

Misconceptions about Older Workers

By Faizal Bin Yahya
IPS Research Fellow

In a 2012 OECD report “Looking to 2026: A Global Vision of Long-term Growth”, the forecast was that “ageing will be a drag on growth in many countries”.¹

In 2012, the number of people in Singapore aged 65 years and above was more than 378,000 and is projected to reach 900,000 by 2030. By 2030, with Total Fertility Rate (TFR) of 1.2 and no immigration, there will be only 2.1 working-age citizens for every citizen above the age of 65.² The declining old-age support ratio supports the argument that the trend will impose an increasing tax burden on our working-age population.

Immigration is seen as a panacea by some countries for a greying economy because young immigrants are seen as sources of tax revenue to help support ageing populations. Arguments have also been made that an ageing and shrinking population would reduce the vibrancy and innovativeness of society. Other fears include the spectre of a shrinking customer base and the inability to hire adequate manpower.

The litany of fears of an ageing population for the economy ranges from lower productivity, a depletion of innovative ideas and diversion of public funds from productive investments. However, demographics are not set in stone and under-appreciated older workers could well be an unexploited economic resource in a highly competitive global economy.

We see this in the new mantra in the United States: “65 is the new 45”. Longer lifespan and demographic shifts make it more worthwhile to continue working after 65. The quality and lifespan of older workers have increased, and rather than beginning to lose control of their faculties, most individuals aged 65 and above are quite healthy and have a lot to offer in the work and market place in terms of knowledge and experience.

Even in a more physically demanding job like a car assembly, older workers can be just as productive compared to younger workers. A brief on “Older Workers in the Workplace” by the National Center for Chronic Disease Prevention and Health Promotion reported that BMW implemented 70 changes along its assembly line at a cost of US\$50,600 to

1. “Medium and Long-Term Developments: Challenges and Risks”, 2012, OECD Economic Outlook 1.

2. “Citizen Population Scenarios, Occasional Paper”, 2012, Singapore: National Population and Talent Division, Prime Minister’s Office, p.9.

accommodate older workers.³ Some of these changes included replacing cement floors with wooden platforms to reduce impact on the knees, installing barbershop chairs to enable older workers to sit at workstations, issuing orthopaedic footwear to reduce strain on the feet and introducing adjustable worktables to reduce physical strain and to facilitate personnel rotation during shifts. In the first year, the company experienced a 7 per cent increase in productivity, which rivalled that of lines staffed by younger workers. Furthermore, BMW has since reported zero defects and a reduction in absenteeism from 7 per cent to 2 per cent.⁴

Supporting the idea that older workers are as productive as their younger colleagues, researchers from the University of Mannheim reported that more mature members of staff — while they may be weaker and less agile than their junior counterparts — more than compensate with their experience, ability to work in teams, and success at coping when things go wrong. The researchers conclude that “while older workers make more errors, perhaps due to declining physical attributes, they hardly make any severe errors, perhaps due to more experience; it is experience that prevents severe errors”.⁵

In the case of Singapore, the 2013 Budget provides a clear indication that the inflow of foreign labour will be further tightened and reduced. Employers have expressed growing concern but this move by the government could provide more jobs for Singaporeans, including older workers.

Nonetheless, there appears to be a bias towards ageism among some employers in Singapore.⁶ Some of the barriers that older workers may face in the workplace include reduced employment opportunities, fewer training opportunities, increasing discrimination from younger colleagues, increasing disparities in health levels and more challenging workplace conditions. There are also perceptions that older workers are more costly to hire than younger workers because of higher absenteeism, higher wages, and increased use of healthcare and other benefits.

As Singapore moves towards a more knowledge-based economy, experience and knowledge become increasingly important and physical labour becomes less critical. For example, since 2000, the Civil Aviation Authority of Singapore (CAAS) has lost a significant number of older and more experienced personnel to their rivals in the region such as in the Middle East, China and India. As soon as these CAAS employees retired, they were snapped up by competitors with offers of higher salaries and better employment benefits.⁷ The brain drain was especially damaging because many who were poached were mid-level to senior staff with invaluable first-hand experience at running one of the best airports in the world.

3. “Older Employees in the Workplace”, 2012, National Center for Chronic Disease Prevention and Health Promotion, Division of Population Health, U.S., Issue Brief No. 1.

4. Ibid.

5. Axel Borsch-Supan and Matthias Weiss, 2007, “Productivity and Age: Evidence From Work Teams at the Assembly Line”, Mannheim Research Institute for the Economics of Aging, p.24

6. Speech by Prime Minister Lee Hsien Loong, “Reinventing Retirement Asia”, AARP-Council for Third Age Conference, Singapore, 8 January 2009.

7. Karamjit Kaur, 2008, “Rivals snap up Changi Airport Staff”, *The Straits Times*, 10 August.

Lessons from Japan and Australia

Singapore could take a leaf from the experience of other countries in the management of their older workers. Older people in Japan are extremely motivated to work and the government progressively raised the retirement age to beyond 60 years of age in 1998. In addition, the government also insisted that employers provide re-employment support for their middle-aged workers who were retired or discharged. These measures included granting leave for job-seeking activities such as attending interviews, collating and providing recruitment information, counselling as well as training and education courses.⁸

In addition, the Japanese also established the Public Employment Security Offices (PESO), which introduced several initiatives to increase employment opportunities for older workers. These initiatives include the establishment of Human Resource (HR) Banks in major cities as affiliates of the local PESO. The role of HR Banks is to deploy middle-aged and older workers to work in smaller companies. Career Exchange Plazas were organised to offer job-hunting support seminars, venues to voluntarily exchange experiences and free skills training. Silver Human Resource Centres were also initiated, to offer community-based jobs to older people who want to work temporarily or for short periods upon their retirement. Career counsellors were assigned to PESOs, HR Banks and other relevant organisations to provide support and advice to middle-aged and older white-collar job leavers.

