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SPEECH BY THE MINISTER FOR LABOUR, MR LEE YOCK SUAN, AT THE
CPF BOARD ANNUAL DINNER & DANCE AT THE MARINA MANDARIN
BALLROOM ON SATURDAY 31 OCTOBER 1987 AT 7.30 PM

I am pleased to be here to share this special evening with members and staff of the Central Provident Fund Board.

A year has passed. Much good work has been done by the Board and many improvements made to the CPF schemes. The CPF, as we all know, is an important Singaporean institution. It not only provides for members' retirement needs, but allows them to enjoy now the fruits of their labour, using their savings to meet housing and health-care needs.

Provision for Retirement

The provision for our old age financial needs has been further safeguarded with the introduction of the CPF Minimum Sum Scheme and the Topping-up Scheme this year. These two schemes cater for CPF members beyond the withdrawal age of 55 years.

Extension of Retirement

This evening, I would like to touch on another aspect of provision for old age, the need for workers to work beyond age 55. The Government is actively promoting the extension of the retirement age from 55 to 60, which is already the norm in the Civil Service. This is timely as our people can continue to lead economically active and

fulfilling lives after age 55. With better health care and the adoption of healthy lifestyles, most Singaporeans can live beyond 70 years, many into the eighties and even nineties.

For the employee, continued employment after age 55 helps him to build up his CPF savings. For example, in 1982 there were 6,800 CPF members aged 55 who were working and contributing to their CPF. The average CPF balance of these active CPF members was \$19,600. In 1987, 5 years later, 3,400 CPF members aged 60 are still active and working. Their average CPF balance has risen to \$46,300. Clearly they are much better off financially than if they had stopped work at age 55.

Contrary to popular belief, the average worker in Singapore has not yet accumulated a substantial retirement nest-egg. Excluding withdrawals for housing, the average CPF balance of members aged 50 to 54 is only \$29,800. Under the Minimum Sum Scheme we have estimated that \$30,000 is required for basic living expenses after age 60. The older CPF members may not have adequate savings to maintain the standard of living they have been accustomed to if they retire at age 55. This is especially so as Singaporeans are expected to live longer these days. Medical expenses are also likely to increase with age. Older workers should therefore realise the advantage of working till age 60 or beyond.

Employment of Older Workers and Labour Shortage

Besides helping himself, a worker who continues to work beyond 55 also helps his employer to alleviate the labour shortage problem. It is a problem which has been with us since we first achieved full employment in the 1970s. It will remain with us because of our population trends and the pace of our economic development. Even if

the new population policy is successful, we will not see any effect on the local workforce until the babies have grown up.

To achieve GDP growth of four to six per cent per annum, we need productivity growth of three to four per cent plus increase in labour force of one to two per cent per year. This translates to 12,000 to 24,000 additional workers per year. Between 1985 and 1990 our local workforce is projected to show a net increase of about 13,000 workers per year. For the next five-year period, the increase will shrink to about 11,000 per year unless we manage to extend the retirement age and also induce more of the economically inactive to return to work.

To meet the labour shortfall, employers have tended to rely on foreign labour. However, excessive dependence on foreign labour will bring undesirable social and political consequences. We should therefore make better use of our local manpower.

Raising the retirement age appears to be one of the most promising options. For example, if all Singaporeans now in the 50 to 59 age-group had not retired as they did, there would be 35,000 more workers available in the market. Even if half of them did not retire as they did, the number available would still be sizeable. Employers should realise the changing profile of our workforce and make the necessary adjustments. They cannot count on an unending stream of young workers of low education and willing to accept relatively low wages. Employers will have to re-design jobs so that older workers can be employed or re-trained for the jobs. Our ageing population is not unique in the world but is similar to the situation in the developed countries.

On their part, our older workers must be prepared to make adjustments so that they are not priced out of the job market. The future lowering of the CPF contribution rates for workers aged above 55 should help to reduce their wage costs. However this measure alone may not be enough. Where necessary, employers and unions will have to negotiate new appropriate wages for older employees.

Concluding Remarks

As for improvements in CPF services, I am pleased to note that the Board's commitment to service excellence is enshrined in its corporate philosophy. I am confident that the staff of the CPF Board will strive to achieve the high standards they have set for themselves - to serve members with the quiet efficiency which they have always done. May I wish all of you a thoroughly enjoyable evening and a challenging year ahead.
