

The Future Demographic Landscape of Singapore

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INTRODUCTION

Although developed nations demarcate the age cut-off at 65 years, Singapore has adopted the UN recommendation of 60 years and older to define old age. This conversion may well continue into the first two decades of the next century, unless retirement practices in both the public and private sectors are revised further upwards from the current norm of 60. Despite legislation to raise retirement age to 60, many employers still adhere to the earlier norm of 55 years, while some offer continued employment on a yearly or quinquennial basis. Rarely indeed, some employers (including the public sector) offer employment beyond 60. If such an offer is made, terms are revised or the remuneration reduced to one-half or one-third the last-drawn salary.

Singapore's social security system, the CPF, is believed to be the main support system for old age. The withdrawal age for savings is still 55, paralleling the erstwhile retirement age. Questions as to the adequacy of the CPF for retirement have been raised, while the government has enhanced the scheme through top-ups for those in older ages, including the setting-up of the Medifund for the needy aged sick. At the same time, the requirements of the international economy of which Singapore is a vital player are such that continued retraining (including skills of the older workforce) have to be re-emphasised.

Here, we discuss briefly the trends of the Singapore population into the future, with respect to size, employment and educational attainment to foresee the implications for an ageing society.

The demographics

In the 1990 population census, 9.1% of the resident population was enumerated aged 60 years or older. By 1995, it was 9.9%. Projections indicate that it will surpass 25% by year 2020, unless immigration influx and natural increase reverse the trends. Both sexes have improved longevity as well as pro-longevity into frail ages, especially for females. In 1985, the expectation of life at birth stood at 72 years for men and 76 years for women. By 1995, it had reached 74 and 78 years respectively, and is expected to increase to 78 and 82 years by year 2030. Ageing must be interpreted to mean as women's pro-longevity per se due to their higher longevity while the sex-ratio will increasingly favour women (in 2020, there will be 860 aged males per 1000 aged females).

Within the older population, 17.3% were in ages 70-74 in 1995, which will escalate to 23.1% by 2030. For the next 20 to 25 years, the majority among the aged would be the young-old (within ages 60-69), 57.2% in 1995 and 61% in 2020. This highlights the necessity to accommodate employment policies for this sub-population, especially when the retirement age is ultimately revised to 67 or even 70. In line with the ageing process, the median age will increase from 29.8 years to 43.6 years during 1995-2050. Inevitably, the total dependency ratio will increase to 82% in 2030 (from 49% now). In 1966, the ratio stood at an all time high at 95.4%, arising from a predominantly youthful population. In the present and future contexts, the older population will swell the dependency ratio, a sign that old age dependency will be a serious challenge.

The future population

Whichever scenario is factored into the projection exercise, the total resident population is expected to be between 3.3 to 3.7 million by year 2050. On the basis of current low replacement levels, the population may peak at 3.4 million in 2030, thereafter declining to 3.2 million in 2050. Since natural increase has not kept in tandem with selective pro-natalist policies (introduced in the 1980s), population growth will be moderate enough to reach the aforementioned predicted levels. Government has targeted a 4.2 million population to sustain development within a competitive international economy. Even if we factor about 10% to 15% for a net influx, the population will reach only 3.7 million to 3.9 million in 2030, still short of half-a-million of the target. Even an effective pro-natalist policy will mean a timelag of at least 20 years and sufficient incentives, which the government cannot indefinitely provide. Thus, population growth must come from an influx of skilled or talented people in working ages, which might reduce the dependency ratio somewhat. Such an influx will not remove the ageing population of the future or the presently aged, at least in absolute terms. Without a significant influx or immigration over the years, there will be only around 19 working adults per 10 aged persons in 2050, down from 76 per 10 in 1990. More working adults will increase the support base for the aged population.

Indeed, the projected proportionate aged among the total resident population for 1995, based on the

Age-group (%) in 1990				
Educational Attainment	20-24	25-29	30-34	35-39
Below Secondary	37.8	41.8	48.7	57.1
Secondary and above	62.2	58.2	51.3	42.9
Total	100	100	100	100

Age-group (cohort)				
Year 2020	50-54	55-59	60-64	65-69
Year 2030	60-64	65-69	70-74	75-79

Source: Computed from 1990 Census

last census, was about 10%. The actual figure is 9.9% and this 0.1% drop may be attributed to a steady influx of working immigrants who have since become permanent residents and citizens, thus increasing the total resident population during the period 1990-1995. Actual figures are not officially available, but indirect methods of estimation can be used to arrive at a 'guesstimate' of the magnitude. Accounting for the natural increase through births minus deaths and the published data on the resident population during 1990 - 1995, a reasonable estimate of the influx of foreigners who have since been granted resident status in Singapore would be around 20 to 22 thousand per annum. From Ministry of Labour estimates, in 1994 alone, there were 11.5 thousand new Singapore citizens and almost 22 thousand new permanent residents, without accounting for the exodus. Thus, the recent announcement that 30 to 35 thousand skilled foreigners would be allowed into Singapore annually comes as less of a surprise. Of course, these figures exclude a sizeable 0.5 million aliens working on work permits and employment passes and without 'permanent residence' status, mostly in semi or unskilled categories of employment.

