employment rate of the targeted group of employees by an average of 1.6 percentage points per year⁸.
- 3.1.13 Re-employment has allowed for flexibility in the labour market and addressed the key concerns of stakeholders. Older workers are reassured of employment, while employers have the flexibility to make reasonable adjustments to employment terms after the worker reaches 62, so that they can continue to employ the worker up to 67.
- 3.1.14 **Recommendation 1: The Workgroup affirms that both the Retirement Age and Re-employment Age remain relevant. They ensure that Singaporeans can remain active in work for as long as they are able and wish to, while businesses can continue to tap on a pool of experienced older workers.**



⁸ Study by MOM's Economics Unit on impact of introduction of re-employment in 2012. The study was published in 1Q17 Economic Survey of Singapore.

3.2 Scope for Reviewing RRA



3.2.1 The Workgroup then considered the future moves for the Retirement Age and Re-employment Age. In doing so, the Workgroup also had to consider other parameters in the RRA Framework, in particular:

- (a) **Optimal combination of Retirement Age and Re-employment Age (i.e. the long-term target);**
- (b) **Pace of implementation to reach the long-term target;**
- (c) **Duration of re-employment contracts;**
- (d) **Employment Assistance Payment structure and quantum; and**
- (e) **Exemptions to the RRA.**

3.2.2 The Workgroup recognised that these issues were interconnected and that the optimal outcome for Singapore must address workers' interest to work longer if they wish to and businesses' need to have sufficient flexibility to remain competitive and continue to provide employment opportunities.

3.3 Optimal Combination of Retirement Age & Re-employment Age

3.3.1 The Workgroup considered two options:

- (a) Option A – Keep the Retirement Age unchanged and raise only the Re-employment Age.

(1) This would expand the period of re-employment beyond the current five years between ages 62 and 67. It would preserve the flexibility that employers enjoy, and maximise the willingness of employers to offer re-employment. As this would be the most seamless transition from the existing arrangements, employers are more ready to implement quickly.

(2) However, this option does not adequately address the concerns raised by older workers. While the incidence of re-employment is high, some workers still need to negotiate new re-employment contracts beyond 62. A longer re-employment period would thus mean a longer period of uncertainty. This may affect older workers' and employers' willingness to invest in reskilling, and thus affect the older workers' employability.

- (b) Option B – To raise Retirement Age together with Re-employment Age.

(1) If the Retirement Age is raised beyond 62, more workers would be able to work longer without any change in employment terms.

(2) Raising the Retirement Age is also in line with policy directions in many other countries. Other OECD countries are raising or have plans to raise their retirement ages, which in their context is the age at which their workers can access their pensions. The Netherlands' retirement age is set to increase from 65 now to 67 by 2023, with future planned increases. In the case of Denmark, their retirement age is set to be raised by three years from 65 now to 68 by 2030, with future planned increases. Japan plans to raise its re-employment age beyond the current 65.

(3) On the other hand, raising the Retirement Age will extend employers' obligations to retain workers without any change in employment terms. There were some concerns that this might impose additional rigidity. However, it was noted that unlike when re-employment was first considered, seniority-based wage-setting has moderated considerably. By 2018, 88% of private sector employees worked in establishments with some form of flexible wage system. In 70% of all establishments, the maximum-minimum ratio of salaries paid for the same job had narrowed or were narrowing to 1.5 or less.

3.3.2 Both options were carefully studied. On balance, with a shared objective of nurturing a more inclusive workforce, there was consensus to proceed with Option B i.e. to raise both the Retirement Age and Re-employment Age.

3.3.3 The Workgroup also considered whether it should discuss only the immediate moves, or to provide a longer-term roadmap. The Workgroup noted that it was convened in 2018, only one year after the Re-employment Age was raised to 67. It would therefore be preferable to provide a longer-term indication of where the Retirement Age and Re-employment Age would be. This would guide both businesses and workers in their preparations.

3.3.4 In terms of how far to raise the Retirement Age and Re-employment Age, the Workgroup considered the improvements in Life Expectancy and Health-Adjusted Life Expectancy (HALE) at age 62 since 1999.

(a) In 1999, a person at age 62 could expect to live till age 80.9, and remain healthy till age 77.9. In 2017, a person at age 62 could expect to live till age 85.6, and remain healthy till age 81.5. In other words, the healthy years of our seniors have gone up more than three years since 1999, when the Retirement Age was raised to age 62.

(b) The Workgroup felt that referencing the life expectancy was a useful guide but was cautious about adopting a deterministic approach. It noted the experiences of Denmark and the Netherlands, which linked their retirement age to improvements in life expectancy via a formula. It has led to worries about the overly fast pace of increase in the retirement age, and whether it was applicable to all categories of workers.

- (c) Learning from this, it would be better for Singapore to continue to rely on tripartite discussions and consultations across society. This would avoid excessive rigidity or failure to consider factors such as prevailing economic and labour market conditions.

3.4 Timing and Pace

3.4.1 The Workgroup also carefully considered the timing and pacing. It notes that this round of proposed changes is quite significant:

- (a) When re-employment was introduced in 2012, and when the Re-employment Age was increased by two years to 67 in 2017, the Retirement Age was unchanged at 62. This round will see both the Retirement Age and Re-employment Age being raised.
- (b) In addition, the Workgroup is also recommending increases in the CPF contribution rates for older workers (see Chapter 4). To provide the added boost to retirement adequacy, the Workgroup proposes that the increases in CPF contribution rates be implemented earlier than the first move in raising Retirement Age and Re-employment Age.
- (c) Sufficient lead time would be needed for businesses to prepare. Employers would need to make adjustments to their manpower succession plans, and also step up efforts to make workplaces even more age-friendly.

3-3-5 **Recommendation 2: The Workgroup recommends that both the Retirement Age and Re-employment Age be raised by three years to 65 and 70 respectively. This is a realistic goal, taking into account improvements in healthy life expectancy, the better-educated and higher-skilled workers today, and enhanced organisational capacity to manage older workers well.**

- (d) The Workgroup noted that employers and employees were given sufficient time to adjust to past increases in Retirement Age and Re-employment Age. For example, the Re-employment Age took 10 years to be raised to the intended age of 67, since it was first announced in 2007.

3-4-2 At the same time, the Workgroup recognises that these changes will coincide with a decade of significant demographic shifts in Singapore. The number of citizens aged 65 and over will almost double to reach 900,000 by 2030. It is thus important to pace the increases so that more cohorts of older workers could benefit. This will have implications for their retirement adequacy as well as potential size of the labour force for the economy.

3-4-3 Taking into account both considerations:

- (a) The Workgroup felt that a broad 10-year timeframe (by 2030) was reasonable to fully implement its recommendation to raise both the Retirement Age and Re-employment Age by three years.

- (b) At the same time, we should set a clear timeline for the first move, and to make the first increase in the Retirement Age and Re-employment Age to 63 and 68 respectively, in July 2022.
- (c) Subsequent increases should be one-year increases in both Retirement Age and Re-employment Age each time. The tripartite partners should closely monitor the outcomes of this first move and take into account prevailing economic and labour market conditions before finalising the dates of the second and third round of increases.
- 3.4.4 **Recommendation 3: The Workgroup recommends that the Retirement Age and Re-employment Age be raised to 65 and 70 respectively by the end of the next decade (i.e. by 2030).**
- 3.4.5 **Recommendation 4: The Workgroup recommends that the first increases in the Retirement Age (to 63) and Re-employment Age (to 68) take effect from 1 July 2022.**

3.5 Duration of Re-employment Contracts

- 3.5.1 The RRA requires the re-employment contracts to be at least one year in duration. The Workgroup notes that during the public consultation and engagements, many respondents gave feedback that the minimum duration of contract of one year as required by law could create uncertainty as to their prospects of continued re-employment.
- 3.5.2 However, in practice, the majority of older workers who wish to continue working are re-employed on contracts which are longer than one year. Two-thirds of private-sector local employees who were offered re-employment at 62 had been able to continue on their existing contracts without specified end dates. The remainder were offered re-employment on new contracts. In about one-third of these cases, the contract duration was more than one year. The rates of re-employment for eligible workers at older ages, i.e., 63 to 67, have also remained consistently high at well over 90%.
- 3.5.3 In addition, the Workgroup is already recommending that the Retirement Age be increased, which will provide older workers with certainty of employment up to a higher age. Increasing the minimum duration of re-employment contracts will further add to rigidity.
- 3.5.4 **Recommendation 5: The Workgroup recommends retaining the minimum re-employment contract duration of one year, to accord businesses some flexibility. Employers are encouraged to offer re-employed workers longer contracts beyond what is required under the RRA.**

3.6 Employment Assistance Payment

3.6.1 Under the RRA, an employer who is unable to re-employ an eligible employee, after having considered all available re-employment options within the organisation, is required to offer the affected employee a one-off Employment Assistance Payment (EAP).

