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### Retirement adequacy of mature workers in Singapore

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Centre for Research  
on the Economics of Ageing

OTC INSTITUTE LABOUR RESEARCH

# Retirement Adequacy of Mature Workers in Singapore



Second topic in the conference proceedings: Retirement Adequacy of Mature Workers in Singapore.

Partnership of research between Ong Teng Cheong Labour Leadership Institute and the Centre for Research on the Economics of Ageing (CREA) at Singapore Management University (SMU).

Research report by Professor Rhema Vaithianathan and Stephen Hoskins, CREA, SMU.



Centre for Research  
on the Economics of Ageing

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# EXECUTIVE SUMMARY

In the last decade, the Singapore resident population has grown older with more elderly and fewer younger people. As Singapore Department of Statistics noted, the proportion of residents aged 65 years and over has increased from 9% to 13% over the past ten years. There are now fewer working-age adults to support each resident aged 65 years and over as indicated by the falling resident old-age support ratio from 7.7 in 2007 to 5.1 in 2017. The support ratio is expected to halve to 2.5 by 2030.

As Singaporeans are both living and working longer, it is vital for the Labour Movement to understand issues surrounding mature workers and be adequately prepared with relevant programmes. One pertinent aspect of mature workers is their retirement adequacy. Together with the Centre for Research on the Economics of Ageing (CREA), Ong Teng Cheong Labour Leadership Institute (OTCi) undertook a joint research project on 'Retirement Adequacy of Mature Workers in Singapore'.

The study sought to observe differences in Union members<sup>1</sup> and non-Union members on income, spending, savings and employment stability to better understand the retirement adequacy of workers aged 50 to 70, and to sharpen programmes and advocacy efforts accordingly.

The study found that Union members fared better compared to non-Union members on the following findings:

- Were more likely to be working full-time.
- Had more stable employment: less likely to lose their jobs within a given time period and found employment sooner when unemployed.
- Had slightly higher household income, expenditure and wealth.
- Union members had higher household savings rates across all age groups, and on average, continued saving up to a later age.
- Would reach retirement adequacy sooner.

While the study revealed that Union members fared better compared to non-Union members, it is important to highlight that these results do not necessarily confirm that union membership causes individuals to have better outcomes. However, these findings were consistent with the Labour Movement's efforts to improve labour-management relations and put in place better employment terms and conditions, including re-employment for workers. These findings supported the Labour Movement's efforts to place displaced workers into jobs within the same union, across unions and sectors by leveraging the Labour Movement's extensive network.

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<sup>1</sup> For this study, Union members were identified to have one or more of the cards shown as below:



Unions have also been constantly engaging management partners to instil progressive employment practices, to transform the nature of jobs and working environment such as family practices and setting up job redesign. Through these positive HR and workplace practices, more mature workers had the opportunity to work longer, contributed to their organisation and earned a regular income.

Moving forward, the Labour Movement will continue its efforts to help workers to achieve gainful employment:

- (i) Continue to push for progressive shift in employer mindset towards retaining mature workers.
- (ii) Support management partners to adopt WorkPro for job redesign and implementing age-friendly workplaces to prepare for the ageing workforce, particularly in sectors with higher number of mature workers such as hospitality, retail, logistics and F&B sectors.
- (iii) Equip workers with the mindset, skills and job opportunities to stay employable through NTUC's e2i (Employment and Employability Institute)'s coaching and skills training, and have targeted intervention for workers who are unemployed for more than 6 months.
- (iv) Prepare mature workers to be a part of Singapore's transformation by training them to be digitally competent through courses such as data analysis, basic computational skills offered by NTUC LearningHub.





# RESEARCH REPORT

## Report Submitted by:

Professor Rhema Vaithianathan (Singapore Life Panel® Director and Co-Principal Investigator, CREA)  
Stephen Hoskins (Senior Research Associate, CREA)

