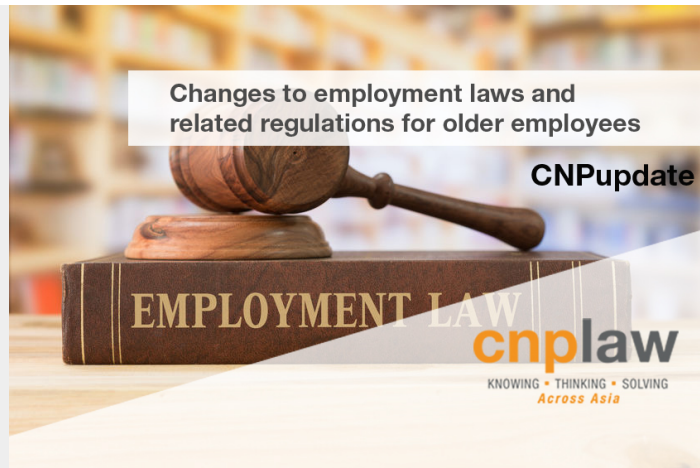


CHANGES TO EMPLOYMENT LAWS AND RELATED REGULATIONS FOR OLDER EMPLOYEES

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Prime Minister Lee Hsien Loong, in his National Day Rally speech on 18 August 2019, announced that pursuant to the recommendations made by the Ministry of Manpower's Tripartite Workgroup (the "**Workgroup**") on Older Workers, the Singapore Government will be:

- raising the retirement and re-employment ages from 2022; and
- increasing the central provident fund ("**CPF**") contribution rates for older workers.

The Ministry of Manpower confirmed on 19 August 2019 that the Government had accepted all 22 recommendations made by the Workgroup in the Tripartite Workgroup's Report on Strengthening Support for Older Workers. These recommendations, which generally seek to achieve productive longevity in Singapore, are summarized below.

Refreshing the retirement and re-employment framework

Under the Retirement and Re-employment Act ("**RRA**"), the minimum retirement age (the "**Retirement Age**") is 62 years old and it is generally an offence for an employer to dismiss any employee who is below the minimum retirement age on the ground of age, as long as the employee is a Singapore citizen or Singapore permanent resident who joined the employer before attaining 55 years of age.

The employer is also generally required to offer re-employment to eligible employees when they reach 62 years old, and continue to offer them re-employment until they reach 67 years old (the "**Re-employment Age**"). An employee is eligible for re-employment if the employee:

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- is a Singapore citizen or permanent resident;
- has at least 2 years of service with the employer if the employee joined the employer before attaining 55 years of age or 3 years of service with the employer if the employee joined the employer after attaining 55 years of age;
- was born on or after 1 July 1952;
- is assessed by the employer as having at least satisfactory work performance; and
- is assessed by the employer as being medically fit to continue working.

It was proposed by the Workgroup and accepted by the Government that the Retirement Age and Re-employment Age will both be gradually raised by 3 years by the end of 2030, starting from 1 July 2022 as set out in the table below.

	Present	1 Jul 2022	By 2030
Retirement Age	62	63	65
Re-employment Age	67	68	70

In addition, for employees who are employed after they have turned 55 years of age, the qualifying period to be eligible for re-employment is reduced from 3 years to 2 years of service. As at the date of this article, it is unclear whether this change will take effect from 1 July 2022 or earlier.

Under the RRA, if an employer is unable to re-employ an eligible employee despite making reasonable attempts to do so in accordance with the Tripartite Guidelines on the Re-Employment of Older Employees (the “**Guidelines**”), the employer will generally be required to offer an employment assistance payment (“**EAP**”) to the eligible employee. It is suggested in the Guidelines that:

- the amount of EAP could be equivalent to 3.5 months of the eligible employee’s salary and is subject to a minimum amount of S\$5,500 and a maximum amount of S\$13,000, and
- the amount of EAP could decrease over time. In particular, for employees who have been re-employed for at least 30 months since age 62, the amount of EAP could be equivalent to 2 months of the eligible employee’s salary and is subject to a minimum amount of S\$3,500 and a maximum amount of S\$7,500.

It was proposed by the Workgroup and accepted by the Government that the minimum and maximum EAP amount will both be raised as set out in the table below.