3.6.2 The Workgroup reviewed the EAP and found that the key principles underlying it remain relevant and that the EAP should only be offered as a last resort. These principles are outlined in the Tripartite Guidelines on Re-employment of Older Employees as follows:

(a) The EAP is meant to help eligible employees who are not re-employed tide over a period of time while they look for another job;

(b) A minimum EAP amount is needed to help low-wage workers as they may have greater difficulty seeking alternative employment;

(c) A maximum EAP amount is needed to moderate the financial burden on employers and to prevent the EAP from encouraging employees to stop working; and

(d) The EAP should decrease over time as the employer's obligation diminishes as the employee approaches 67.

3.6.3 The existing EAP formula (Figure 3.1) was implemented in July 2017, replacing the first iteration in 2012. By the time the first round of increases in the Retirement Age and Re-employment Age is implemented in July 2022, another five years would have passed. The Workgroup feels it is timely for a new EAP formula to be implemented in July 2022.

Figure 3.1: Employment Assistance Payment (from 1 July 2017)

Age when EAP is triggered	62 to <64.5	64.5 to <67
No. of months of salary payable	3.5	2
Maximum EAP amount	\$13,000	\$7,500
Minimum EAP amount	\$5,500	\$3,500



Effective job redesign for the food services sector – Photo by Workforce Singapore.

3.6.4 The Workgroup is of the view that the design principles for the EAP remain sound. In particular, there should continue to be two age bands when computing the EAP, to reflect the diminishing re-employment obligation that the employer is required to fulfil.

3.6.5 The Workgroup notes that wage levels across all employees, including those eligible for re-employment, have risen over the years and are

likely to continue to do so over the longer-term. Taking this into consideration, the Workgroup recommends that the maximum and minimum EAP levels be increased accordingly and that the age bands be updated.

3.6.6 **Recommendation 6: The Workgroup recommends an updated Employment Assistance Payment formula, to take effect from 1 July 2022 (Figure 3.2).**

Figure 3.2: Future Employment Assistance Payment (from 1 July 2022)

Age when EAP is triggered	63 to <65.5	65.5 to <68
No. of months of salary payable	3.5	2
Maximum EAP amount	\$14,750	\$8,500
Minimum EAP amount	\$6,250	\$4,000

3.7 Exemptions

- 3.7.1 Some groups of employees are exempted from the RRA. In other words, employers are not required to fulfil the Retirement Age and Re-employment Age obligations for these exempted employees. The Workgroup reviewed the exemptions and agreed that there are sound reasons for retaining most of them. For example:
- (a) Employees working up to 20 hours per week are exempted. These employees are usually casual or temporary workers. Exempting them will help maintain labour market flexibility. Employers can continue to tap on such workers to meet seasonal labour demand, while these workers can continue to avail themselves to such casual work to suit their own needs. Workers who prefer regular employment are encouraged to approach Workforce Singapore (WSG) or the Employment and Employability Institute (NTUC-e2i) for assistance with training and employment facilitation.
 - (b) Employees on fixed term contracts or on Work Passes are exempted, as employers should not reasonably be obligated to employ them beyond the fixed validity of their contracts or permits.

Employees Hired at Age 55 and Over

- 3.7.2 Currently, employees hired at age 55 and over are:
- (a) Exempted from the Retirement Age; and
 - (b) Exempted from the Re-employment Age if they have worked less than three years with the employer.
- 3.7.3 The rationale for these exemptions is that without them, employers may be less willing to consider an older job seeker. Taking into account that the Workgroup has proposed a higher Retirement Age of 65 by 2030, it is prudent to retain the current exemption so as not to negatively affect the employability of older workers.
- 3.7.4 However, the Workgroup felt that the three-year period to qualify for re-employment could be reduced. This is especially considering that most companies would be able to tell within one to two years whether a new hire is suitable.
- 3.7.5 **Recommendation 7: The Workgroup recommends that for employees hired at age 55 and over, the qualifying period to be eligible for re-employment be reduced from three to two years.**

Other Exempted Occupation Groups

- 3.7.6 The Workgroup considered the exempted occupation groups and noted that they remain relevant given their operational requirements, (e.g. the need to have a higher level of physical fitness to respond to emergencies on site or threats to national security)⁹. In addition, even though workers in these groups are exempted from the Retirement Age and Re-employment Age requirements, the Workgroup notes that their employers do voluntarily re-employ or help them transition to another career upon reaching their scheme retirement age.
- 3.7.7 Separately, there is a group of public officers who are eligible for retirement benefits under the Pensions Act when they retire from the Public Service. Removing their exemption from the RRA would not be in their interests as it would mean that these officers cannot draw their pension until they reach the statutory Retirement Age.
- 3.7.8 Hence, the Workgroup is of the view that it would be better for employers of workers in the exempted occupation groups to consider how to further improve the employment outcomes of the officers reaching their scheme retirement age through re-deployment or helping them to transit to alternative employment. Nonetheless, we should have periodic reviews to ensure that these exemptions remain relevant.
- 3.7.9 **Recommendation 8: The Workgroup recommends that the Government continue to work with employers, including public sector agencies, to conduct periodic reviews to ensure the relevance of the current exemptions for specific groups.**

⁹ Exempted occupations include airport emergency officers under the Changi Airport Group, firemen under the Petrochemical Corporation of Singapore, firefighting personnel under PSA, auxiliary police officers, Singapore Armed Forces regulars, and public officers in the Police, Prisons, Narcotics, Civil Defence and Corrupt Practices Investigation Services.

3.8 Government Support to Employers

3.8.1 The Workgroup notes that its proposals for the future Retirement Age and Re-employment Age is a necessary and significant shift to anticipate the future labour market demand and supply, and to enable older workers to work for as long as they are able and wish to. In the past decade, Singapore has made significant improvements in the employment rates of older workers. A key reason has been the strong Government support to employers, in the form of the Special Employment Credit.

3.8.2 The Workgroup notes that the current Special Employment Credit will expire at the end of 2020. The continuation of wage offset, possibly in modified form, will show clearly that the Government is committed to supporting employers as they make changes to implement the higher Retirement Age and Re-employment Age.

3.8.3 **Recommendation 9: The Workgroup recommends that the Government provide a wage offset scheme to accompany the raising of the Retirement Age and Re-employment Age to 65 and 70 respectively.**

RECOMMENDATIONS

- 1 The Workgroup affirms that both the Retirement Age and Re-employment Age remain relevant. They ensure that Singaporeans can remain active in work for as long as they are able and wish to, while businesses can continue to tap on a pool of experienced older workers.
- 2 The Workgroup recommends that both the Retirement Age and Re-employment Age be raised by three years to 65 and 70 respectively. This is a realistic goal, taking into account improvements in healthy life expectancy, the better-educated and higher-skilled workers today, and enhanced organisational capacity to manage older workers well.
- 3 The Workgroup recommends that the Retirement Age and Re-employment Age be raised to 65 and 70 respectively by the end of the next decade (i.e. by 2030).
- 4 The Workgroup recommends that the first increases in the Retirement Age (to 63) and Re-employment Age (to 68) take effect from 1 July 2022.
- 5 The Workgroup recommends retaining the minimum re-employment contract duration of one year, to accord businesses some flexibility. Employers are encouraged to offer re-employed workers longer contracts beyond what is required under the RRA.
- 6 The Workgroup recommends an updated Employment Assistance Payment formula, to take effect from 1 July 2022 ([Figure 3.2](#)).
- 7 The Workgroup recommends that for employees hired at age 55 and over, the qualifying period to be eligible for re-employment be reduced from three to two years.
- 8 The Workgroup recommends that the Government continue to work with employers, including public sector agencies, to conduct periodic reviews to ensure the relevance of the current exemptions for specific groups.
- 9 The Workgroup recommends that the Government provide a wage offset scheme to accompany the raising of the Retirement Age and Re-employment Age to 65 and 70 respectively.

A photograph of an elderly man with white hair, wearing a dark suit, light blue shirt, and red tie. He is smiling warmly. He is seated at a table, and the hands of another person, wearing a dark suit, are clasped in front of him. The background is bright and out of focus. The image is overlaid with a large red diagonal shape on the right side and a blue diagonal shape on the bottom left corner.

CHAPTER 4
CPF CONTRIBUTION RATES FOR
OLDER WORKERS & IMPROVING
RETIREMENT ADEQUACY

Chapter 4: CPF Contribution Rates for Older Workers & Improving Retirement Adequacy

4.1 CPF Contribution Rates for Older Workers

Why CPF Contribution Rates were Reduced for Older Workers

4.1.1 Prior to 1988, all workers received the same CPF contribution rates regardless of age. In 1988, CPF contribution rates for older workers were reduced to improve their employability, at a time when seniority-based wage practices were prevalent. The rates became tiered according to age. CPF rates

were lowered for older age groups. In response to economic conditions and to protect employability, contribution rates were also reduced in 1999 for workers aged 55 to 65, and in 2005 for those aged 50 to 65.

4.1.2 As the employability of older workers improved, the CPF contribution rates of older workers have been adjusted upwards. In 2016, the contribution rates for workers aged 50 to 55 were equalised with that of younger age groups, who contribute 37%. CPF contribution rates continue to be tapered down after age 55 (see [Figure 4.1](#)).

