

Delaying retirement pays off

A new study finds that govt measures have boosted the number of older folk staying in the workforce. This productivity is important as Singapore becomes a super-aged society.

Chia Ngee Choon
and Cynthia Chen

For *The Straits Times*

Moves by the Government to raise the retirement age and increase employment of older folk have had a positive, if uneven, impact – but are much needed, as Singapore is on the way to becoming a super-aged society by 2030.

This is the just-released finding of a research of which we at the economics department and public health school at the National University of Singapore are the principal investigator and co-investigator respectively. We used data from the Retirement Health Study (RHS).

A super-aged society is one where more than one in five of the population is 65 or over.

However, from independence until 2000, Singapore was a young population with less than 7 per cent of its population being 65 and over. With a majority of its population being of working age, Singapore has enjoyed good economic growth.

In 2000, though, Singapore was formally designated an ageing society – one with over 7 per cent being elderly. In 2019, Singapore became an aged society – one with over 14 per cent elderly, making Singapore one of the fastest demographic transitions in the world. It took Japan nearly 25 years to go from being ageing to aged.

And now, Singapore looks on track to get to super-aged in less than 10 years, when the last cohort of the baby-boomer generation will enter their silver years.

This matters because an ageing and shrinking working-age population poses severe challenges for policymakers. Beyond manpower constraints, these also include reduced productivity and government budget challenges. In addition, an increased number of retired people will add to the burden of providing healthcare resources and providing a social safety net.

One way to address the problem in which more citizens are retiring and fewer citizens are entering the workforce due to the declining fertility trend, is by helping elderly stay productive longer.

This is especially since Singaporeans are living longer than average and they are enjoying more years of good health. In 2019, they were expected to live up to 74 years in good health, compared with 67 in 1990.

To this end, the Government has been encouraging the retention of older workers by adopting inclusive work policies, such as a higher minimum retirement age, workplace fairness legislation, and providing incentives to work beyond the average retirement age through part-time and flexible work arrangements.

One other policy innovation is increasing the retirement and re-employment age to allow older adults who wish to work the option to continue to do so.

These moves kicked off in 2012 with legislation requiring employers to offer re-employment to eligible workers who turned 62 that year. And now, in line with 2019 recommendations by the Tripartite Workgroup on Older Workers, from July next year, the retirement age will be raised from 62 to 63, and the re-employment age from 67 to 68.

This is part of a gradual increase that will ultimately set the retirement age at 65 and the re-employment age at 70 by 2030. We used the RHS data to examine:

- Will workers actually take up the



- re-employment offer to work longer and delay retirement?
- Will the work environment and job satisfaction affect this decision?
- To work longer or retire earlier – what is the difference in health for those choosing either option?

KEEP WORKING, OR RETIRE?

The RHS data is drawn from a survey panel coordinated by several government agencies to understand the retirement and healthcare needs of Singapore residents over time. A total of 15,103 people aged 45 and above were interviewed once every two years from 2014. As at mid-2021, the RHS has completed three waves of collection.

The first thing we asked was: While re-employment legislation provides older workers with the flexibility to work longer and beyond retirement age if they are able and wish to work, do workers wish to continue working?

After all, other factors like individual health status play an important role in determining whether one wishes to continue work. For example, if workers become too unhealthy to work after the age of 60, any increases in the retirement age beyond that would have no impact on the workforce.

We used a particular econometric technique to isolate the effect of the re-employment mandate on retirement.

We found that after adjusting for education, marital status, housing asset and expenditure, the re-employment mandate decreases retirement in the overall sample by 8.7 per cent. This means that delaying retirement did in fact boost the number of mature workers staying in the workforce.

Divided by gender, we found that more men than women delayed retiring – with the employment rates of males aged between 62 and 65 increasing by 9.1 per cent, compared with 7.3 per cent for women.

This could be due to women having greater family obligations such as caregiving for children or grandchildren, or informal care of sick relatives. Also, slightly more than half of the female respondents stated

caregiving as the main reason for being economically inactive, compared with just 3.1 per cent for economically inactive males. A similar differential gender response has been seen in Austria when policies were introduced to reintegrate elderly unemployed workers into the workforce.