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Period of service after re-employment	Minimum EAP amount		Maximum EAP amount	
	Present	1 Jul 2022	Present	1 Jul 2022
Less than 30 months	S\$5,500	S\$6,250	S\$13,000	S\$14,750
At least 30 months	S\$3,500	S\$4,000	S\$7,500	S\$8,500

Strengthening older workers' retirement adequacy

Under the Central Provident Fund ("CPF") Act, employers are generally required to pay the employer's and employee's share (which is recoverable from the employee's salary) of CPF contributions every month, if the employee is:

- a Singapore citizen or permanent resident working in Singapore; and
- employed by the employer under a permanent, part-time or casual basis.

It was proposed by the Workgroup and accepted by the Government that the CPF contribution rates for both the employer's and employee's share will be increased as set out in the table below.

Age of employee	Employer Contribution			Employee Contribution			Total Contribution		
	Present	1 Jan 2021	Target[2]	Present	1 Jan 2021	Target[2]	Present	1 Jan 2021	Target[2]
55 & below	17%			20%			37%		
Above 55 and up to 60	13%	14%	17%	13%	14%	20%	26%	28%	37%
Above 60 and up to 65	9%	10%	13%	7.5%	8.5%	13%	16.5%	18.5%	26%
Above 65 and up to 70	7.5%	8%	9%	5%	6%	7%	12.5%	14%	16.5%
Above 70	7.5%			5%			12.5%		

In addition to the above, to mitigate the higher CPF contribution rates, the Government will be providing transitional support to employers, in the form of one-off wage offsets.

As at the date of this article, it is unclear how the CPF contribution rates of the employer's and employee's share of CPF contribution would each increase further in subsequent years following 1 January 2021 to

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reach the targeted CPF contribution rates as set out in the table above. However, it was proposed by the Workgroup and accepted by the Government that each subsequent increase in CPF contribution rates for the employer's and employee's share of CPF contribution should not exceed 1%, and that the total increase in the employer's share will generally be lower than the employee's share as the employers have previously borne a larger share of the CPF contribution.

We will update this article once we have more clarity on the further increase in CPF contribution rates, timelines for the targeted CPF contribution rates and details of the transitional support for the higher CPF contribution rates.

Barrier	Recommendations
Opportunities for older workers to master new skills	<p>Employers should engage older employees in structured career planning sessions, including the following:</p> <ul style="list-style-type: none"> • Future career plans and potential support from companies for employees around age 45 • Relevant skills needed for re-employment for employees around age 55
Appropriate job redesign	<p>Employers should effect organization-wide and systems-level changes so as to:</p> <ul style="list-style-type: none"> • Increase the number of older employees who can perform the job • Extend upwards the age at which employees can do a job
Options to work at a reduced intensity	<p>Employers should provide part-time re-employment opportunities via their company policies and employment contracts.</p>
Costs of employer-provided medical benefits	<p>Employers should restructure employer-provided medical benefits from Group Hospital & Surgical insurance schemes to additional MediSave contributions or other flexible benefits.</p>
Concerns over safety, health and fitness for work	<p>Employers should base their determination of an employee's fitness for work in a particular role on objective assessment of:</p> <ul style="list-style-type: none"> • The job requirements • Relevant health or physical conditions that would affect the employee's performance of the job requirements
	<p>Employers should implement workplace health programmes that are appropriate for the ageing profile of their workforce.</p>
	<p>Employees should take more responsibility for their health, keep themselves fit for work and participate in workplace health programmes.</p>

Promoting an inclusive workforce and progressive workplaces

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that value older workers

The Workgroup was of the view that the above changes in the law alone would not be sufficient to ensure a truly age-friendly labour market. As such, the Workgroup identified 5 broad categories of barriers and provided recommendations which may help to eliminate them. These recommendations, which have been accepted by the Government, are summarized in the table below.

Conclusion

The increasing flexibility to work longer should be welcomed by all, and especially by older employees, having regard to the increase in the number of older workers and improved life expectancies in Singapore in the coming years. Older employees, when given the opportunity to earn and save more via CPF contributions, would have more resources to turn to when planning for their retirement. While the changes would not impact employees that will turn 63 years of age before 1 July 2023, this is nonetheless a big step towards preparing Singapore for the future economy and transforming the work industry into one that is more inclusive and which benefits all segments of the population. We look forward to future guidelines and incentives that may encourage employers to build a more age-friendly workplace and will keep you updated once they are available.

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