Figure 4.1: Current CPF contribution rates drop at age 55 by age bands

Age bands	Current Total CPF contribution rate
55 & below	37%
Above 55 – 60	26%
Above 60 – 65	16.5%
Above 65	12.5%

Public Views on Lower CPF Contribution Rates for Older Workers

4.1.3 This topic was actively debated during focus group discussions. While participants understood the rationale, many also felt that tapering down should start later than age 55.

4.1.4 Employers said that the lower CPF contribution rates for older workers in the past helped to manage business costs and maintain older workers' employability. However, employers also recognised the skills and experience that older workers contribute and were open to reviewing their CPF contribution rates.

4.2 Should CPF Contribution Rates for Older Workers be Raised?

4.2.1 In deciding whether to raise CPF contribution rates for older workers, the Workgroup considered two major factors:

- (a) **Impact on employability of older workers.** The Workgroup was assured that a reasonable increase in CPF contribution rates could be acceptable to employers and have manageable impact on employability. First, the previous increase in CPF contribution rates did not reduce employment rates for older workers. In fact, employment rates for workers aged 55 to 64 improved from 57% in 2008 to 67% in 2018. Second, most companies already pay wages based on performance rather than seniority. Older workers are thus less likely to be priced out of the market by modest increases in employers' CPF contributions.
- (b) **Benefit of higher CPF contribution rates.** An additional decade or more of higher CPF contributions for workers from age 55 will boost retirement adequacy for both current and future workers. This will especially enhance retirement income for those who re-joined the workforce later in life or had lower lifetime wages. Workers who have already set aside their Required Retirement Sum (RRS)¹⁰ at age 55 also have the



option to withdraw the additional CPF contributions or keep them in the CPF to earn good interest and receive higher CPF LIFE payouts later.

4.2.2 On balance, the Workgroup assessed that there was room to raise the CPF contribution rates for older workers while preserving their employability. The Workgroup also assessed that the stepped reduction in CPF contribution rates by age bands remains relevant and should be retained. By continuing to moderate their wage costs to employers as they age, the employability of older workers is better protected.

4.2.3 The Workgroup also considered the following:

- (a) Quantum and pace of increase;
- (b) CPF account that the additional contributions should go to; and
- (c) Possible transitional support from the Government.

¹⁰The Required Retirement Sum is the Basic Retirement Sum (BRS) in cash and sufficient property pledge or charge to meet the Full Retirement Sum (FRS), or the FRS in cash.

4.3 How Much and How Fast to Raise Rates?

4.3.1 The Workgroup does not recommend equalising CPF contribution rates to 37% for all age groups. For a 70-year-old who contributes 12.5%-points today, this would require an increase of 24.5%-points, 15%-points from the worker and 9.5%-points from the employer. Such a large increase would severely affect the take-home pay for the worker, and raise business costs for the employer. It will be more practical to maintain different rates for different age bands but start tapering CPF contribution rates at a later age than 55.

4.3.2 On the pace of adjustment, the Workgroup recognised its impact on retirement adequacy – a quicker pace provides a bigger boost for more workers. However, employers may find it difficult to manage sudden cost increases, which may in turn affect the employability of older workers. Older workers may also see a reduction in their take-home pay if their non-CPF wages do not rise at the same pace as the increase in employees' contribution rates. On balance,

both employers and workers prefer a gradual pace of increase in the CPF contribution rates.

4.3.3 **Recommendation 10: The Workgroup recommends raising CPF contribution rates for workers aged 55 to 70. The Workgroup also recommends retaining a stepped reduction in CPF contribution rates by age bands (Figure 4.2).**

- (a) **The total CPF contribution rate for those aged 55 to 60 should be raised to 37% in the longer term.** A worker will then no longer see a drop in his total CPF contributions until he reaches 60 years old. The employment rate for older workers aged 55 to 59 has seen sustained improvement from 64.2% in 2008 to 72.7% in 2018. Hence, this move is not expected to reduce the employability of workers aged 55 to 60.
- (b) **For workers aged 60 to 70, the CPF contribution rate increase should be smaller but meaningful.** Given that the rate targets remain lower than for younger age groups, there is lower risk of reduced employability and take-home pay.

Figure 4.2: Long term CPF contribution rates target for older workers

Age bands	Today	Target
55 & below	37%	37% (unchanged)
Above 55 – 60	26%	37% (+11%-pts)
Above 60 – 65	16.5%	26% (+9.5%-pts)
Above 65 – 70	12.5%	16.5% (+4%-pts)
Above 70*	12.5%	12.5% (unchanged)

*New age band.

(c) **For workers above 70, the total CPF contribution rate should remain unchanged at 12.5%.** The Workgroup notes that employers have no obligation to re-employ workers beyond the age of 70. Raising CPF contributions risks making these workers less employable with no significant gains in retirement adequacy.

economic and labour market conditions. In some years, there may be a need to defer the contribution rate increases in order to relieve pressure on business and moderate the impact on workers' take-home pay. While aiming to complete the full increase within a decade, we should also retain the flexibility to stretch the timeline beyond 2030 if necessary.

4.3.4 The CPF contribution rates should be raised in several steps. To boost retirement adequacy for older workers, the first move should be made as soon as possible. However, the Workgroup also recognised the need to monitor the outcomes before finalising subsequent increases, taking into account prevailing

4.3.5 **Recommendation 11: As a first step, the Workgroup recommends that the CPF contribution rates be raised from 1 January 2021 (Figure 4.3). Employers and workers will each increase their contribution by either 0.5%-point or 1%-point.**

Figure 4.3: Proposed increase in CPF contribution rates

Age bands	2021	
	Employer Contribution	Employee Contribution
Above 55 – 60	+1%-pt	+1%-pt
Above 60 – 65	+1%-pt	+1%-pt
Above 65 – 70	+0.5%-pt	+1%-pt

4.3.6 When raising the CPF contributions to the target rates, the total increase in the employer's share will generally be lower than the employee's share. This is because employers have borne a larger share of previous contribution rate increases. For example, the CPF contribution rate for a worker aged 55 to 60 is 26%, which is 11%-points

less than for younger workers (Figure 4.4). Of the 11%-points, the employer contributes 4%-points less while the employee contributes 7%-points less. In raising to the full CPF contribution rate of 37%, the employer share of the increase would thus be 4%-points while the employee share would be 7%-points.

Figure 4.4: CPF contribution rates for employers and employees

Age bands	CPF contribution rates		
	Total	Employer	Employee
55 and below	37%	17%	20%
Above 55 – 60	26%	13%	13%
Above 60 – 65	16.5%	9%	7.5%
Above 65	12.5%	7.5%	5%

4.3.7. **Recommendation 12: The Workgroup recommends that both the employers and workers should be involved at each step of the series of rate increases. This is consonant with the tripartite approach to improving retirement adequacy, with CPF contributions from employers and workers, and Government providing progressive and risk-free interest rates to grow CPF savings.**

4.3.8. **Recommendation 13: The Workgroup recommends that each subsequent increase in CPF contribution rates should not exceed 1%-point for either workers or employers. This will minimise the impact on take-home pay and wage costs. There may be a need to defer the contribution rate increases in some years if economic conditions warrant. While aiming**

to complete the full increase within a decade, we should also retain the flexibility to stretch the timeline beyond 2030 if necessary.

4.4 Additional CPF Contributions to Flow into the Special Account to Maximise Interest Earned

4.4.1 **Recommendation 14: The Workgroup recommends that the increase in contributions be fully allocated to the Special Account (SA). This will maximise the interest earned and provide a bigger boost to workers' retirement incomes.**

- (a) Allocating to the SA will ensure that the additional contributions earn the highest interest rate of up to 6%¹¹ (see **Appendix B** for proposed allocation). For example, a worker earning \$2,900 (median salary of those aged 55 to 59) from age 55 to 65 will have an additional \$47,300 in the SA, \$3,600 more than if allocated to the Ordinary Account (OA)¹². For the majority of workers who have set aside the Required Retirement Sum at age 55, their higher contributions can be retained in the SA for higher retirement income or be withdrawn as cash at any time.
- (b) This change will not affect the current amount of contributions flowing into the OA (and which can be used for housing). For example, before the proposed increases, a worker aged 56 would have 26%-points in CPF contributions, with 12%-points going to the OA. When the contribution rate is fully increased to 37% for age 55 to 60, the worker will still have 12%-points flowing into his OA.
- (c) Workers who need to use their CPF savings for housing payments after age 55 can continue to do so by reserving their OA savings for this purpose before they turn age 55 and through new contributions to their OA after age 55.

4.5 How can Government Support the Increase in CPF Contributions?

4.5.1 The gradual pace of increase will already give employers and workers time to adjust. Previous CPF contribution rate increases were not supported with Government offsets, with the exception of the Temporary Employment Credit (TEC). This was a one-off wage offset provided between 2015 and 2017 to mitigate the significant impact of a few concurrent CPF changes:

- (a) Increase in the total CPF contribution rate to 37% through an additional 1%-point contribution to MediSave Account for workers of all ages;

- (b) Increase in the CPF salary ceiling from \$5,000 to \$6,000; and
- (c) Increases in the CPF contribution rates for workers aged 50 to 65.