The above figures allow us to make the following conclusions:

- (a) the selective pro-natalist policies since 1987 (or even in the early 1980s) have not resulted in a significant natural increase as was expected;
- (b) any impact of the incentive-oriented population policies aimed at a selective few (educated families or those who could afford more children) was short-lived;
- (c) in the long-term, natural increase will have minimum effect on population growth, especially for sustainable economic development within a competitive world economy;
- (d) only skilled immigration would lead to economic growth through globalisation and internationalisation;
- (e) local skills may be limited and retraining would entail new employment policies, especially of the ageing population.

Educational attainment

Despite the emphasis on education and training, there is still a dearth of skills as can be seen from the educational attainment of the population and the

labour force. Of the aged population in 1990, almost 94% had an educational attainment of below the secondary school level. Only 6.3% had secondary plus levels. In the very long run, this situation would improve but the timelag would be considerable. In fact, the levels of educational attainment for ages below 40 in the 1990 census will telescope the situation when the relevant cohorts reach ages >50 in 2020 or >60 in 2030, viz.

In 1990, persons without a secondary education among the ages 20-39 comprised a considerable proportion. Even in the younger ages (20-24), only 62.2% had a secondary plus level; these persons would be in the ages 50-54 in year 2020 and 60-64 in year 2030. That is, less than commensurate educational skills will continue to be the drawback for the aged population well into the next quarter century, unless some upgrading takes place. In ages 20-34, some 43.4% has below secondary qualifications, so the problem of under-education to meet technological needs is real.

The fact that hardly 0.1% of the present aged sought employment testifies as to their inability, or unwillingness to seek jobs with skills content. Under-qualified older persons would be rather under-employed or remain outside the labour force. Policies to review upward revision of the retirement age must be carefully couched. It is probable that employers shy away from employing workers beyond 55 or 60, as re-training for a shorter time-horizon is not cost-effective while there is some reluctance to remunerate older workers at levels of last drawn wages. Lower remuneration for retirement jobs may be less palatable, arising from the 'discouraged' worker effects, when leisure is preferred.

Labour activity and incomes

Labour force activity rates among the older population have been declining in the 1980-1990 period: 21.6% to 20% for ages >60. This parallels international trends, especially of western countries. Of course, the erstwhile retirement norm at 55 years could have forced workers to exit the labour market in the periphery of ages >50. Legislation to extend retirement age to 60 came into force in 1993 and trends in 1995 or later would provide a better indication of activity rates. In absolute terms, there were 161.4 thousand non-working persons in ages 50-64 in 1990, increasing to 170.9 thousand in 1995. The non-working activity rate among this cohort has declined from 51.7% to 51.1%, however. Perhaps, the raising of the retirement age might have been a sufficient reason for improving activity rates in the ages >50.

Instead of raising the retirement age to 60 (in 1993), then to 62 (in 1999) and to 67 (in the long run), it may be a better strategy to signal employers by declaring an open-ended retirement norm, as is practised in many western countries, including the USA. The age of retirement is best left to the bargaining process between employers and employees, through unions or otherwise. Employers would

institute training programmes for a longer career than for a shorter period and re-training will then be meaningful for older workers. This also allows feasibility in the labour market, costs kept within acceptable norms through the NWC mechanism. Perhaps, a re-think along this philosophy is in order.

In any case, the monthly income bracket for those aged >60 is in the \$500-\$1500 group, where 78.4% are concentrated. Only those with higher qualifications continue to attract better incomes, levels increasing in tandem with their qualifications. By most criteria, labour demand will be higher than the labour supply well into the next century, unless there is severe recession. Those presently unemployed are mainly structurally unemployed, when new skills are needed by new or improved technology. Re-deployment of labour resources is a factor to contend with, not only for the entire workforce but also especially for the older workers.

CONCLUSIONS

The main issues of an ageing population that will be current in the coming decades will be: (i) maturing of

the labour force; (ii) prolongation of retirement employment; (iii) the sustainability of incomes beyond working life, and (iv) changing skills and retraining. Over and above these, population growth will be an important consideration, with immigration policy playing a crucial role. The government has to fine-tune its immigration policy with its avowed ethnic 'balance' policy, which may be a difficult art while meeting any contrary views of local citizens on a large influx. Pro-natalist policy may have to be liberalised rather than being selective, while building the talent pool through skills influx. The next quarter century will be challenging enough for population policy formulation and implementation in view of the dynamics of the demographic transition.

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