

Adjournment Motion on the Employment and Employability of Seniors by Member of Parliament Mr David Ong

1. Madam Speaker, Singapore is among the fastest ageing populations in Asia, which is aggravated by low fertility rate and longer life expectancy. By 2050, it is projected that almost a third of people in Singapore will be aged 65 or over.
2. The changing demographic trends will require adjustments to be made by individuals and society at large. In particular, government policies and attitudes of both employers and employees on retirement age; and employment of seniors need to be re-calibrated to reflect the signs of our time.
3. A fast ageing population compounded by a tight labour market means it makes business and economic sense to recruit and retain mature workers.
4. Thus, with changes in the labour employment landscape and the introduction of re-employment legislation, it is timely to review two co-related Singapore's employment policies, namely
 - i. the Statutory retirement age of 62 years and
 - ii. the reduction of employer's CPF contribution for workers turning 50 and above.

Rethinking Re-employment and Retirement Policy

5. Singaporeans aged 65 today can expect to live for another 20-25 years, a third more than their contemporaries 25 years ago. It is important that workers remain employed longer as this will enable them to start dipping into their savings at a much later age thus supporting financial self-sufficiency. However, remaining employed for longer is not just important for financial reasons, but also for health, fulfilment and personal well-being.
6. To many, work is an important part of active ageing. According to a 2013 HSBC study, 47% of Singaporeans aspired to continue working in some

capacity in retirement. This highlights the difficulty in drawing a line between when work stops and retirement starts. The retirement age should not become a barrier to active ageing.

7. I propose for the removal of the Statutory retirement age in Singapore. Workers should be given the flexibility to choose how long they want to work or when they wish to retire. The important factor is the restoration of choice for our senior workers on retirement.
8. I want to emphasise that I am not suggesting that people should work to their graves, and I am certainly not suggesting that people should be made to work past an age in which they want to stop. I hope to see workers being empowered with their own decision of retirement rather than being subject to a legislative policy.
9. Enforced retirement is often a life-changing event. Complete retirement often precipitates rapid physical and psychological decline, especially if a person does not find ways to remain socially active. It was mentioned, in a recent Straits Times article, that cab drivers who retire often feel grief and a sense of loss of their worker identity and their network of connections which they had built up over the years.
10. Workers who have retired need to find new ways of generating income to meet their financial commitments. Those without financial burdens need to find ways of occupying their time, need to rebuild at least part of their social networks.
11. The Ministry of Manpower reported an improvement of seniors being re-employed, but there are others who are unwillingly ushered into earlier-than-planned retirement, are denied promotion, or are offered re-employment with a re-calibrated contract with lower pay and less benefits even though they are re-employed to do the same job. Many do not have the option of maintaining

their current terms of employment. In effect, they become the “oldest new employee” in their organisation.

12. The Statutory retirement age imposes the presumption in a merit based remuneration system and perpetuates the impression that once a person hits that age, he or she really should stop working because they are deemed as “old” and less productive to their companies” and “should make way for new or younger employees.
13. Lets take a look at our Civil Service. Although it has moved to a merit-based rather than seniority-based remuneration system, retiring employees were offered re-employment contracts with a ‘downsize’ remuneration. If even the civil service is taking this stance, what more the private sector? Under this scenario, it is highly possible for an mature worker, who may be more experienced and productive than a younger colleague will earn less, which is a strange inequity in a modern workplace.
14. It may well be timely for us to examine whether the policy of re-employing retired staff on contracts with lower salaries or lesser benefits are justified, especially if the current reduction to CPF contribution is maintained. Our Civil Service should take the lead in instituting fair and equitable remuneration upon re-employment. This would set an example for the private sector to accord our mature workers a remuneration based on merit and contribution to the company, rather than on perceptions of productivity based on age.
15. I would mention that the impact of legislation go far beyond the actions they directly compel; laws can either encourage change in societal attitudes or entrench existing prejudices. A determined ageist employer will find ways to get rid of mature workers or prejudiced against hiring them. Hence the Government, by removing the Statutory retirement age, will be sending a clear and strong message that there can be no room for institutionalised discrimination against mature workers in our society.