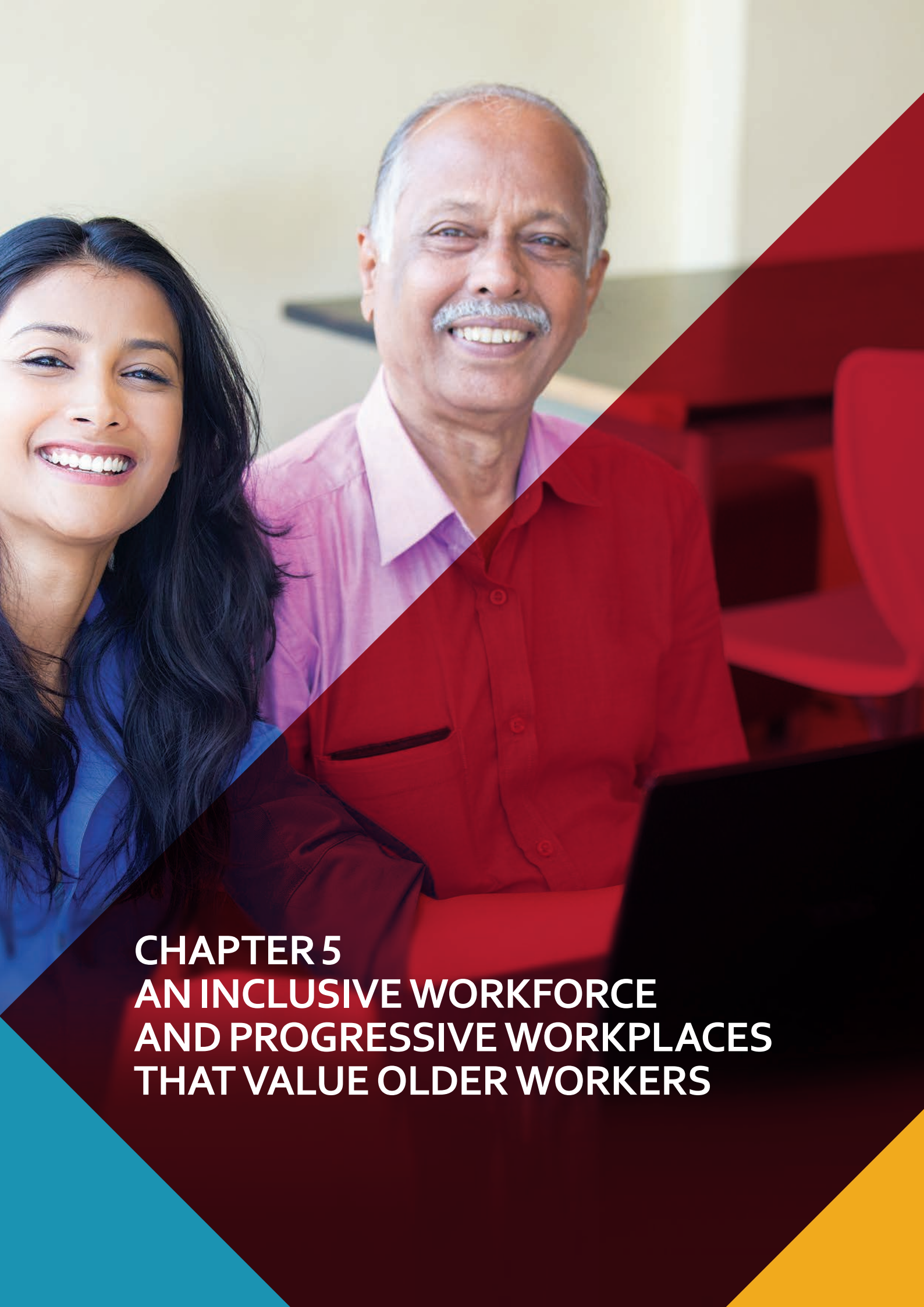
4.5.2 **Recommendation 15: Given the economic slowdown and uncertain outlook, employers feel strongly that the Workgroup's recommendations are ambitious in scale. The Government should provide transitional support to employers, in the form of one-off wage offsets, to mitigate the higher CPF contribution rates.**

¹¹ CPF savings in the SA earn a base interest of 4% per annum, as compared to base interest of 2.5% in the OA. The first \$60,000 in combined balances earn an extra interest of 1%. For members aged 55 and above, the first \$30,000 in combined balances earn an additional extra interest of 1%. Hence, SA savings can earn up to 6% per annum for members aged 55 and above.

¹² Conservative estimates, assuming base interest rates of 4% and 2.5% for SA and OA savings respectively.

RECOMMENDATIONS

10. The Workgroup recommends raising CPF contribution rates for workers aged 55 to 70. The Workgroup also recommends retaining a stepped reduction in CPF contribution rates by age bands.
 - (a) **The total CPF contribution rate for those aged 55 to 60 should be raised to 37% in the longer term.**
 - (b) **For workers aged 60 to 70, the CPF contribution rate increase should be smaller but meaningful.**
 - (c) **For workers above 70, the total CPF contribution rate should remain unchanged at 12.5%.** The Workgroup notes that employers have no obligation to re-employ workers beyond the age of 70. Raising CPF contributions risks making these workers less employable with no significant gains in retirement adequacy.
11. As a first step, the Workgroup recommends that the CPF contribution rates be raised from 1 January 2021. Employers and workers will each increase their contribution by either 0.5%-point or 1%-point.
12. The Workgroup recommends that both employers and workers should be involved at each step of the series of rate increases. This is consonant with the tripartite approach to improving retirement adequacy, with CPF contributions from employers and workers, and Government providing progressive and risk-free interest rates to grow CPF savings.
13. The Workgroup recommends that each subsequent increase in CPF contribution rates should not exceed 1%-point for either workers or employers. This will minimise the impact on take-home pay and wage costs. There may be a need to defer the contribution rate increases in some years if economic conditions warrant. While aiming to complete the full increase within a decade, we should also retain the flexibility to stretch the timeline beyond 2030 if necessary.
14. The Workgroup recommends that the increase in contributions be fully allocated to the Special Account (SA). This will maximise the interest earned and provide a bigger boost to workers' retirement incomes.
15. Given the economic slowdown and uncertain outlook, employers feel strongly that the Workgroup's recommendations are ambitious in scale. The Government should provide transitional support to employers, in the form of one-off wage offsets, to mitigate the higher CPF contribution rates.



**CHAPTER 5
AN INCLUSIVE WORKFORCE
AND PROGRESSIVE WORKPLACES
THAT VALUE OLDER WORKERS**

Chapter 5: An Inclusive Workforce and Progressive Workplaces that Value Older Workers

5.1 Barriers to Older Worker Employment



5.1.1 The Workgroup recognises that even as Singapore raises the Retirement Age and Re-employment Age, and updates the Retirement and Re-employment Act (RRA), legislation alone cannot ensure that older workers are valued and embraced as part of a diverse and inclusive workforce.

5.1.2 The Workgroup believes it is important to identify barriers to a truly age-friendly labour market, and take steps to reduce and eventually eliminate them. This approach has been useful in the past. For example, tripartite partners recognised early

that a seniority-based wage practices would diminish the employability of older workers over time. We took concerted action to shift away from an over-emphasis on seniority in wage-setting. Among other things, we promoted a gradual narrowing of the maximum-minimum salary ratio¹³.

5.1.3 From public engagements and discussions with key stakeholders, the Workgroup noted the following broad categories of barriers:

- (a) Opportunities for older workers to master new skills;
- (b) Appropriate job redesign;
- (c) Options to work at reduced intensity;
- (d) Costs of employer-provided medical benefits; and
- (e) Concerns over safety, health and fitness for work.

¹³This better reflects the worth of a job, as it limits the extent to which employees are rewarded according to seniority in service.

5.2 Opportunities for Older Workers to Master New Skills

Concerns of Stakeholders

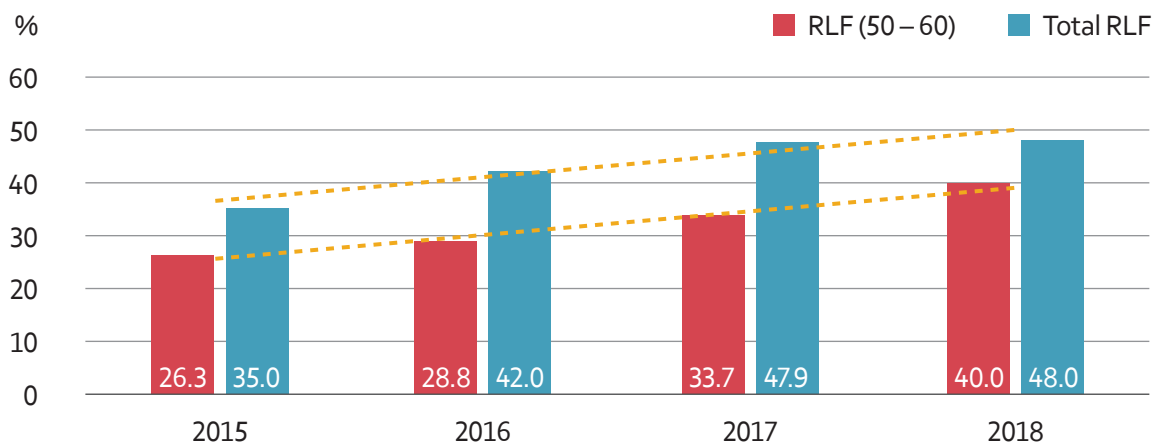
5.2.1 The Workgroup noted the divergent views on this matter. Businesses were concerned that older workers were not willing or able to reskill to respond to rapid changes in their industries. Older workers on the other hand perceived a lack of support from employers for their training needs. They thought that this could be due to the costs of

training, or prioritisation of training for younger workers because they had longer career runways.