HEALTH V RETIREMENT

From the RHS 2014 data, we observed that a majority of respondents, regardless of their retirement status, rated their health status as “good”. However, more retirees rated their health as being fair or poor compared with non-retirees.

Conversely, more non-retirees reported that they have very good or excellent health compared with retirees. Compared with those who were working full-time, respondents who were fully retired tended to be older (70.5 years old) and had lower educational attainment, lower non-healthcare expenditure, higher total healthcare visit, higher total healthcare cost, poorer self-reported health, greater disease burden for hypertension, diabetes and high blood cholesterol, and more likely to have cognitive impairment.

The data suggested there is a correlation between retirement and health. But the causal links between retirement and health are more complicated as they can go both ways. If health may cause people to retire prematurely. However, retirement may also affect individuals’ health.

It is possible that people become healthier after retirement due to reduced work stress and having more time to exercise. However, the causal link on the impact of retirement on health is inconclusive in our study.

Or does their health deteriorate due to more sedentary lifestyles after retirement? We found that people – especially men – used more healthcare services more, and this in turn meant more was spent on such services.

Retirement increases total healthcare utilisation and cost, especially among male retirees. Male retirees had a higher number of healthcare visits and polyclinic expenditure. This may be because males have

a higher incidence of self-reported diseases such as diabetes, hypertension and high blood cholesterol. Our findings that retirement increases the use of healthcare services are consistent with empirical work done for China, France and the United Kingdom.

Besides physical health, retirement may have an impact on cognitive and mental health. One point to do with this is that an individual does not retire only from his job, but also from daily contact with friends and colleagues at the workplace. Such social office networks may stimulate benefits for both mental and physical health.

Retirees would need to find other means to keep their minds active and brains healthy to reduce their risk of cognitive impairment and dementia.

However, we found that delaying retirement may not have a noticeable impact on cognitive function for the target group – those who were eligible for re-employment in 2014 – that is those aged between 62 and 65.

This could be because cognitive impairment is more prevalent in older age groups and that cognitive decline happens over time. The “honeymoon” effect of retirement could have slowed down the cognitive decline. As well, there is evidence suggesting retirees could engage in different activities that were put off for years due to work constraints. This engagement might offset any negative effects on brain power.

STRESSES AND GAINS

Does the work environment affect how one responds to retirement? We observe a correlation between post-retirement well-being and stress at work.

Specifically, a higher job satisfaction is related to well-being. Then, if one has a stressful or physically demanding job, retirement may come as a relief. Not working is then associated with better well-being. However, those who loved their work may see retirement differently, and for these ones, retirement was associated with – and they report – a decrease in well-being.

Indeed, our findings suggest that

mandatory re-employment offers are less effective at encouraging those in physically demanding jobs to continue working.

While the implementation of the re-employment mandate in 2012 helped raise the employment rate for workers in high-routine, high-manual jobs by 6.1 per cent, this was a much lower percentage than those in less physically demanding jobs.

Those in more manual jobs include older craft workers in woodworking, garment and leather, as well as trades workers such as butchers, fishmongers and food packers.

On the other hand, the re-employment mandate raised the employment rate for workers in highly routine and low-manual occupations by 26.9 per cent. These include mature workers in the hospitality and retail sectors, and services managers, and general and office clerks.

One implication is that if the poor health of aged employees in physically demanding jobs holds them back from continuing to work, efforts can be made to create a healthy work environment, both at the organisational level and at the national level. This could be done through better job designs and technology and mechanisation upgrades to help these manual workers worn out by the physical grind.

In sum, the retirement and re-employment mandate has been a useful policy.

Granting older workers the option to stay employed longer and delay retirement augments our workforce and reduces the healthcare burden on national coffers.

Singapore’s paced increase in the retirement and re-employment ages, coupled with other inclusive work policies, will be useful in mitigating the impacts of societal ageing on our economy.

stopinion@sph.com.sg
• Dr Chia Ngee Choon is an associate professor at the Department of Economics and co-director of the Next Age Institute at the National University of Singapore. Dr Cynthia Chen is an assistant professor at the Saw Swee Hock School of Public Health.

The impact – key points

- 8.7 per cent stayed working, thanks to re-employment laws
- More men than women delayed retiring
- Male retirees have higher health-spending than women
- Re-employment is less attractive for manual workers