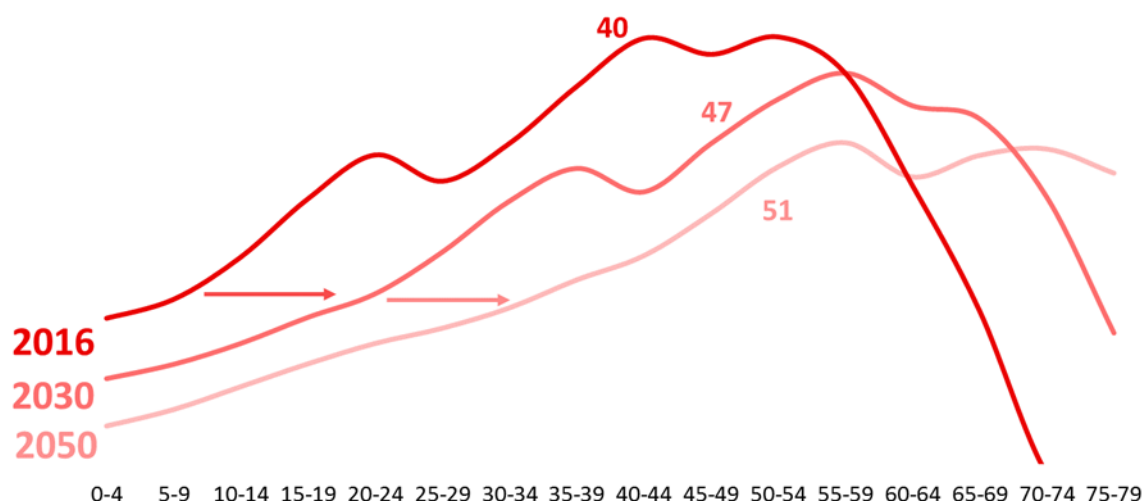


Centre for Research  
on the Economics of Ageing

## Introduction

By 2030, the number of Singaporeans aged 65 and above is projected to double to 900,000. This means 1 in 4 Singaporeans will be in that age group<sup>2</sup>. Singaporeans are living longer and healthier with average life expectancy for males and females higher than before. It is therefore important to examine the retirement adequacy of our working people to gain better insights into Singapore's ageing situation.

Figure 1. Singapore Population Distribution & Median Age



Source: United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision.

## Approach

This research project leveraged the Singapore Life Panel (SLP), a large-scale monthly survey engaging more than 8,000 Singaporeans aged between 50 and 70. The survey was fielded in February 2017 and 1,531 Union members were identified from 4,037 respondents. For non-Union members, the survey also identified members from Professional Associations and Communities (PAC) in the Labour Movement Network.

The study measured Retirement Adequacy as a combination of factors, namely Employment, Income, Expenditure and Wealth. Stable employment and higher incomes help workers better prepare for retirement. By studying the financial measures such as household income, savings rate and wealth, the project team was able to measure retirement preparedness. A benchmark measure of retirement adequacy was created, based on the minimum resources required to maintain a basic standard of living during retirement.

<sup>2</sup> National Population and Talent Division (2013). A Sustainable Population for a Dynamic Singapore: Population White Paper

## Summary of the Research Findings

The findings were classified under 3 areas:

1. Employment
2. Finances
3. Basic Retirement Adequacy

### 1. Employment

By studying the employment status of the respondents, the project team wanted to understand how stable the work arrangements of Union members were and how quickly they found work after being unemployed.

#### i. Receiving income from work

The likelihood of having received income from work in the previous month was compared between Union members and non-Union members. Holding variables such as age, education and gender constant, the data showed that Union members were 14% more likely to be working in the past month as compared to non-Union members. Among respondents who would like to be working, Union members were 3% more likely to be successfully employed compared to non-Union members.

#### ii. Full-time vs part-time employment

The project team looked at the proportion of working respondents based on MOM's definition of full-time work i.e. more than 35 hours of work per week. The study found that employed Union members were 5% more likely to be in full-time work than employed non-Union members.

#### iii. Employment stability

By tracking employment status over time, the project team could compare employment transitions between Union members and non-Union members. This measure can establish how quickly an unemployed person was able to find a job, and how stable their employment was i.e. whether they were less likely to lose their jobs within a given time period and found employment sooner when unemployed.

- Over a one-month period, Union members were faster at re-joining the workforce: 19% of unemployed Union members found a job within one month, compared to 16% of unemployed non-Union members.
- Over a 12-month period, 42% of unemployed Union members had found work one year later, compared to only 33% of non-Union members. Of the Union members who were not in the labour force a year ago, 16% re-joined the labour force, compared to only 12% of non-Union members.

Figure 2. Employment Stability by Age Group Over 12 Months

Union Member		Current Status			
		Employed	Unemployed	NILF	Total
Status one year earlier	Employed	94%	2%	5%	100%
	Unemployed	42%	41%	17%	100%
	NILF	14%	2%	84%	100%

Non-Union Member		Current Status			
		Employed	Unemployed	NILF	Total
Status one year earlier	Employed	90%	3%	7%	100%
	Unemployed	33%	50%	17%	100%
	NILF	10%	2%	89%	100%

Notes:

- These tables reflect people who were Union members in January 2017. It is therefore backward-looking, and shows the employment history of current members.
- NILF denote respondents that are not in labour force.