5.2.2 Data show that there is scope for renewed emphasis on training and upskilling of older workers.

(a) Incidence of training by older workers has risen, from 26% in 2015 to 40% in 2018 (Figure 5.1). However, it remains lower than that of the resident labour force (RLF).

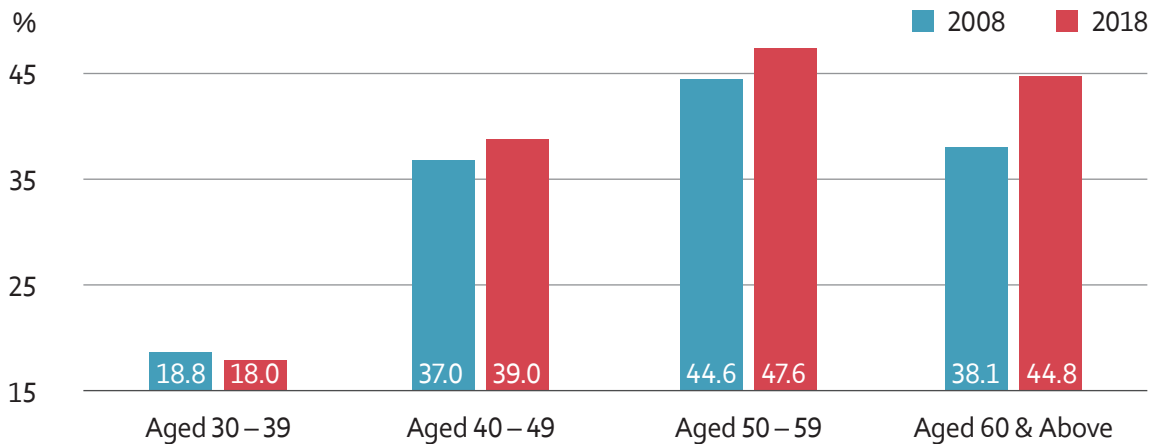
Figure 5.1: Training participation rate of older workers has increased



Source: Supplementary Survey on Adult Training, Manpower Research and Statistics Department, Singapore Ministry of Manpower.

(b) Older workers are more likely to have stayed at least 10 years with their current employer (Figure 5.2); hence, the expected return on investing in older workers is higher than assumed.

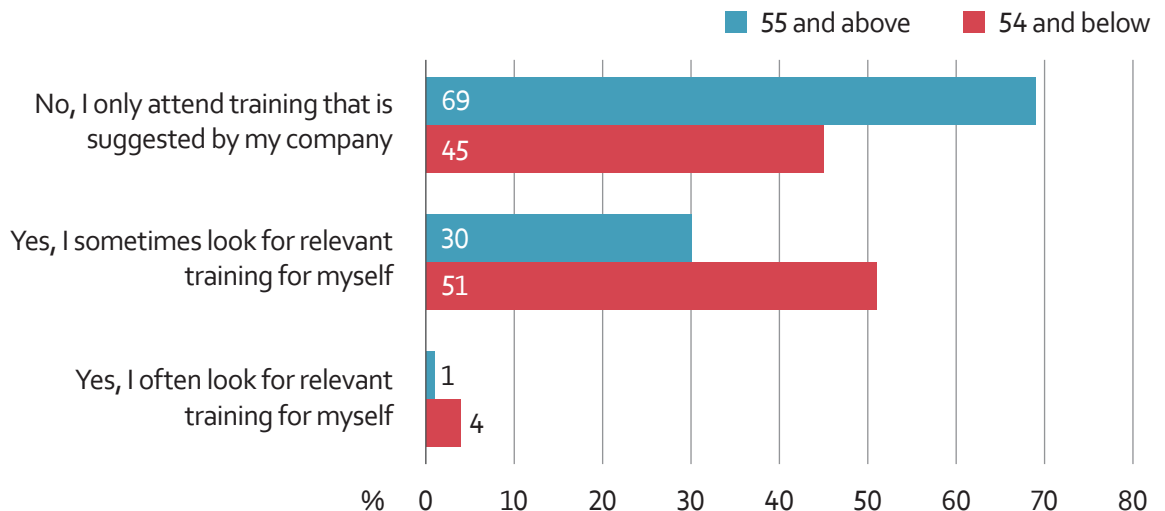
Figure 5.2: Proportion of residents who had worked at least 10 years in their current job has increased more for older workers



Source: Comprehensive Labour Force Survey, Manpower Research and Statistics Department, Singapore Ministry of Manpower.
Note: Data exclude full-time National Servicemen.

5.2.3 Older workers are also more likely to look to their employers to signal what training to undertake (Figure 5.3).

Figure 5.3: Older workers more reliant on their employers’ suggestion to attend training



Source: Public Perception Study on Skills Mastery and Lifelong Learning 2017, Singapore Ministry of Education.

5.2.4 Based on these findings, the Workgroup assessed that older workers’ lower training participation rates were not primarily due to a lack of motivation. Their capacity to master relevant new skills can be greatly expanded through their employers’ guidance and support to identify and make available training opportunities.

Best Practices from Abroad

5.2.5 The Workgroup observed that in both Japan and Denmark, employers commit in collective agreements to engage mature workers (from age 40) on their career plans. In the Netherlands and United Kingdom, there are schemes for workers to receive guidance on career plans. These sessions involve employers and workers in structured conversations to discuss workers' career plans and guide them on the skills they would require and the training they should undertake.

Forward-looking Approach to Prepare Workers for Career Development and Re-employment

5.2.6 The Workgroup believes that a more forward-looking approach to guide workers on their career development and re-employment would be helpful. It could, for example, prepare older workers in at-risk jobs for potential workplace disruption ahead of time. It would also help build their confidence in planning their careers and prepare them for career changes, re-employment and eventual retirement.

5.2.7 As employers are more attuned to changes in industry demand and technology, they should guide older workers on what training they need for career development and re-employment, and engage employees in structured career planning sessions at various age

milestones. Employers will also benefit through a deeper understanding of their workers' future plans, which do not necessarily involve continuing in the same job. Some older workers, for example, may prefer to move into mentoring roles with reduced work intensity while still allowing them to contribute meaningfully.

- 5.2.8 Such engagements between employers and employees could be conducted at two stages:
- (a) When the employee is around age 45, which is an appropriate juncture that approximates the midpoint of working life; and
 - (b) When the employee is around age 55, which provides sufficient lead time before entry into re-employment.

5.2.9 **Recommendation 16: The Workgroup recommends that employers engage mature and older workers in structured career planning sessions. Conversations with mature workers (around age 45) can be centred on their future career plans and potential support from companies, while those with older workers (around age 55) can focus on relevant skills needed for re-employment.**

5.2.10 The Workgroup also notes NTUC's initiative to set up Company Training Committees (CTCs). The Workgroup agrees that CTCs can be an important conduit at the company-level to nudge mature and older workers towards training that will help keep their skills and knowledge relevant in the future economy.

5.3 Appropriate Job Redesign

Transformational Job Redesign Can Achieve Greater Impact

5.3.1 Studies show that people generally experience some degree of deterioration in physical attributes and strength as they age.¹⁴ Older workers' ability to perform tasks which are physically strenuous or require fine motor control may be reduced. To address these effects of ageing, many progressive employers have adopted age-friendly practices, especially job redesign, to make workplaces easier, safer and smarter. In 2017, more than 10,000 companies in Singapore,

employing about 277,000 of the 318,000 (87%) local employees aged 50 and over, reported that they have done so.¹⁵

5.3.2 However, the Workgroup notes that job redesign is predominantly task-specific today, and benefits only a few workers at a time. Given Singapore's rapidly ageing workforce, it is imperative that organisation-wide and systems-level processes are redesigned, to raise the productivity and workplace longevity of a larger number of current and future older workers. (See Box 5.1) Employers may also tap on the maturity and experience of some older workers, to mentor and guide their younger colleagues.

BOX 5.1

TRANSFORMATIONAL JOB REDESIGN PROJECTS WITH ORGANISATION-WIDE OR SYSTEM-LEVEL IMPACT CAN BENEFIT MORE OLDER WORKERS

Marina Properties Private Limited received over \$94,000 funding from the WorkPro Job Redesign Grant to implement an Intelligent Surveillance & Monitoring System (ISMS) – a customisable system which can identify and alert security officers to anomalies requiring their investigation. Prior to the job redesign, security officers spent three to five hours daily monitoring live footage from up to 176 cameras for anomalies. With the ISMS providing analytical coverage by CCTV surveillance, the smart technology allows officers to be promptly and accurately alerted to intrusions in the areas monitored by the cameras. When illicit activities are detected, the alerted officers are also more prepared with better information of the anomaly even before on-site physical inspections are carried out. So far, 13 older workers have benefitted from this job redesign project.

