

S'pore's ageing population: Not quite doomsday

By SARAH HARPER
For *The Straits Times*

DESPITE Singapore's strong economic performance of late, the pace of its future growth appears less certain, due in part to a rapidly ageing population.

With one of the world's lowest fertility rates — under 1.2 — and long life expectancies — currently approaching age 80 — Singapore will soon become, demographically, one of East Asia's oldest countries, as measured by the proportion of the population that is aged 65 and over. In fact, within 25 years, Singapore will be second only to Japan in this regard. Currently, the median age in Singapore is over 35 years of age.

It is dangerous, however, to overreact to such bare statistics. The easy political reaction is to extrapolate such figures into doom and gloom.

It is seen that across the globe, economies will be increasingly challenged by the strain of providing pensions. Behind such rhetoric, however, the narratives are more subtle, more complex and, indeed, more amenable to sensible policy changes.

In fact, ageing populations are not the main explanatory factors for pressure on health-care services, for example. Rather, it is the wider effects of income, lifestyle characteristics and new technology that drive up demand for new medical advances.

Any economic challenge is less likely to come from large numbers who cannot work just because of their age per se and more likely from labour markets that use retirement as a regulating mechanism in times of labour oversupply, and pension systems that enable healthy and active individuals to withdraw from economic activity.

Similarly, family structures and the widespread provision of public forms of care may be changing, but there is little evidence that kin do not continue to care for and support family members.

Indeed, the three major concerns — public spending on pensions, high dependency ratios between workers and non-workers, and a slowdown in consumption due to an increase in the number of older people and a decrease in that of younger ones — are dynamics of current cohorts and the present time period. That is, they are not cast in stone.

Firstly, generous public pension systems currently allow healthy, active and potentially productive individuals to retire expecting up to 40 years of post-retirement support.

Secondly, society discriminates on stereotypical grounds against older workers, increasingly defined as over 50, explicitly encouraging withdrawal from economic activity for up to 40 years before their lives end.

But both are recent phenomena that can be tackled so that limited resources can be used effectively to support frail individuals at the end of their lives instead.

In Singapore, specifically, early retirement has apparently become the norm. Any economic challenges posed by rapid population ageing here will thus be compounded by low labour force participation rates among those aged 55 and over. Here, male labour force participation rates after age 55 have fallen while female rates are even lower than those of the men. In fact, female labour participation at older ages is lower than both male and female employment rates in most Western nations.

These trends raise questions about the types of policy options available both to encourage greater labour force participation and to enhance retirement security for those who retire out of necessity, through ill health for example.

Currently, there is high reliance on the family for elderly support, while government and private pensions have taken a smaller role. But the traditional reliance on family is declining over time, with fewer older people having children on whom they can rely in old age.

The solution is to take our eyes off the micro picture of elderly depen-

dependency ratios or support for the growing numbers of older people and look, instead, at the ageing of Singapore as a society. Singapore is not unusual in this respect. It is following the trend in all Western, and many Asian, countries.

What we are seeing is not simply an increase in the numbers of older people, but a shift in the population structure of the country, away from one with many young and few old to a far more balanced ratio of young to old. Indeed, fears over the dependency ratio of old to those of working age should also take into account a fall in the dependency ratio overall from 48 per 100 in the 1980s to just under 40 in 2003. This came from the rapid fall in the numbers of those under 15 years of age.

Given the steadily increasing health needs of the older population, there are clearly policy options built around the concept of extending people's working lives. The United Kingdom, for example, is discussing raising the pensionable age from the current 65 to 68 by 2044.

But are people aged 50 upwards unproductive burdens on society because they are consistently less able to perform modern economic activity than those younger?

Despite the fact that there is little evidence for such stereotyping, this bias appears to impact upon employer behaviour. All evidence points to some decline in mental and physical capacity — from age 20 in some instances and until age 70 — but there is little decline with ageing that cannot be compensated for by changing the work environment and work practices.

In addition, retaining and retraining older workers would put an end to the haemorrhaging of experience from our corporations. Older workers can be as energetic as younger ones, given the right work environment, and are, in almost all cases, more experienced.

Moreover, if individuals continue to be economically active, their consumption rates and patterns will also change. Currently the over-50s' consumption is on leisure activities rather than consumable goods. If they remain within the labour market throughout their 60s, however, they will also spend on household consumable goods. If nothing else, the consumer goods purchased in their 20s and 30s will need replacing.

A recent survey I was involved in, the HSBC Future Of Retirement Survey, showed that Singaporeans look forward to a happy, healthy retirement, and one in which active, economically productive work plays a part. They are also a realistic population, two-thirds of whom believe they should bear the financial costs of their own retirement. Unlike other countries, where people favour increased savings to fund their retirement, Singaporeans wish to work longer to finance their own old age.

Employer attitude here is good too. In the survey, more than 90 per cent of Singaporean employers said their older workers were as loyal and reliable as their younger colleagues, and three-quarters saw them as being at least as productive. They also said they tried to encourage them to remain in the workforce.

Also, more than half of the employers surveyed felt that early retirement meant a loss to their work place of valuable skills and knowledge.

Thus Singapore need not fear the numbers. The Republic is heading not so much into a world of older people as one where its people simply live longer and wish to remain active throughout their longer lives.

The writer is director of the Oxford Institute of Ageing and a special adviser to HSBC on ageing issues.

The survey, commissioned by the HSBC Group, was done in October and November last year and covered 20 countries, including Singapore. It involved topics such as attitudes and expectations with regard to ageing, work, relationships, health and preparations for old age. Dr Harper will discuss the survey at a seminar organised by the Institute of Policy Studies tomorrow.