A deeper look at 12-month employment stability by age group was also conducted. The study found that respondents in their 50s had more stable employment than those in their 60s. that is, younger respondents were more likely to remain in employment and also found employment sooner when unemployed. Union members had more stable employment than their non-Union members counterparts, within both age groups:

- 95% of Union members in their 50s remained employed across a full year, compared to 92% of non-Union members. While 91% of Union members in their 60s remained employed across a full year, compared to 87% of non-Union members.
- 50% of unemployed Union members in their 50s found work within one year, better than the 32% of non-Union members in this age group.
- However, unemployed Union members in their 60s found work at a lower rate (23% within a year) than non-Union members (33%).

The findings on employment showed that:

- Union members were more likely to be working and, if employed, were more likely to be in full-time jobs.
- Union members had more stable employment patterns than non-Union members i.e. Union members were less likely to lose their jobs within a given time period. If unemployed, Union members were found employment sooner. If out of the labour force, Union members were more likely to re-join the labour force within a given time period.

## 2. Finances

In terms of respondents' financial situation, the study found stark differences among Union members, non-members, and respondents affiliated with Professional Associations and Communities (PAC) in the Labour Movement Network.

### i. Household Income

Household incomes for Union members and PAC members were \$3,000 and \$23,400 higher than those of non-members, respectively.

### ii. Expenditure

Households with a Union member spent on average \$2,500 more per annum than those of a non-member households, but the difference was not statistically significant. Households with a PAC member spent \$9,600 more per annum than non-member households.

### iii. Wealth

The analysis on financial wealth<sup>3</sup> (excluding CPF and housing assets) showed that average financial wealth for Union member households were \$4,600 higher than non-member households, although the difference was not statistically significant. Households with a PAC member had \$46,900 more financial wealth than non-members, with low statistical significance.

### iv. Savings rate

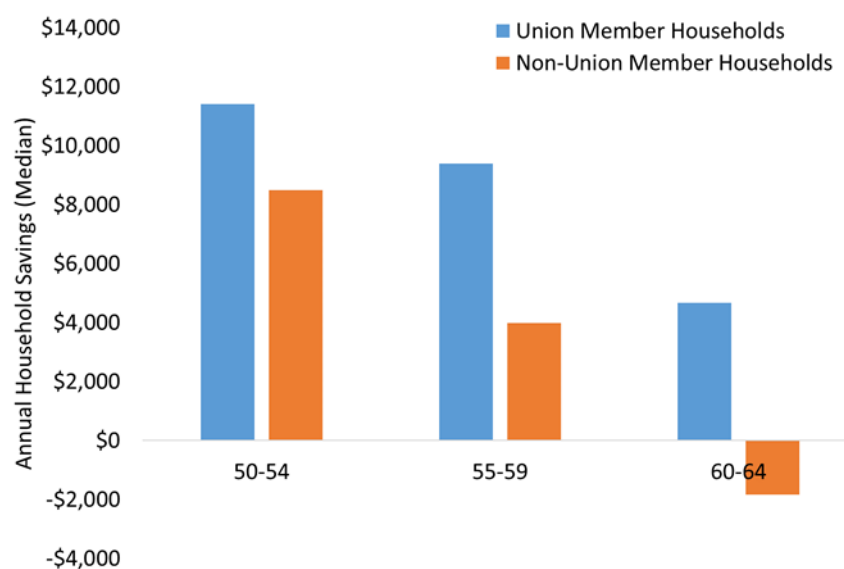
The ability to save faster is a key factor in achieving retirement adequacy. The savings rate is measured as the difference between annual income and annual expenditure. The study found that Union members' households had higher rate of savings across all age groups and continued to save up to a later age. However, the difference was not statistically significant.

Union members continued saving up to a later age. In particular, Union members switched to negative savings rates between age 65 to 70, five years later than non-Union members, who had negative savings rates between age 60 to 64.

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<sup>3</sup> Financial wealth is net wealth excluding properties and CPF, specifically pension & retirement plan, life insurance policies, bank accounts, investment bonds & shares, gold & other investments, business, vehicles & other durables, minus credit card & other debt (excluding mortgage).