Newera, a logistics company, received \$50,000 from the WorkPro Job Redesign Grant to install the Hanel Rotomat Industrial Carousel Storage System in its warehouse. Before job redesign, workers had to rely on memory and manually track inventory items and, at times, search for missing parts in the large warehouse space. With the new, smarter system in place, items can be traced to specific users for better accountability and tracking. The easy retrieval of items from better organised storage units reduces the need for employees to memorise where each item is stored in the inventory, freeing up employees to focus on other more complex tasks. The new system benefits other parts of the value chain within the company, such as the sales department, which can get up-to-date inventory status to facilitate replenishment and forward planning. Overall, the job redesign has enabled both older and younger employees to work better together.

¹⁴ For example, the body could lose some range of motion and flexibility while vision and hearing capacity would reduce with age.

¹⁵ Supplementary Survey on Employment of Older Workers, Manpower Research & Statistics Department, Singapore Ministry of Manpower. The survey covers private sector establishments each with at least 25 employees.

5.3.3 **Recommendation 17: The Workgroup recommends that employers embark on job redesign to effect organisation-wide and systems-level changes so as to (i) increase the number of older workers who can perform the job; and/or (ii) extend upwards the age at which workers can do a job.**



5.4 Options to Work at Reduced Intensity

Desire for Lower Work Intensity

5.4.1 Through the public consultations, the Workgroup observed that increasingly, older workers would like to have the option to reduce their work intensity gradually as they approach retirement. They would be prepared to remain in the workforce if they could undertake part-time work arrangements during the re-employment phase. This would enable them to continue contributing to their companies and remain active.

5.4.2 A 2017 study by CPF Board found that among those with plans for their retirement, the vast majority (86%) preferred to transit into partial retirement before fully retiring.¹⁶ Over half of this group (58%) hoped to reduce their work hours gradually, while one-third hoped to have reduced responsibilities. A poll conducted by the Ministry of Communications & Information in 2018 revealed that about 50% of workers who retired would have preferred to continue working. Of these, more than three in five would have preferred doing so on a part-time basis (Figure 5.4).

Figure 5.4: Half of retirees would rather continue working, mostly on a part-time basis



Source: Singapore Ministry of Communications & Information.

¹⁶ Based on data from the Second Wave of the Retirement and Health Study (RHS). The RHS is a longitudinal study of Singaporeans and Permanent Residents aged 45-85 years old.

5.4.3 The Workgroup also noted that there is much scope to raise the part-time employment rate of older workers in Singapore. Our part-time employment rate for those aged 55 to 64 is currently ranked 24th amongst the 36 OECD countries.¹⁷

5.4.4 If employers could provide older workers with more opportunities for part-time work, it would allow them to remain in the workforce. Both workers and companies would benefit; older workers can continue to stay active at work and earn an income while companies can continue to leverage on this pool of experienced workers.

Part-time Re-employment

5.4.5 Under the RRA, employers are required to offer re-employment to eligible employees.

(a) If an employer and an employee mutually agree for the employee to take up part-time re-employment, the employer would have fulfilled the re-employment obligation.

(b) However, if the employer offers a suitable full-time re-employment position, but the employee prefers a part-time re-employment and declines the full-time re-employment offer, the employer is not obliged to offer a part-time re-employment position. The employer may part ways with the employee and no Employment Assistance Payment (EAP) is payable.

5.4.6 The Workgroup discussed the possible option of amending the RRA to require the employer to provide part-time re-employment if the employee requests for it. An employer who is unable to meet this request for part-time re-employment would then have to offer an EAP to the requesting employee.

5.4.7 Employers were, however, concerned about the implications of such a move, in particular on their operations.

(a) Employers today provide mostly full-time positions only and their work structures and processes are often not able to support workers on partial or fewer shifts, or job sharing of full-time positions.

(b) Employers would need time to restructure their work processes to accommodate more part-time employees, in particular those transiting into re-employment.

5.4.8 The Workgroup also considered allowing employers to offer part-time re-employment unilaterally to fulfil their re-employment obligation, and should employees decline this offer, no EAP is payable. However, the Workgroup recognised that employees who preferred to continue working full-time should not be made to reduce their work hours or risk not getting the EAP.

5.4.9 The Workgroup acknowledged that a promotional approach would not fully address the need of a sizeable proportion of older workers who prefer part-time re-employment. As long as demand for these positions

¹⁷ Part-time employment rate refers to part-time employed as a percentage of the population.

exceeds their availability, there would be some older workers who would leave the workforce prematurely for lack of a part-time option.

formalise these in their HR policies and employment contracts, so that employees can plan for their re-employment with greater assurance.

5.4.10 Nonetheless, in light of employers' significant concerns, the Workgroup decided to first adopt a promotional approach to encourage more employers to provide part-time re-employment opportunities. Employers that make the shift to better accommodate part-time employment options should

5.4.11 **Recommendation 18: The Workgroup recommends that employers provide part-time re-employment opportunities and commit to do so via their HR policies and employment contracts. The approach should be promotional.**

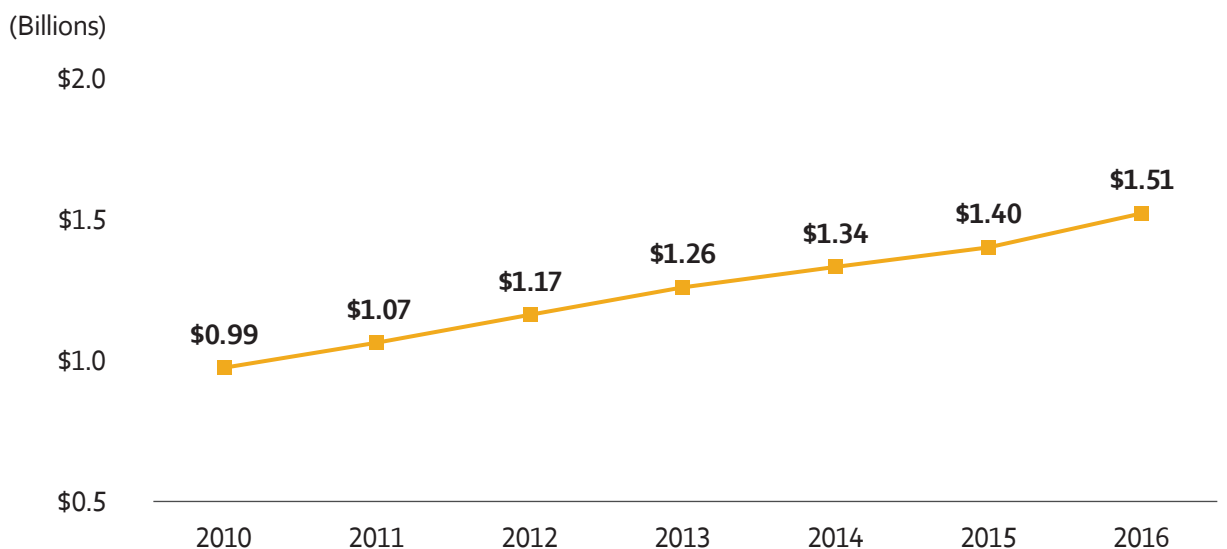


5.5 Costs of Employer-Provided Medical Benefits

Ageing Workforce and Rising Employers' Medical Costs

5.5.1 Employers' medical costs have risen significantly. From 2010 to 2016, employers' expenditure on healthcare grew by about 7% per annum, or more than 50% within the period from about \$1.0 billion to \$1.5 billion (Figure 5.5)¹⁸.

Figure 5.5: Employers' healthcare costs have risen significantly



Source: Singapore Ministry of Health.

¹⁸ The increase in employers' healthcare expenditure mirrored the increase in National Healthcare Expenditure, which more than doubled from \$10.2 billion in 2009 to \$20.7 billion in 2016.

- 5.5.2 Currently, the majority of employers pay for employees' inpatient medical fees as part of their companies' medical benefits. While it was previously an affordable way to attract and retain workers, such medical benefits will become increasingly costly with an ageing workforce.
- 5.5.3 Today, more than half of all employers provide medical benefits via Group Hospitalisation and Surgical (GHS) medical schemes where insurers cover their employees' inpatient medical costs¹⁹. More than a third directly cover their employees' inpatient or outpatient medical costs without insurance. Fewer than 4% of employers provide portable medical benefits to their employees, such as by making additional MediSave contributions.²⁰
- (b) In 2003, the Government accepted the Economic Review Committee's (ERC) recommendation to introduce the Portable Medical Benefits Scheme (PMBS) and the Transferable Medical Insurance Scheme (TMIS)²¹. Back then, medical expenses incurred by employers enjoyed tax deduction of up to 2% of the total payroll. To encourage employers to adopt the PMBS or TMIS, the 2% tax deduction was extended if they implemented these schemes, starting in 2004. Tax deductibility in respect of medical expenses would otherwise be reduced to 1%. To further encourage such shifts, the limit for additional MediSave contributions was also raised to \$1,500 per employee per year. From 2008, employers could enjoy tax deductions up to the higher 2% cap if they made ad-hoc contributions to their employees' MediSave accounts, or if they purchased MediShield or Integrated Shield Plans for their employees.