16. Our seniors today are able to work longer than the generation before. They remain mentally and physically able to perform their jobs effectively. I would like to point out that, with increased automation and job re-design in the modern workplace, jobs which were previously physically demanding are becoming less so, and do not require workers to be at their prime of fitness.
17. Seniors employees in knowledge-based employment can be as mentally active and dextrous as their younger colleagues, plus the additional benefit of a wealth of experience behind them.
18. It is observed that there are now more employment opportunities for the mature workforce in Singapore. From the 2011 National Survey of Senior Citizens, more elderly employees are gainfully employed, even as they are near or past the retirement age. This is attributed to rising education level, the need to supplement their retirement savings; and Government policies aimed at enhancing elderly employment.
19. It has been two years since the amended Retirement and Re-employment Act came into effect. During this time, businesses and mature workers have adapted to the changes with largely positive responses. I believe it is now appropriate to further refine the re-employment legislation and the abolish the retirement age altogether.
20. Under the current legislation, once an employee is no longer eligible for re-employment at age 65, he or she may be dismissed on the basis of age alone.
21. The employer may also dismiss an employee at the minimum retirement age of 62 by paying Employment Assistance Payment. Although many of these workers are still productive, the reality is that it will be virtually impossible for most to find suitable jobs after they have been retired.
22. Whilst the Tripartite's Re-employment legislation provides the framework and flexibility for both employers and employees in re-employment, I would

endeavour to seek an enhanced Re-employment legislation where the re-employment age be raised and do away with the statutory retirement age. Recourse for wrongful dismissal or inequitable compensation will be provided under this legislation regardless of age.

23. Hence, the removal of the statutory retirement age is, at its core, a symbolic but important step in changing the mindset and attitude of employers, to drive home the message that age is not a barrier to productive employment. The last thing that mature workers need is a statutory presumption that by a certain age, they are ripe for retirement, as they are perceived by society to be less productive or effective, compared to their younger colleagues. What the Government should do is to remove this presumption, and instead give incentives to employers to hire mature workers.

Restore CPF Contribution For Senior Workers

24. Madam Speaker, let me know touch on CPF contribution rates for mature workers. CPF rates were reduced in response to the recessions of 1980s and 1990s. Our mature workforce was then told to bite the '**silver bullet**', take a pay cut and have their employer's CPF contributions reduced so that they would have a better chance of retaining their jobs and increasing the opportunity to be employed.
25. Whilst it was a reasonable response, it is also discriminatory. Today, our people are living longer and are healthier. In the 1980s, age 50 may be the sign of physical decline but today, those in their 50s and for that matter 60s and 70s are fitter, healthier and stronger. Yet, the truth is our Singaporean workers have to suffer a progressive reduction in their remuneration the moment he or she turns 50 **but** are working at the same pace and doing the same work they have been doing the day before.

26. I asked a parliamentary question last November whether the Ministry of Manpower would consider restoring the employer's CPF contributions of our mature workers. Acting Minister Tan Chuan Jin reassured that the Tripartite Partners remain committed to restoring the contribution rates of mature workers and this must be done at a suitable time to moderate the impact on take-home pay for employees and business costs for employers.
27. Madam, I believe the suitable time is now for us to call on the Government to quicken the restoration of the CPF Employer contribution rate for our mature workers not just for those in the 50-55 age group but right up to 65 years and beyond.
28. Our CPF system provides comfortable Income Replacement Rates for new entrants to the workforce, this does not cover mature generations of workers, many of whom do not meet the CPF minimum sum. While this system ensures fiscal sustainability, it also exposes Singaporeans to various risks including prolonged unemployment, inflation risk and longevity risk.
29. Undeniably CPF savings is significant for our seniors as they will depend even more on them for their retirement and health care needs. However, cutting CPF rate is intrinsically different from the other Government Schemes on one key point, namely, it has the effect of reducing the retirement savings for mature workers.
30. Rather than tinkering with the workers' retirement savings by using CPF as a calibrating tool to make them more affordable and employable, we can look at enhancing schemes like the Special Employment Credit or leveraging on the Medishield Life Scheme to encourage employers to hire mature workers.
31. Even though current financial incentives are given to employers to employ mature workers, these workers are still paid less than what they were getting before their retirement thus under-valuing the contributions to the workplace which mature workers can bring.

