

CHAPTER 2

EFFORTS TO ENHANCE THE EMPLOYABILITY OF OLDER WORKERS

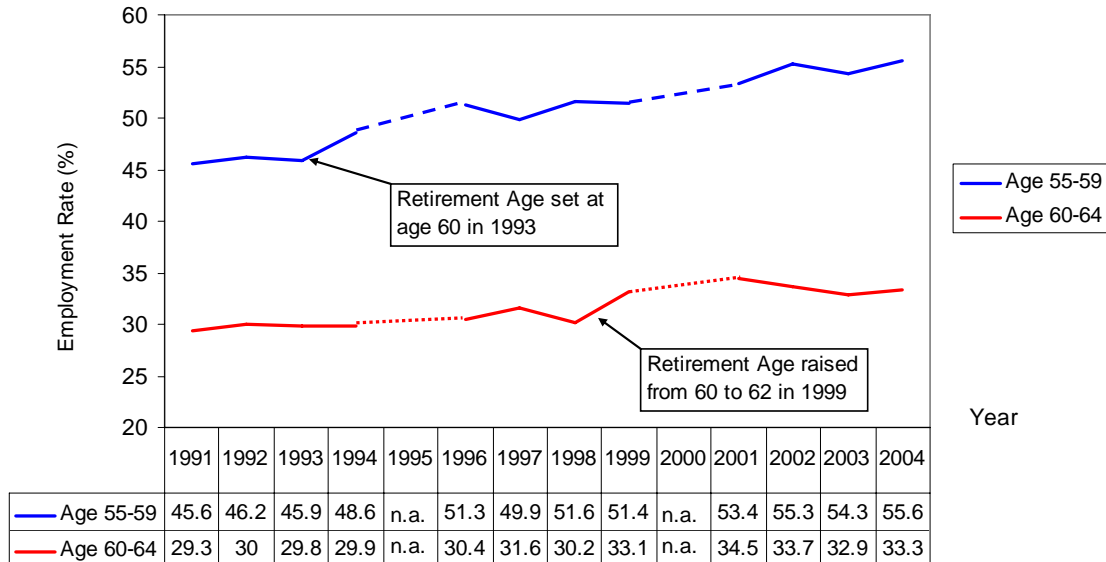
Introduction

1. Over the years, much has been done to enhance the employability of older workers. We should build on these efforts going forward. This chapter covers the prevailing regulatory environment, and existing measures to enhance the employability of older workers.

Changes to the Retirement Age Act

2. In 1988, recognising the impending slowdown in the growth of the local labour force and the inadequacy of retirement savings, the Government encouraged employers and unions to voluntarily raise the retirement age from the norm of 55 years to 60 years. A survey conducted in early 1992 revealed that while 72% of unionised companies had raised the retirement age to 60 years and older, only 4.5% of non-unionised companies had done so. Overall, only 10% of all companies surveyed raised the retirement age voluntarily to 60 years.
3. The Government thus introduced the Retirement Age Act which took effect on 1 July 1993 to provide for a statutory retirement age of 60 years. The Government also stated its long-term objective of raising the retirement age progressively to 67 years old. To help address employers' concerns about additional costs as well as to enhance the job security of older workers, the employers' CPF contribution rate for employees aged 55 to 59 was reduced from 12.5% to 7.5%.
4. The statutory retirement age was further raised from 60 to 62 years on 1 January 1999, together with other cost-cutting measures, such as a reduction in employers' CPF contribution rate and allowing up to 10% reduction in wages for workers aged 60 and above, to help lower the cost of employing older workers. The statutory retirement age has remained at 62 years since then.
5. These measures have kept some older workers, who would otherwise have retired earlier, in employment. The ER of older workers aged 55 and above has increased and shown an upward trend since the enactment of the Retirement Age Act in 1993.

CHART 2.1: RESIDENT EMPLOYMENT RATE OF OLDER PERSONS



Source: Labour Force Survey, MOM

Note: Data for 1995 and 2000 are not available as the Labour Force Survey was not conducted in these years due to the conduct of the General Household Survey 1995 and the Census of Population 2000 by the Singapore Department of Statistics.

Other Measures to Support Increasing Retirement Age

6. Since 1993, several initiatives have also been implemented to address the employability of older workers (see [Annex A](#)). Summaries of the key measures are as follows:
 - a. **Wage Restructuring** to replace the seniority-based wage structure with a more flexible wage system that is performance-based.
 - b. **Alternative Medical Benefit Schemes** to help contain rising medical costs in the long-term and also to encourage employees to take individual responsibility for their own health. The Portable Medical Benefits Scheme (PMBS) was introduced in 2003 to enable employers to make additional contributions to their employees' Medisave accounts in lieu of providing for in-patient medical benefits.
7. In addition, MOM/WDA and NTUC have put in place various skills training programmes to help enhance the employability of mature workers, aged 40 and above. These include:
 - a. **Skills Redevelopment Programme (SRP)**. The SRP, managed by NTUC, aims to equip workers with certifiable skills. To encourage

employers to send their employees for certifiable training, incentives in the form of course fees, absentee payroll and wage support are provided. Workers aged 40 and above are eligible for higher funding rate for course fee and absentee payroll, compared to those below 40.

- b. **People for Jobs Traineeship Programme (PJTP).** The PJTP encouraged employers to make available suitable job opportunities for workers aged 40 and above who were making career transitions between industries or job functions. The programme offered employers a wage support incentive for putting in place traineeship/mentorship arrangements to help newly recruited mature workers fit into new jobs and work environment. The PJTP ended on 31 Dec 2004 following the introduction of the new Re-Employment Assistance Programme (REAP), comprising the Job Re-creation Programme (JRP) and the Re-Employment Support Scheme (RESS).

Approach of the Tripartite Committee on Employability of Older Workers

8. Extending the statutory retirement age further to 67 years, as provided for under the Retirement Age Act, remains our goal. However, past experience has shown that the *effective* retirement age, i.e. the actual age when workers retire, cannot be raised by legislative means alone. Other fundamental issues need to be addressed, including changing the mindsets of both employers and older workers themselves, the availability of employment opportunities for older workers, as well as workplace and employment practices.
9. The Tripartite Committee on Employability of Older Workers, with representatives from the employers, the unions and the Government, was set up in March 2005 to examine how the employability and cost competitiveness of our older workers could be enhanced. The Committee's Terms of Reference are at [Annex B](#).
10. To facilitate its work, the Committee set up two workgroups to study the issues in greater detail:
 - a. The **Workgroup on Employment Practices, Wage and Benefits Structures** examined measures to enhance older workers' cost competitiveness and make improvements to employment and workplace practices; and
 - b. The **Workgroup on Employment Opportunities and Employability** addressed barriers to the re-employment and

retention of older workers, which included measures to positively shape perceptions and mindsets of both employers and employees towards older workers.

11. The Committee actively engaged the industry through eight sectoral workgroups covering the public sector, banking, insurance, healthcare, hotels, transport & logistics, food and manufacturing. The workgroups were tasked to identify best employment practices and job opportunities for older workers within the sectors, as well as recommend and pilot sector-specific changes.
12. The Committee also conducted focus group discussions with employers, workers and job seekers to gather feedback, ideas and views on the challenges as well as possible solutions.
13. The recommendations of the Committee are elaborated in the following chapters of this Report.