Figure 3. Median annual saving for Union members and non-Union members households



On all the financial measures, the findings consistently showed that PAC members were the most adequately prepared for retirement. Union members tended to be slightly better prepared for retirement than non-members, but many of the differences (in income, savings and wealth) were small and were not statistically significant.

### 3. Basic Retirement Adequacy

The study evaluated how well prepared our respondents were for retirement by comparing the number of years needed to attain basic retirement adequacy for Union members, relative to non-Union members. For this study, Basic Retirement Adequacy was defined as having enough wealth to own a 1-2 HDB (valued at \$350,000)<sup>4</sup> and spend \$8,400 a year (based on the CPF LIFE Basic Retirement Sum pay-out of \$8,400 a year or \$700 a month). This benchmark was applied to calculate how much longer a person had to keep working until he/she met this basic retirement adequacy benchmark for the rest of his/her expected lifetime. After taking into account the effects of age, gender and education, the study found that Union members would reach basic retirement adequacy one year sooner than non-Union members.

#### Refer to Tables for Basic Retirement Adequacy Illustration

Figure 4. Wealth required to meet basic retirement adequacy and the current age<sup>5</sup> based on the benchmark

Current Age	Men		Women	
	Years Remaining to Life Expectancy of 84	Wealth Required to Meet Retirement Sufficiency	Years Remaining to Life Expectancy of 87	Wealth Required to Meet Retirement Sufficiency
60	24	\$551,600	27	\$576,800
65	19	\$509,600	22	\$534,800
70	14	\$467,600	17	\$492,800
75	9	\$425,600	12	\$450,800
80	4	\$383,600	7	\$408,800

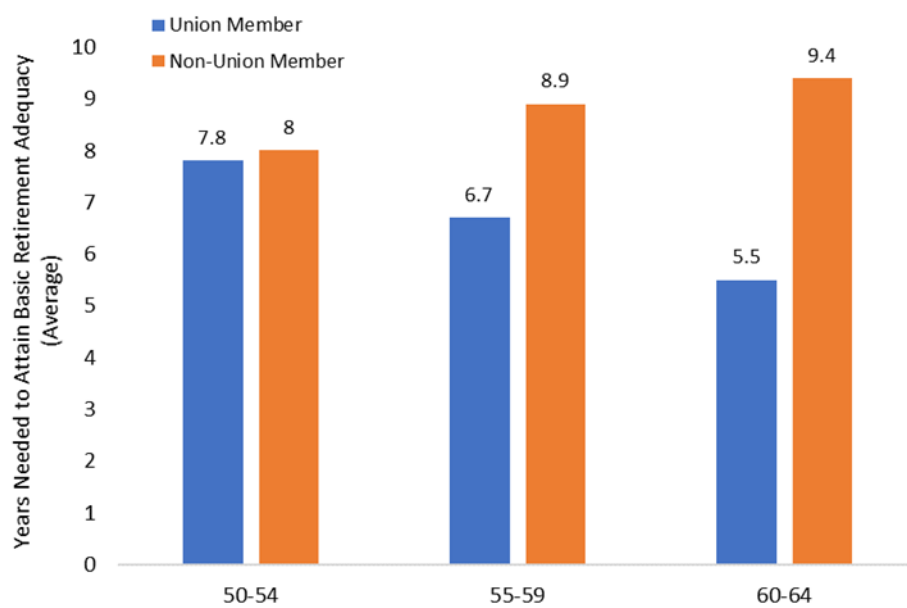
For illustration: A 60-year-old woman expects to live 27 more years. If she was to retire today, bought a 1-2 room HDB flat, and lived on \$8,400 per year (our benchmark expenditure for basic retirement adequacy), she would need \$576,800 in total wealth. If she passes away at 87, she would still have the \$350,000 flat, but no other money.

<sup>4</sup>Based on the 75th percentile value of a 1-2 bedroom HDB flat in the Singapore Life Panel

<sup>5</sup>Based on life expectancies of 84 for men and 87 for women. Source: Ministry of Health, [https://www.moh.gov.sg/content/moh\\_web/home/statistics/Health\\_Facts\\_Singapore/Population\\_And\\_Vital\\_Statistics.html](https://www.moh.gov.sg/content/moh_web/home/statistics/Health_Facts_Singapore/Population_And_Vital_Statistics.html)



Figure 5. Years Needed to Attain Basic Retirement Adequacy



As Figure 5 shows, Union members needed fewer years on average to reach retirement adequacy. For age group 55 to 59, Union members needed 6.7 years to attain retirement adequacy while non-Union members needed 8.9 years. For age group 60 to 64, Union members needed 5.5 years to attain retirement adequacy while non-Union members needed 9.4 years.

