

Longest Retirements Fuel Pressure for Singapore Remodel:

Economy

By Sharon Chen - Apr 19, 2013 9:51 AM GMT+0800



Elderly people gather to play a checkers game next to their housing area in Singapore on Jan. 2, 2013. Singaporeans live the most number of years after leaving the workforce. Photographer: Roslan Rahman/AFP via Getty Images

Singaporean Richard Mui joined the ranks of the world's longest-living retirees when his career ended in 2010. Three years on, the 54-year-old can no longer afford to pay his father's medical bills, and worries about putting his two children through university.

Almost half a century after independence, Singaporeans now live the most number of years after leaving the workforce, according to the Global Sunset Index of 68 countries compiled by Bloomberg. In the world's sixth-most expensive city, 41 percent of more than 1,000 residents surveyed by HSBC Holdings Plc (5) said they haven't saved for retirement, with nearly half of them blaming living costs for hampering efforts.

"The standard of living has improved, but the cost of living, we're feeling the pinch," said Mui, who's made S\$4,000 (\$3,240) in the past six months as a part-time taxi driver, compared with S\$12,000 a month at digital-storage device company SM Summit Holdings Ltd. before a corporate takeover put him out of a job. "The Singapore government is one of the richest in the world but yet the people don't feel they are rich."

Mui's experience encapsulates the economic success that forged Southeast Asia's only developed nation, as well as the challenges emerging after decades of policies emphasizing self-reliance over state-funded welfare. An aging population and voter demands for more government aid for the poor and elderly have put pressure on Prime Minister Lee Hsien Loong to boost social spending even as growth slows.

The ruling People's Action Party will probably keep urging Singaporeans to take care of themselves, as any other method could impose excessive demands on the government's coffers, said Eugene Tan, an assistant law professor at Singapore Management University and a non-elected member of Parliament.

Bigger Burden

“Given that Singaporeans are living longer after retirement, and given that we now have smaller families, the question is whether that traditional model would be as robust,” he said. “This could point toward an evolving social compact where the state will now have to take on a bigger burden than it has been accustomed to.”

Lee warned in his August National Day Rally address that Singapore will need to raise taxes in the next two decades as the government boosts social spending to support an aging population. He pledged to ensure sufficient affordable housing for citizens and add nursing homes for the elderly, while proposing measures to boost the country’s birth rate.

“We’re going to have to spend more on health care, substantially more,” Finance Minister Tharman Shanmugaratnam said in a February interview. “A very key objective is to provide a greater sense of security in retirement for the middle-income group when they retire.”

Larger Share

Still, while the government will take on a larger share of medical costs after a review of the health-care financing system, it will continue to make individuals pay a portion, Minister in the Prime Minister’s Office Grace Fu was cited as saying by the Straits Times this week.

Singaporean men live an average 20.8 years after retirement while their female counterparts have 25.6 years, according to the Bloomberg Sunset Index. The measure, which places Singapore ahead of France and South Korea, estimates the age at which residents leave the workforce and subtracts this from their life expectancy. A 2012 Bloomberg study on the healthiest nations awarded the highest grade to Singapore out of 145 countries.

While the nation’s gross domestic product per capita climbed to \$50,123 in 2011 from \$516 in 1965, funding retirement is a challenge as lifespans increase and living costs soar, fueling public discontent that led to record opposition gains in the 2011 general election.

Expensive City

Inflation (SICPIYOY) averaged 4.6 percent in 2012 and the island is the third-most expensive Asian city to live in and the sixth globally, according to an Economist Intelligence Unit ranking published in February. That’s more than double the 1.9 percent average in the past 20 years.

The government will release consumer price data for March next week. In Asia today, a flash estimate showed China business sentiment rose in April. Germany may say producer prices rose at a slower pace in March from a year earlier, while Italy will report industrial orders for February.

Finance ministers and central bankers from the Group of 20 nations are gathering in Washington, and a draft statement showed members will affirm a commitment to avoid weakening their currencies to gain a trade advantage.



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Long Lives

Singapore's number of elderly will triple to 900,000 by 2030, according to the National Population and Talent Division. The government says that about half of Singaporeans aged 65 today are expected to live beyond 85, and a third beyond 90.

The island was the highest-ranked Asian country among 18 nations in the 2012 Melbourne Mercer Global Pension Index compiled by Mercer International Inc. (MERC) and the Australian Centre for Financial Studies, which measures the adequacy, sustainability and integrity of retirement systems.

The government has for decades encouraged citizens to own their homes, and they can use a part of their mandatory pension savings for mortgage payments. That has brought the home ownership rate to 90 percent, with about 82 percent of Singaporeans living in apartments built by the state.

Yet, many retirees in the city of 5.3 million people struggle to make ends meet after investing the bulk of their savings in homes, said Theresa W. Devasahayam, a researcher at the Institute of Southeast Asian Studies in Singapore.

Not Enough

"It's becoming a country where only the very rich will age in a very dignified way," said Devasahayam, who has published papers on the nation's policies for the elderly. "The inflation is just impossible to catch up. When you think you've saved enough, things keep going up and then you just find you still do not have enough."

A survey by Friends Provident International released this month of 556 people in Singapore with investable assets of at least S\$80,000 showed 57 percent of them felt they are saving enough to reach their retirement goals.

Retirees in Singapore can withdraw a part of their government-mandated savings on their 55th birthdays, leaving a required minimum sum that they will later receive in monthly payouts, earliest at age 63.

For Kwan Fook Chuen, born on Dec. 29, 1950, his birthday this year can't come soon enough. That's around when he will start receiving S\$400 a month from his pension savings, cash he desperately needs to make rent payments and cover his medical bills as he battles prostate cancer. A former drug addict who didn't work for more than a decade, Kwan is among the worst off in a system that emphasizes self-reliance.

Bussing Tables

"I need to survive," says Kwan, who works two cleaning jobs from 8 a.m. to 11 p.m. to make S\$74 a day. "It's very tiring. With my illness, I don't think I can work very long," he said at the end of a four-hour shift bussing tables at a food court on the outskirts of the city's central business district.



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Senior workers like Kwan are a common sight in the city state's malls, where they often work as cleaners and service staff. McDonald's Corp. (MCD), which has 9,000 employees in more than 120 restaurants on the island, started hiring retirees and senior citizens in the 1980s.

Mui, who grew up while Prime Minister Lee's father Lee Kuan Yew boosted citizens' wealth through policies that focused on education, business friendliness and strict laws, says the government isn't doing enough for Singaporeans who need support. A supporter of the ruling party previously, he voted for the opposition in the last two general elections.

"The emphasis is no more on the people," he said. "I feel that the government is not improving our lives."