In the case of Australia, the government regards mature workers above 45 years of age as the fastest-growing resource available to the nation with the potential to produce a significant impact on its future growth and prosperity. Concern over the declining growth of the working-age population and its impact on the economy has compelled the government to remove barriers for continued employment beyond the retirement age of 65.⁹

The Workplace Relations Act was passed in 1996 and allows the lengthening of the working life of older workers and enabling retirement to proceed in transitional phases and for other flexible arrangements to be implemented to meet the needs of older workers. These include a pension bonus scheme for those eligible to accrue a bonus if they choose to defer their pension claims as they continue to work. Significantly, Australia has also abolished the compulsory retirement age of 65 for statutory office-holders and other civil servants.

Next Steps for Singapore

How does Singapore compare to Australia and Japan in how we treat our older and mature workers?

Since 1 January 2012, the Retirement Age Act (RAA) has been replaced by the Retirement and Re-employment Act (RRA). The Act makes it mandatory for companies to offer re-employment to workers beyond the statutory retirement age of 62, up to the age of 65. If the employer is unable to offer a job to the retiree, there will be a one-time Employment Assistance Payment (EAP) to help tide the worker over until he or she finds a job. The EAP amount could be three months of salary between a minimum amount of \$4,500 and a

8. Wee Beng Geok, Chung Sang Pok and Quek Pek Noi, 2012, "The Employment of Mature and Older Workers: Strategies for Managing Work and Career Transitions", a joint Ministry of Manpower-Asian Business Centre Case Study Project, Singapore: Nanyang Business School, Nanyang Technological University.

9. Ibid.

maximum of \$10,000. For employees who were employed for at least 18 months, a lower EAP amount of two months' salary, between a minimum amount of \$3,000 and a maximum amount of \$7,000, could be extended.¹⁰

The Tripartite Alliance for Fair Employment Practices (Tafep) in its survey report "The Value of Mature Workers to Organisations in Singapore", published in May 2013, highlighted the benefits of employing mature and older workers. These included greater experience, previous experience of working in a recession, higher loyalty and commitment and a stronger work ethic. More than three-quarters of Tafep's respondents said that mature workers benefited their companies through lower labour turnover costs and reduced absences from work.

The shortage of workers and battle for experienced and qualified human capital are forcing Singapore companies to maintain or even raise the pay of their older workers. Reportedly, in a survey by the NTUC among 118 unionised companies, they commented "it is not right to cut the pay of workers when they turn 62 if they continue in the same job". For example, PRIMA Ltd became the first unionised firm in the food and beverage (F&B) industry to formally commit to re-hiring workers beyond 65 years old, and with no pay cut. The food manufacturer, which also manages the PrimaDeli bakery franchise in Singapore, entered into a new collective agreement in August 2013 with the Food, Drinks and Allied Workers Union (FDAWU), under which workers with satisfactory performance and health who reach age 65 will be offered a contract till age 68.

The public sector is moving towards recruiting more mature and older workers on a contract basis. One recruitment agency called BGC Group, which works with public agencies to fill positions, had placed 334 workers aged over 50 in temporary jobs in 2012. This number nearly tripled the 122 older workers it matched with jobs in 2011. The public sector's no-pay-cut policy will also encourage more workers to remain in the workforce. This initiative by the public sector is a step in the right direction as it shows that our abilities — other than those involving speed, great physical strength or dexterity — do not decline with age.

While the government in Singapore has not moved in the direction of the Japanese government, which insists that employers provide re-employment support for their middle-aged workers who are retired or discharged, recent moves by the Singapore government to establish a Jobs Bank has arguably moved a step ahead of the HR Banks in Japan that are managed by PESO. The Australian government's enabling of retirement to proceed in transitional phases and for other flexible arrangements to be implemented to meet the needs of older workers is innovative. Significantly, Australia has also abolished the compulsory retirement age of 65 for statutory office-holders and other civil servants. In Singapore it appears ironic that despite the labour crunch and resultant dependence on foreign labour, we still impose a statutory retirement age for our workforce.¹¹ In this context, older workers had to retire first before being reemployed.

It is also important for Singapore to gain maximum leverage from older workers by investing in more elderly-friendly technology, encouraging continuing education, and training and

10. Ministry of Manpower website, <http://www.mom.gov.sg/Pages/default.aspx>.

11. Pavithran Vidyadharan, 2013, "Let Our Workers Choose When to Retire", Letters to the Forum, *The Straits Times*, 16 May.

encouraging the younger workforce to tap the experiences of their older colleagues. It is imperative that the government adopts a multi-pronged strategy and encourage employers, especially small and medium enterprises (SMEs), to see that it is economical and worth their while to hire older and mature workers.

The views expressed are the author's and do not represent those of the Institute.

If you have comments or feedback, please email ips.eneews@nus.edu.sg



© Copyright 2013 National University of Singapore. All Rights Reserved.

You are welcome to reproduce this material for non-commercial purposes and please ensure you cite the source when doing so.