Moves to Encourage Employers to Adopt Portable Medical Benefits

- 5.5.4 Since the 1990s, steps have been taken to encourage employers to adopt portable medical benefits to keep healthcare costs affordable and allow employees to receive continuous medical coverage even if they change employers.
- (a) In 1994, the Public Service introduced the MediSave-cum-Subsidised Outpatient (MSO) scheme for new hires. This provided additional MediSave contributions in lieu of inpatient benefits.
- (c) In 2017, tripartite partners updated the Tripartite Guidelines on the Re-Employment of Older Employees to encourage employers to tap on MediShield Life to provide medical benefits to re-employed employees, by paying additional MediSave contributions to defray the MediShield Life premiums.
- (d) In 2018, the limit of additional MediSave contributions was further raised to \$2,730 per employee per year.

¹⁹With reference to employers that employ more than 25 employees.

²⁰The remaining 10% of employers do not offer any structured medical benefits to their staff.

²¹Under the PMBS, employers make regular additional MediSave contributions to their employees. The TMIS is a company-based medical insurance scheme.

Duplication of Coverage as MediShield Life was Introduced

5.5.5 MediShield Life now provides all Singaporeans with lifetime protection against large hospital bills and expensive chronic treatments. However, an employee would have duplicate insurance coverage if his employer also provided GHS or other forms of inpatient medical benefits. To reduce duplication, the company could use the money spent on GHS premiums to help employees pay for

their MediShield Life premiums, or Integrated Shield premiums above the basic MediShield Life tier.

5.5.6 **Recommendation 19: The Workgroup recommends that employers restructure employer-provided medical benefits from GHS schemes to additional MediSave contributions or other flexible benefits. Such MediSave contributions or flexible benefits could be used by employees to purchase portable medical benefits, such as Integrated Shield Plans that ride on MediShield Life.**

5.6 Concerns on Safety, Health and Fitness for Work

Fitness for Work Evaluations

5.6.1 Concerns over older workers' safety, health and fitness for work as they age were consistently raised across the Workgroup's public engagements.

5.6.2 Employers were especially concerned in industries that involved physically demanding work, including round-the-clock operations with personnel on shift work, such as in the transport sector and the oil, petrochemical and chemical industries. In these settings, the concern was not just about the safety of the individual older worker, but also the implications for the safety of the plant or of operations. A minimum fitness level is often required for employees in these roles, as they

need to respond to emergencies or operate heavy equipment. However, the Workgroup noted that there were still employers that relied on age as a blunt proxy to evaluate fitness for work. Work assessments should rightfully be tied to objective criteria of the ability to perform required tasks, instead of absolute age thresholds. Steps should be taken to move towards objective measures of fitness for work.

5.6.3 **Recommendation 20: The Workgroup recommends that employers' determination of a worker's fitness for work in a particular role should not be based solely on age, but also on the objective assessment of (i) job requirements; and (ii) relevant health or physical conditions that would affect his performance of those job requirements.**

Workplace Health Programmes for an Older Workforce

5.6.4 With an ageing workforce, health conditions associated with ageing will become more common in the workforce. Such conditions do not mean that the worker is unable to work, since medical advancement allows for more conditions to be managed without affecting quality of life or ability to remain active.

5.6.5 In 2014, the Tripartite Oversight Committee on Workplace Health (TOC) was convened to help workers achieve workplace well-being by adopting a holistic approach to manage their safety and health. As part of its work in implementing the TOC recommendations, the Health Promotion Board (HPB) pioneered a novel approach to workplace health for older workers, reaching more than 60,000 from seven key sectors since 2015.²² Their approach customised interventions which recognised the specific age-related issues that older workers faced in their daily work. (See [Box 5.2](#))

BOX 5.2

INDUSTRY-SPECIFIC SOLUTION IN ACTION: EMPOWERING BUS CAPTAINS

More than 6,000 bus captains benefited from the "Healthier Workers, Happier Workers" programme.

An ergonomics intervention programme was introduced following a Workplace Health Risk Assessment conducted by occupational health specialists. Sessions were conducted with bus captains during their breaks or before their start of shifts. For example, bus captains were taught practical skills on making appropriate adjustments within the bus cabin to reduce possible musculoskeletal problems.

Sunglasses were also provided to help them cope with glare while on the road.

Bus captains also learnt to manage their chronic diseases through adopting healthy lifestyle practices. For example, they were taught to identify and choose healthier options when eating out and at home. Canteen operators, under the management of the National Transport Workers' Union (NTWU) also started to serve healthier food at bus depots and interchanges. This made healthier eating an easy option for bus captains.



²² The seven key sectors HPB reached out to include transportation and logistics, retail, cleaning, security, food and beverage, education and healthcare industries.

5.6.6 Under the Workplace Safety and Health 2028 (WSH 2028) plan, there is also an enhanced focus on workplace health issues. In particular, more attention is being paid to the three most common conditions of diabetes, high blood pressure and high LDL cholesterol.

5.6.7 Workplace health programmes can pre-empt work-related health issues, allowing workers to stay healthy and productive. By customising programmes based on the specific needs of workers, employers have an

opportunity to create a more age-friendly workplace and demonstrate that they are serious about improving workers' well-being and employability.

5.6.8 **Recommendation 21: The Workgroup recommends that employers implement workplace health programmes that are appropriate for the ageing profile of their workforce. At the same time, the Workgroup calls on workers to take responsibility for their health, keep themselves fit for work, and participate in workplace health programmes.**

5.7 Government Support for an Inclusive Workforce and Progressive Workplaces that Value Older Workers

5.7.1 The Workgroup recognises that these proposals would require employers to make significant changes to their policies, processes and practices to build more age-friendly workplaces. There must be additional investments, for example, in building internal HR capability to start structured career planning sessions, changing work arrangements and design to bring about more part-time employment opportunities, and transformational job redesign.

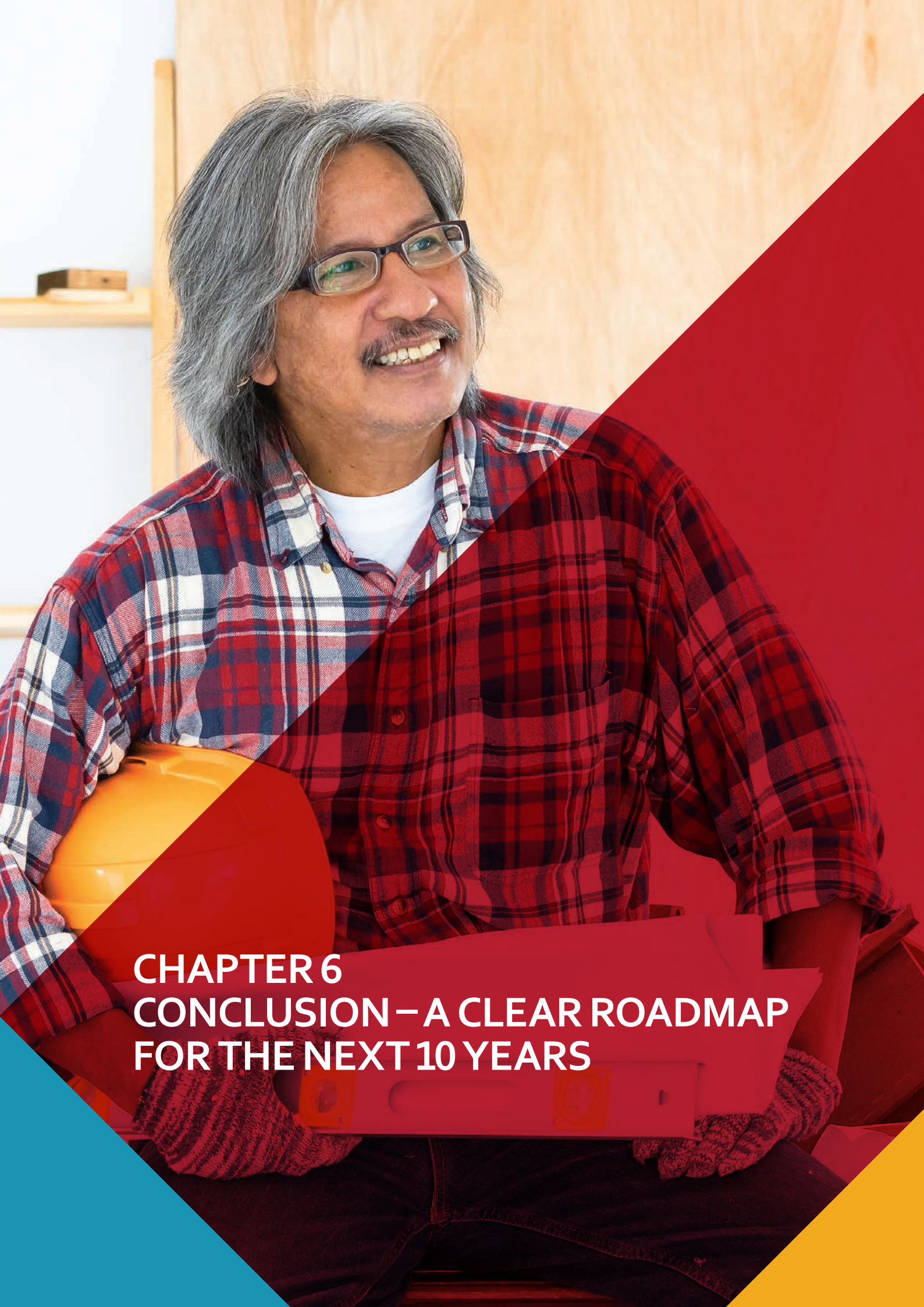
5.7.2 The Workgroup notes that companies today can already tap on existing Government support schemes, such as WorkPro Job Redesign Grant and Work-Life Grant, to redesign

jobs and implement flexible work arrangements. At the same time, not all companies recognise that their employer-provided medical benefits duplicate the provisions under MediShield Life, or the urgency for reform.

