

Singapore Keeps Older Employees Working

Insights

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Singapore is sitting on a demographic time bomb. According to UN projections, nearly half (47%) of the country's population will be 65 years or older by 2050 and the median age is expected to grow from 40 years old in 2015 to 52.8 years old by 2050. Singapore's aging workforce, coupled with the ultra-low birth rate of 1.2 child per woman, means that an increasing number of employers now need to keep their senior employees around for longer. To combat this "profound" problem, as described by the country's Prime Minister Lee Hsien Loong, the government enacted the Retirement and Re-employment Act ("RRA") in 2012 and revised it in 2017 to expand the covered group.

Under the RRA, once an employee reaches retirement age, an employer has the following three options:

1. Offer re-employment to the employee;
2. Transfer the re-employment obligations to another employer; or
3. Offer a one-off Employment Assistance Payment ("EAP") to the employee.

Re-employment

The RRA, as revised in 2017, requires employers to provide eligible employees with re-employment up to age 67 when the employee reaches the statutory retirement age of 62.

In order to be eligible, an employee must: (1) be medically fit to continue working; (2) have satisfactory work performance; and (3) have at least three years of service at the company upon reaching the age of 62. All employees are presumed to be medically fit to continue working unless they show signs of unfitness, in which case the employer may require them to undergo medical examinations. When evaluating whether an employee's performance is satisfactory, an employer should take into account the employee's performance during the 2 to 3-year period prior to re-employment.

An employee may be re-employed in the same job, a modification of the existing job, or in another position mutually agreed upon by the parties. In circumstances where certain reasonable factors are present, an employer may also adjust the wages of a re-employed employee upwards or downwards. Reasonable factors include the employee's productivity, adjustment made to the employee's duties and responsibilities, and the employer's seniority wage system which results in wages set above the value of the job. Re-employment contracts generally have one-year terms and

allow for normal termination with notice. At the end of each term, the employer may reassess the employee and offer a renewal contract. Employees are not obliged to accept any re-employment offers.

Transfer to Another Employer

When an employer is unable to offer re-employment to an employee, it may choose to transfer its re-employment obligations to another employer. However, the new employer must agree to take over the prevailing re-employment obligations, and the employee must accept the re-employment offer by the new employer.

Although not a legal requirement, if the employer is unable to offer re-employment, it is good practice for the employer to inquire within its affiliated companies, if any, and/or within any trade associations or industry networks to which they belong to try to find another employer to transfer its re-employment obligations. An employee has the right to reject the re-employment offer by the new employer, in which case, the present employer must pay Employment Assistance Payment (“EAP”) to the employee.

EAP

If, despite its efforts, an employer is unable to offer re-employment or a transfer to an employee, the employer may pay a one-time EAP to the employee as a last resort.

The employer should start engaging the employee at least six months before his or her 62nd birthday to discuss the employee’s needs, available options, and relevant circumstances. In the event that the employer determines that it is unable to make any re-employment arrangements for the employee after 1 – 2 meetings with the employee, it should notify the employee as soon as possible but no later than three months before retirement.

The amount of EAP mandated for employees between the ages of 62 and 64.5 years old is 3.5 times the employee’s gross monthly salary, with a minimum of 5,500 Singapore Dollars and a maximum of 13,000 Singapore Dollars. EAP is 2 times the employee’s gross monthly salary with a minimum of 3,500 Singapore Dollars and a maximum of 7,500 Singapore Dollars for employees between the ages of 64.5 and 67 years old.

Best Practice

To stay in compliance with the RRA, employers should engage their senior employees as early as possible but no later than 6 months before they turn 62 years old. If an employer is unable to re-employ or transfer an employee, the employer should keep detailed records of the efforts it has made to re-employ or seek alternative employment for the employee so it can prove that any EAP payment is made as a last resort.

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