32. This seems to sit **uncomfortably** with the main reason why companies would be willing to hire or retain their mature employees, which is for the value of their loyalty, experience, reliability, maturity and familiarity with their jobs.
33. Indeed CPF Employer contribution rate for mature workers should be restored because;
- i. Employers already on a merit-based remuneration system would not need for any further statutory cuts to the employee's pay;
 - ii. The CPF restoration would go towards contributing more resources to ensure that these mature workers, if they do stop work subsequently, can better sustain themselves with their CPF savings;
 - iii. One should not even look at the CPF restoration as an "additional cost" to the employers' wage. Before the worker hits 50 years old, he or she would be an effective contributor to the workplace. I validly make this assumption, for if the worker was not contributing, he or she would have been asked to leave under a merit remuneration system. For the employer to want to continue having this worker around, it would mean that this worker is of value to the company. There is no change to the worker's contribution, but because of age employers are given a discount on the wage bill;
 - iv. The removal of this "discount" from wage reduction does not add significantly to an employer's wage budget, but would go some way in removing the misconception that mature workers are less able.

Lower Skilled Mature Workers

34. The CPF employer contribution rate for low-wage workers was fully restored at the start of this year. This is a good step forward and I believe more can be done for our low skilled mature workers.
- These workers have lower educational levels, and disproportionately occupy low-wage jobs. In June 2012, those 50 and over formed 68% of resident

cleaners and labourers and 59% of assembly line workers. Many of these lower skilled mature workers belong to a class of the working poor in Singapore today.

35. Singapore's transformation from a labour intensive to knowledge-based economy, and the rapid rate of technological renewal have left many of our mature workers unprepared for today's economy. In their younger days, they worked hard to create progress for Singapore, but ironically, this progress has caused them to be left behind.
36. We have gradually increase the Workfare Income Supplement payout since 2007 and this is the way to go. We should also consider further increases of cash payout to meet the present needs of low-wage workers.
37. I warmly welcome the recent news that all our cleaners will be paid progressive wages, with a minimum entry level pay of \$1,000 from the current median pay of \$850. This shows the decisiveness of our Government in uplifting our low-wage workers. I do hope that this Statutory Progressive Wage Model will have a knock-on effect on wages of the low-skilled in other industries, benefitting many of our mature workers across the board.

Measures Complementary to the Removal of the Retirement Age – Job Re-Designing and WorkPro Scheme

38. The removal of retirement age does not necessarily mean that jobs will be available for mature workers. We can extend the productive years of our elderly workers through appropriately re-designing jobs and workplaces. In fact, if companies are unable to adapt to an ageing employee profile, the economy will suffer from structural rigidities, ultimately leading to job losses for all. Support needs to be in place to facilitate this transition process, as our Government has indeed been trying to do.

39. Companies in other countries have trod down this path of workplace re-designing. In 2007, a BMW factory in Germany, conducted an experiment by creating a production line staffed entirely by mature workers. It was found that simple changes like instruction screens with larger letters and a magnifying glass, adjustable-height work benches and having part-time policies, resulted in a 7% increase in productivity in a year. Productivity was comparable to that of younger workers, but the quality of work was in fact higher. This shows that with suitable adjustments to the workplace environment, mature workers can be just as productive as the younger cohorts.
40. Redesigning jobs is not just about compensating but should be about making full use of the skills mature workers have gained through age. Redesigning jobs is not a new or alien concept.
41. Currently, our primary mechanism to encourage hiring of mature workers and job re-designing is through the WorkPro, which I believe has potential to achieve far greater outcomes. I hope the Ministry can proactively propagate this scheme to companies and ensure that requirements to qualify for the grants are not excessively onerous.

Conclusion

42. Madam Speaker, age discrimination has no place in our society. Singaporeans have come together to categorically reject discrimination based on race, religion or social background, but as yet, this has not extended to age discrimination.
43. I reiterate my call for the review and restoration of Employers' contribution rate for our workers who are 50 years and above and the abolishment of the retirement age, which has no bearing on one's productive capacity and denies many senior workers' aspirations for active ageing.

44. There must be a social mindset shift in the way we view our seniors and mature workers. Although the tight labour market provided the impetus, it's time we accord the respect and value to our mature workers so that it goes beyond looking at mature workers as a liability but an asset. We must make every effort to eliminate ageism in the workplace and in our meritocracy society.
45. Mature workers should be seen for what they can bring to the table, instead of what they cannot. It is beneficial to both employers and employees to appropriately redesign jobs and workplaces to harness their potential.
46. Seniors workers have a part to play too in keeping themselves healthy and relevant through skills upgrading and job training.
47. Let us all come together to create an age friendly, progressive and inclusive workplace for our grandparents, parents, our friends, our neighbours, and eventually, ourselves as well. Thank you.