5.7.3 **Recommendation 22: The Workgroup recommends that the Government support employers to undertake key shifts in their HR policies. In particular, to: (i) systematically create part-time opportunities for employees seeking re-employment; (ii) raise awareness of structured career planning sessions and build capabilities to conduct such sessions; and (iii) support transformational job redesign to overhaul organisation-level systems and processes, so as to benefit more older workers.**

RECOMMENDATIONS

16. The Workgroup recommends that employers engage mature and older workers in structured career planning sessions. Conversations with mature workers (around age 45) can be centred on their future career plans and potential support from companies, while those with older workers (around age 55) can focus on relevant skills needed for re-employment.
17. The Workgroup recommends that employers embark on job redesign to effect organisation-wide and systems-level changes so as to (i) increase the number of older workers who can perform the job; and/or (ii) extend upwards the age at which workers can do a job.
18. The Workgroup recommends that employers provide part-time re-employment opportunities, and commit to do so via their HR policies and employment contracts. The approach should be promotional.
19. The Workgroup recommends that employers restructure employer-provided medical benefits from GHS schemes to additional MediSave contributions or other flexible benefits. Such MediSave contributions or flexible benefits could be used by employees to purchase portable medical benefits, such as Integrated Shield Plans that ride on MediShield Life.
20. The Workgroup recommends that employers' determination of a worker's fitness for work in a particular role should not be based solely on age, but also on the objective assessment of (i) job requirements; and (ii) relevant health or physical conditions that would affect his performance of those job requirements.
21. The Workgroup recommends that employers implement workplace health programmes that are appropriate for the ageing profile of their workforce. At the same time, the Workgroup calls on workers to take responsibility for their health, keep themselves fit for work, and participate in workplace health programmes.
22. The Workgroup recommends that the Government support employers to undertake key shifts in their HR policies. In particular, to: (i) systematically create part-time opportunities for employees seeking re-employment; (ii) raise awareness of structured career planning sessions, and build capabilities to conduct such sessions; and (iii) support transformational job redesign to overhaul organisation-level systems and processes, so as to benefit more older workers.



**CHAPTER 6
CONCLUSION – A CLEAR ROADMAP
FOR THE NEXT 10 YEARS**

Chapter 6: Conclusion – A Clear Roadmap for the Next 10 years

- 6.1 Singapore will experience significant demographic shifts over the next decade. Our people are living longer and our workforce is ageing rapidly. We have also embarked on the next phase of industry transformation led by the Future Economy Council and guided by the Industry Transformation Maps. This is supported by the SkillsFuture initiative – the national movement for lifelong learning. We need to transform urgently to stay competitive, while continuing to achieve inclusive growth that benefits all segments of our population.
- 6.2 Our ageing workforce presents challenges and opportunities. By setting out the roadmap for the next decade, the Workgroup's recommendations will enable older workers to thrive in the future economy. We will maximise their work potential, and prepare them for meaningful careers and productive lives. Employers can continue to harness the skills and experience of an expanding pool of older workers.
- 6.3 The Workgroup's recommendations are also far-reaching. We have a clear plan to raise the Retirement Age and Re-employment Age. We have also proposed to raise the CPF contribution rates for older workers between 55 to 70. These changes will benefit not just current older workers, but also today's younger workers as they grow older. At the same time, a measured pace of implementation will enable our businesses and workers to make adjustments well in advance.
- 6.4 Besides raising the Retirement Age, Re-employment Age and CPF contribution rates, the Workgroup's recommendations also seek to bring about structural shifts in workplace practices and norms. It is in employers' interest to update their company policies and processes to maximise the potential of older workers, including through having structured career conversations, transformational job redesign and more flexible work arrangements like part-time work. Workers will have to better prepare themselves for longer working lifespans through training and reskilling in order to meet their career aspirations and build up their retirement adequacy.

A Note on Timing

- 6.5 The Workgroup is mindful that economic conditions have changed considerably since it started discussions. In the short term, some sectors like electronics, manufacturing, and trade-related services have been hit by US-China trade tensions. In the medium term, the outlook for other sectors is also more subdued. The economy as a whole may experience more turbulence in the next decade.
- 6.6 Given this evolving backdrop, the Workgroup believes that implementation of its key recommendations should be carefully timed. To help employers and workers prepare, there should be no ambiguity on the first moves, i.e. to start raising the CPF contribution rate from 1 January 2021, and the Retirement Age and Re-employment Age from 1 July 2022. Thereafter, the next moves should be decided through close tripartite consultations, with ample notice being provided before they take effect.
- 6.7 Notwithstanding the economic uncertainties, the Workgroup believes it is possible to raise the Retirement Age and Re-employment Age to 65 and 70 respectively by 2030. This is because Singapore is fundamentally labour constrained and older workers are a valuable resource. However, there should be more flexibility with regard to CPF rate increases because of their direct impact on wage costs and take-home pay. While aiming for the full increase within a decade, tripartite partners should be prepared to stretch the timeline beyond 2030 if economic conditions warrant.

The Role of Strong Tripartism in Singapore

- 6.8 It was not easy to achieve consensus on these extensive recommendations within a year. The Workgroup started its work with many stakeholders' interests to take into account, and high expectations on both sides. Its engagement of a broad spectrum of society also surfaced many perspectives.
- 6.9 The tripartite stakeholders struck a balance, and made trade-offs for a win-win-win solution for employers, workers, and for Singapore. That they achieved resolution on these issues shows again the importance of goodwill and trust in industrial relations in Singapore. These recommendations, when implemented, will show how constructive tripartism can successfully address economic and social challenges, to build a better Singapore.
- 6.10 Achieving productive longevity will take joint efforts. We are confident that everyone will play their part. Employers will redesign their training, jobs and careers around the abilities and strengths of older workers. Workers will adopt the right mindset and be ready to adapt, learn new things and take on different responsibilities. Government will support both employers and workers in these endeavours.
- 6.11 Our collective efforts will turn our ageing population into an inclusive and dynamic workforce; transform our businesses into progressive and productive enterprises; and build a Singapore where older workers can thrive in the future economy.



APPENDIX

Appendix A

Composition of the Tripartite Workgroup on Older Workers

Advisors

Mr Ng Chee Meng
Secretary-General
NTUC

Mrs Josephine Teo
Minister
Ministry of Manpower

Dr Robert Yap
President
SNEF

Chairman

Mr Aubeck Kam
Permanent Secretary
Ministry of Manpower

National Trades Union Congress (NTUC) Representatives

Mr Heng Chee How
Deputy Secretary-General
NTUC

Ms Cham Hui Fong
Assistant Secretary-General
NTUC

Mr Philip Lee
Central Committee Member
NTUC (until Apr 2019)

Ms Eileen Yeo
Central Committee Member
NTUC

Government Representatives

Ms Low Yen Ling
Senior Parliamentary Secretary
Ministry of Manpower & Ministry
of Education

Ms Teoh Zsin Woon
Deputy Secretary (Transformation)
Public Service Division

Dr Benjamin Koh
Deputy Secretary (Development)
Ministry of Health

Singapore National Employers Federation (SNEF) Representatives

Mr Alexander C. Melchers
Vice President
SNEF

Ms Goh Swee Chen
Vice President
SNEF (until Dec 2018)

Mr Kuah Boon Wee
Council Member
SNEF

Appendix B

Long Term Allocation of CPF Contributions

Age bands	Allocation of CPF contributions (As a % of wages)							
	Current				Target			
	OA	SA	MA	Total	OA	SA	MA	Total
Above 50 – 55	15%	11.5%	10.5%	37%	15%	11.5%	10.5%	37%
Above 55 – 60	12%	3.5%	10.5%	26%	12%	14.5% (+11%-pts)	10.5%	37%
Above 60 – 65	3.5%	2.5%	10.5%	16.5%	3.5%	12% (+9.5%-pts)	10.5%	26%
Above 65 – 70*	1%	1%	10.5%	12.5%	1%	5% (+4%-pts)	10.5%	16.5%
Above 70*	1%	1%	10.5%	12.5%	1%	1%	10.5%	12.5%

*Currently under one age band above 65.





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