## Conclusion

The study found that Union members fared better compared to non-Union members on the following findings:

- Were more likely to be working full-time.
- Had more stable employment: less likely to lose their jobs within a given time period and found employment sooner when unemployed.
- Had slightly higher household income, expenditure and wealth.
- Union members had higher household savings rates across all age groups, and on average, continued saving up to a later age.
- Would reach retirement adequacy sooner.

More stable employment arrangements combined with higher incomes to enable Union members to have higher savings rates than non-Union members. Over a lifetime, these contributed to Union members being more adequately prepared for retirement than non-Union members.

## APPENDIX A: Background to Data

The Centre for Research on the Economics of Ageing (CREA) operates the Singapore Life Panel® (SLP), a high-frequency population-representative sample of Singaporeans aged 50 to 70. Data for this project was gathered by including an additional module in the February 2017 instalment of this survey. Overall, 4,037 respondents consented to participate in the extra module.

Statistical checks indicated that these consenting individuals had very similar age and ethnic profiles to other Singaporeans aged 50-70 but were slightly better educated.

Figure 6. Statistical Checks - Ethnicity

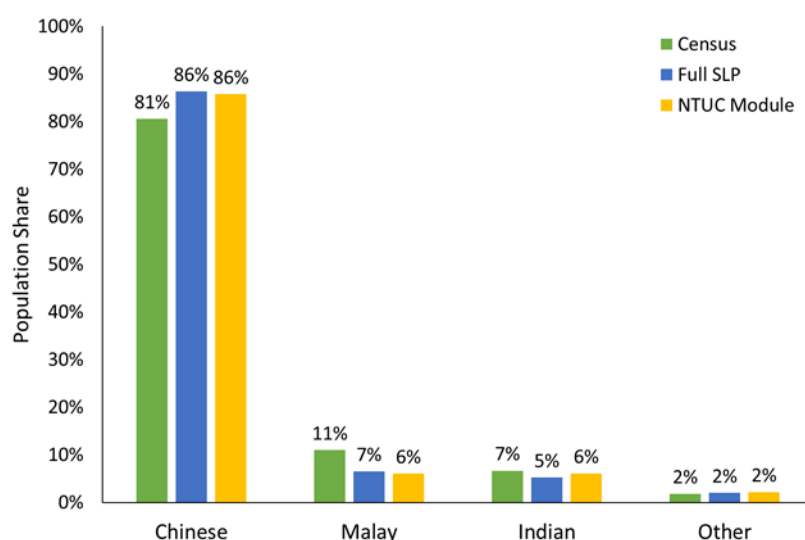
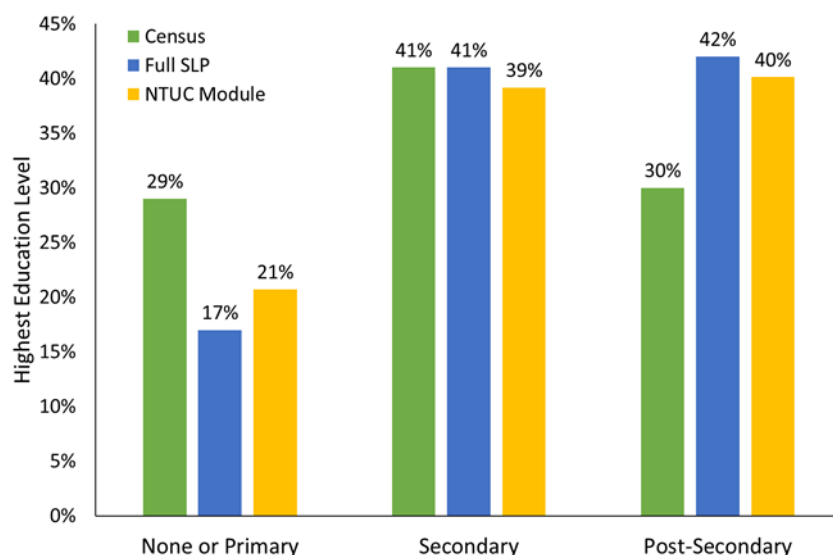


Figure 7. Statistical Checks - Education



## RESEARCH PROJECT TEAM

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