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Preparing for an Aging Population: The Singapore Experience



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In Asian societies, older people are traditionally supported by their own families. This is still largely the case in Singapore. But demographic shifts have increased the burden on families. People are having fewer children, and living longer.

Today, our median age is 36 years and life expectancy is 80 years. By 2050, our median age will be 54, similar to Japan and Italy. Singapore will be among the demographically oldest countries in the world. There will be fewer working adults to look after more aged dependents.

Singapore is taking this challenge very seriously. Since the 1980s, we have been putting in place health care, social security and housing policies to anticipate and head off future problems. Last year, I appointed a senior cabinet minister to coordinate aging issues across all government agencies. We are crafting new policies, improving our infrastructure and developing effective programs to enable older citizens to lead full and happy lives.

SUPPORTING SELF-RELIANCE

Our social security system is based primarily on individual savings and self-reliance. Our policy is to help each person to build up his assets and savings, so that he or she will be ready for old age.

The main asset for most Singaporeans is the apartment they live in and own. Through generous government subsidies for public housing and home ownership, 95 percent of Singaporeans own their own homes. As Singapore prospers, these homes appreciate in value. When Singaporeans grow old, they can draw on this nest egg, either by selling it on the open market and moving into a smaller apartment, or by having the state buy back part of the remaining lease.

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The state operates a mandatory savings scheme, called the Central Provident Fund (CPF). Both employers and employees pay into individual employee accounts during working years. These savings can be gradually drawn down

when Singaporeans retire, and also used for medical expenses.

The CPF is a defined contribution scheme, in contrast to the pay-as-you-go state pension systems in the US and elsewhere. The CPF savings are wholly invested in special Government bonds, which are risk-free and earn a return linked to long-term interest rates. The scheme has served Singaporeans well, as the recent worldwide financial turmoil has reminded us.

One hitherto missing component from the CPF had been an annuity scheme, which we are now adding. This is called CPF LIFE (Lifelong Income for the Elderly). When Singaporeans reach 55, part of their CPF savings will be transferred into an annuity which provides a steady stream of income, starting at 65, for life.

The cost of medical and long-term care is a major concern of seniors and their families. We must ensure that savings and insurance under the CPF are sufficient to provide for a major portion of their expenses. Good quality care should also be affordable. We have so far managed to keep national health care expenditure to 4 percent of our GDP, although this will inevitably rise in the future.

SUPPORTING LIFELONG EMPLOYABILITY

Notwithstanding home ownership and CPF savings, as people live longer they will ultimately have to work longer. Fortunately, the new ranks of seniors in Singapore can and want to continue working. Our official retirement age is 62. Beyond that, we are legislating to require employers to offer re-employment to workers for another three years until 65, though not necessarily in the same job or at the same pay. We adopted this approach from Japan, because it is more flexible and practical than simply raising the official retirement age.

But legislation alone is not enough. Economic incentives also have to be aligned. Eventually with fewer young workers, employers will see value in the experience and maturity of older workers. But today many employers still prefer younger workers, whose wages are often significantly lower. Older workers are especially at risk of losing their jobs in an economic downturn.

The government has tried to tilt the balance in favor of older workers. We have many programs to retrain older workers and upgrade their skills. Workers beyond age 50 pay lower CPF contribution rates, to lighten the cost of employing them. We also have the Workfare Income Supplement, a negative income tax (similar to the Earned Income Tax Credit in the US) which is weighted in favor of older workers. These policies have increased the employment rate of older workers, despite major structural changes to our economy.

The unions are working closely with the government in these initiatives. Companies are starting to adapt their human resource practices to an older workforce. We are proud that two Singapore companies have been given AARP's International Innovative Employers Award for taking measures to attract, retain and engage workers aged 50 years and above. These companies are good role models for others.

ENABLING AGING-IN-PLACE

One important positive factor in coping with an aging population is the fact that 90 percent of Singaporeans live in public housing estates. Young and old residents live alongside one another, mingling and interacting daily. We foster a network of grassroots organizations in these estates, to build a sense of belonging and community. Among the most popular are the senior citizens groups, which organize regular activities for older adults—line dancing, karaoke singing, brisk walking, taiji (Chinese shadow boxing) exercises, and social outings. Many older Singaporeans join these groups, which help them keep physically well and socially active.

More programs are being introduced into the community. We are piloting a "Wellness Program" to encourage our seniors to lead active lifestyles and better manage their health. For the more vulnerable older people, we are working with grassroots networks to train volunteers to support them. This way we can retain and indeed strengthen the community spirit even as our population becomes older.

We are upgrading our physical infrastructure to cater to an older population. The Housing and Development Board is building more studio apartments, fitted out for senior citizens, who can buy them on shorter leases. We are making our housing estates barrier-free. One major program is lift upgrading, to install new lifts in our high-rise public housing blocks which stop on every floor. They replace the old lifts which stop only every third or fourth floor, a legacy of a time when our population was poorer and younger. We are making our bus system wheel-chair accessible; our train network already is. Older Singaporeans should be able to move around freely and conveniently, despite their disabilities.

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REDEFINING AGING AS OPPORTUNITY

health.

Perceptions about aging often drive reality. A survey by the insurer AXA found that the average Singaporean saw "old age" starting at 67, whereas Americans think that "old age" starts 10 years later, at 77. Our perceptions of when we have grown old and what it means to be old must change if people are to remain active longer. The Council for Third Age (C3A) was set up last year to change traditional perceptions of growing old and to promote active aging.

While an aging population is a challenge, it also creates new economic opportunities. We are promoting Singapore as a development platform for the health and wellness sector. "Silver"-themed conventions are regularly held here, such as the Silver Industry Conference and Exhibition and the 50+ Singapore Expo. We welcome companies, researchers and experts in aging issues to come to Singapore, and I look forward to the AARP-C3A *Reinventing Retirement Asia* Conference in January 2009.

CONCLUSION

Many countries experience population aging. It seems to be a natural consequence of economic development, which extends lifespans and lowers birth rates. Singapore's response has been to strengthen personal responsibility, help the older population remain employed, encourage a senior-friendly community, and promote active aging. If we prepare well and early, the present generation of Singaporeans will be able to enjoy healthy and fulfilling lives into their sunset years, without putting a heavy burden on their children and grandchildren.

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