IPS: Tie retirement age to changing life expectancy

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The Institute of Policy Studies (IPS) has recommended that the retirement age be tied to a dynamic life expectancy measure.

Its suggestions come ahead of planned updates from a tripartite workgroup about changing retirement and re-employment ages.

The IPS said in a policy brief released on Monday that these ages should be based on health-adjusted life expectancy (Hale), which is the average number of years a Singapore resident might be expected to live in full health.

It suggested setting the re-employment age as Hale but with a 10-year lag, rounded down to the nearest whole number, and the retirement age five years below the re-employment age.

This means the re-employment age in 2029 would be 74, as Hale is now 74.2 years.

This is 12 years above the current statutory retirement age of 62 and seven years above the re-employment age of 67.

Employers cannot dismiss workers on the grounds of age before they reach the retirement age and they must offer eligible staff work up to the re-employment age but with flexibility to adjust contract terms.

"The adoption of a dynamic benchmark such as Hale for Singapore's legislated re-employment ages will better align the successful ageing objectives of older workers with productivity goals desired by employers and in the national interest," said IPS senior research fellow Christopher Gee and research associate Damien Huang in the paper.

An update on the timeline for raising retirement and re-employment ages will be given by the Tripartite Workgroup on Older Workers by next month, after consensus was reached on the need to raise the ages. The workgroup was formed last year and comprises representatives from the Government, employers and unions.

In his annual National Day Message on Thursday, Prime Minister Lee Hsien Loong said the retirement and re-employment ages will be raised to help older Singaporeans who wish to work longer. This topic is among those he will talk about at the National Day Rally on Aug 18.

Mr Gee and Mr Huang said having fixed legislated ages for retirement and re-employment can lead to policy lags and arbitrarily classifies those above the specified age as old and no longer as productive.

"This anchoring effect can accentuate ageist mindsets among both employers and employees by reinforcing the legislated ages as markers that serve as convenient reference points for exiting the workforce."

The 10-year lag they recommend allows different demographic groups within each cohort to enjoy improvements in Hale before their relevant ages are raised, and also gives employers lead time to prepare, they said.

The researchers noted that countries such as Denmark, Greece, the Netherlands and Portugal have already made an explicit link between their normal retirement age and pension eligibility age to life expectancy.

They added that they are not recommending tying the Central Provident Fund payout eligibility age to Hale, as that age is based more on the considerations of retirement adequacy and longevity risk, rather than healthy years.

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