

Tripartite Advisory on the Re-employment of Older Workers

As part of its efforts to help older workers remain economically productive, the Government will enact re-employment legislation by 2012 to enable more people to continue working beyond the current statutory retirement age of 62, up to 65 in the first instance and, later, up to 67. This change, accompanied by increased Workfare Income Supplement (WIS) for older, low-wage workers, will complement the CPF Minimum Sum Draw Down Age (DDA), which will progressively be raised from 2012.

2 Formed under the aegis of the Tripartite Committee on Employability of Older Workers (“TriCom”) led by Acting Manpower Minister Gan Kim Yong, the Tripartite Implementation Workgroup (TIWG) aims to help companies put in place the necessary processes and systems for re-employment to work. Employers have to change their mindsets to see the value in re-employing older workers as a ready source of quality manpower and be willing to make the workplace age-friendly. At the same time, workers must see the benefit of staying employed and active and be willing to be flexible and adaptable.

3 The TIWG has identified good practices on re-employment that employers should consider adopting in the following areas:

- a. Identifying eligible employees for re-employment;
- b. Pre-retirement planning and re-employment consultation;
- c. Re-employment job arrangements; and
- d. Duration of re-employment contract.

Identifying Eligible Employees for Re-employment

4 Employers should seek to offer re-employment to the majority of their older workers. As a good practice, employers should therefore offer to retain all workers who are medically fit to continue working beyond the age of 62 years and whose past performances are assessed to be satisfactory or above.

Pre-Retirement Planning and Re-Employment Consultation

5 Employers, in consultation with the unions where appropriate, are encouraged to take a long-term view in planning and preparing workers for re-employment. This would entail providing pre-retirement planning for their retiring employees at least one year before they are due for retirement. This includes engaging retiring staff on their re-employment prospects; employers should start discussing possible re-employment arrangements with retiring staff who qualify for re-employment, and the training they may require should they be re-deployed to a different job. For employees who fall short of the re-employment eligibility criteria in paragraph 4, employers should inform them at this stage on the need to improve their performance. Employers should present eligible workers with the

detailed re-employment offer at least 3 months before they reach age 62. Workers who do not qualify for re-employment should similarly be informed at this stage.

6 For eligible employees who wish to continue working and whose employers are not able to offer re-employment beyond the age of 62 years, employers should offer them employment assistance.

Re-employment Job Arrangements

7 There should be flexibility in the job arrangements for re-employed workers. Employers may wish to consider adopting the following arrangements:

- a. Re-employing workers in the same job, with appropriate adjustments in wages and benefits based on reasonable factors, where necessary; or
- b. Re-employing workers with modifications to their existing jobs or re-deploying them to different jobs on renegotiated terms; or
- c. Re-employing workers on flexible work arrangements, such as part-time, job-sharing and other appropriate schemes.

Duration of Re-employment Contract

8 There should be some measure of certainty for workers on their re-employment contracts. Therefore, employers should as far as possible offer workers a job on a term contract up to the age of 65.¹ The term contract should be for a period of at least one year and renewable up to age 65, so long as the worker continues to meet the qualifying criteria in paragraph 4.

Adjustments to Wages, Medical and Other Benefits upon Re-employment

9 In addition to these good practices on re-employment, the TIWG has discussed how the principles on adjustments to wages, medical and other benefits upon re-employment that are contained in the Tripartite Guidelines on the Employment of Older Workers Above 62 Years Old could be applied. These principles are intended to help companies move away from seniority-based wage systems to job-based and performance-based wage systems, as well as to help them manage the higher medical cost of an older workforce.

10 Upon re-employment, employers may wish to consider the following principles on wage adjustments, taking into account the extent of the seniority element in the wage structure:

¹ Currently, when an employee retires at the age of 62 years, the issue of retrenchment benefits to workers retrenched above the age of 62 years does not arise. Stipulating that employers should pay retrenchment benefits to older workers employed beyond the age of 62 years and who are retrenched prior to completing their contracts, may discourage employers from retaining them. Hence, employers should not be required to pay retrenchment benefits for such employees.

- a. Where the employer's offer is to retain the employee in the same job, the wages could be adjusted down to the level of a younger employee with the requisite experience and competency for the same job, with the mid-point of the salary range of the job being a possible reference; and
- b. Where re-deployment in another job is offered, the new wage should take into account the value of the job, the employee's relevant experience and other attributes.

Employers may adapt these principles to suit their particular circumstances.²

11 Employers may wish to consider the following arrangements on medical benefits:

- a. Co-payment of medical benefits beyond the age of 62 years by re-employed workers;
- b. Appropriate caps on medical benefits claimable; or
- c. Employers providing additional Medisave contributions for employees to pay Medishield premiums, in lieu of providing for in-patient medical benefits.

12 In offering re-employment, employers may also make appropriate adjustments to other benefits such as annual leave and long service benefits.

Recognition of Contributions by Re-employed Employees

13 Employers should recognise that re-employed employees are an integral part of the organisation. They should, where appropriate, continue to reward re-employed employees based on company and individual performance in the form of performance bonuses, gain-sharing incentives or one-off bonuses. This recognition will help to incentivise and motivate these employees to perform well.

² An example of this would be where a salary range for the job may not exist, or where the employee is earning a wage that is below the maximum of the salary range. In such cases, employers can adapt paragraph 10(a) and adjust wages using the mid-point between the starting salary of the worker's current job and his present salary as possible reference.