

## **Speech by Deputy Prime Minister, Teo Chee Hean, at the lunch dialogue session for the Institute of Policy Studies (IPS), Singapore Perspectives 2018 Conference on 22 Jan 2018**

Good afternoon. Thank you for inviting me to join your discussion today. I heard that you have had an engaging morning. Allow me to add on some of my thoughts.

### **We are living much longer than before**

We are living much longer than before. I have recently turned 63 years old. When I was born in the 1950s, the expected life span was around 61 years<sup>1</sup>. For those around my age today, who are now, say aged 65, we can expect to live for another 21 years. These additional years of life are a bonus received from the investments that we have made in sanitation, healthcare, good housing, and a good, clean and safe and secure living environment. Our children born today can expect to live up to around 83 years old<sup>2</sup>. With improvements in the biomedical sciences, I can only guess at how many more “bonus” years they might live by the time they are in their 60s and 70s.

Longevity is a bonus if we are well-prepared for it. We can age with vigour – if each one of us prepares himself or herself well, if we prepare well in our communities, and if all of us together as a nation are well-prepared.

Let me run quickly through some numbers. We are entering a phase where the number of seniors is increasing rapidly. The baby boomers<sup>3</sup> are coming into our senior years. Today, we have around 500,000 seniors aged 65 and above. By 2030, we expect this to almost double to around 900,000<sup>4</sup>. The number of citizens aged 80 and above will more than double - from nearly 100,000 today to some 200,000 by 2030<sup>5</sup>. In fact, our citizens aged 80 and above are expected to be one of the fastest growing segments in our population. Baby boomers like myself are used to being in large cohorts where there were close to 60,000 births every year, whereas the cohorts today are almost half, at slightly more than 32,000 births a year. Even though for the last few years, we have had more citizen births and marriages.

### **Ageing is a global phenomenon, but we are better prepared**

In fact, the UN has described population ageing as one of the defining features of our times<sup>6</sup>. Countries are seeing populations age at an unprecedented rate. The level of ageing will differ. In Singapore today, there are about 4.4 adults aged 20 to 64 for every senior aged 65 and above<sup>7</sup>. In Europe, the ratio is currently 3.6<sup>8</sup>. In Japan, this number is 2.0<sup>9</sup>. The sales of adult diapers has surpassed diapers for babies at Japan’s largest diaper maker, Unicharm since 2011. Singapore will hit Europe’s current levels of ageing around 2020, and Japan’s current levels by around 2040<sup>10</sup>.

But we are also ageing more rapidly than most countries. For example, it took France over 100 years to transit from an “ageing” society, with 7% of the population aged 65 and over, to an “aged” society, with 14% of the population aged 65 and over<sup>11</sup>. It has taken us only 19 years – we crossed that mark last year.

However, we are much better prepared than others. The need to prepare for an ageing population could already be seen then by the mid-1980s – life expectancy was increasing and the baby boomers had already all been born. However, in the mid-1980s many people might not have been ready to think that far ahead and contemplate the measures that were needed to deal with this situation. Nevertheless, we were able to take several measures early to set in place resilient institutions that are built upon strong foundations and principles. These have now put us in a better position to look after ourselves, and as a society, as we age. One such pillar is the Central Provident Fund (CPF) which helps Singaporeans to save for their old age, helps cover medical expenses and to purchase basic health insurance. This is a fully-funded system, and will be sustainable for generations to come. This is the fundamental difference and strength. In many other countries, pension promises are not fully funded, and pension payments have to be met from current government budgets, placing a great strain on the current working generation. The CPF system was improved significantly in 2009 with the introduction of CPF LIFE. CPF LIFE provides lifelong payouts for future cohorts of seniors, by pooling together our longevity risk. In this way, our seniors are assured of monthly payments for as long as we live, compared to the previous CPF system, where seniors got a fixed amount but risked living beyond the time when their own CPF retirement accounts ran out. For those unable to save enough by themselves, we have targeted assistance such as through housing grants, Workfare and Silver Support. For healthcare, we now have MediShield Life, which provides life-long universal health insurance coverage for all. Introduced in 2015, MediShield Life made a significant improvement over the earlier MediShield, which only provided health insurance coverage up to the age of 92, on an opt-out basis, and did not cover pre-existing conditions. MediShield Life deal with these shortcomings of the old MediShield plan. MediShield Life also means that seniors need not worry about not qualifying for health insurance due to pre-existing conditions or living beyond the age when they can get health insurance. The improved benefits such as increased coverage and removal of the lifetime limit, provides additional protection and peace of mind for Singaporeans for life.

The introduction of CPF LIFE and MediShield Life are game-changers. These national social risk-pooling schemes mean that, to a larger extent than before, we are all helping one another to cope better together with the uncertainties associated with ageing. With this national risk-polling, we are facing the challenge together. Our healthcare expenditure to look after our seniors therefore comes from: (1) sharing risk collectively through MediShield Life, (2) our own Medisave accounts, and also (3) significant subsidies from Government to hospitals and polyclinics for subsidised healthcare, such as in our B2 and C wards. The doubling of our population of seniors by 2030 means that the subsidies that we provide from our government budget for healthcare will grow very substantially, even if we assume that there are no pay rises for doctors or nurses in the coming years, and we use the same drugs at the same cost as today. Today, the largest expenditure item in our government budget is defence, followed by education and health (which was around 2.4% of GDP in FY2016). This is already a significant increase from FY2007 when health was just around 0.8%, when there were about 300,000 Singaporeans over the age of 65<sup>12</sup>. This was a three-fold increase as a percentage of GDP. We expect that health expenditure may overtake education in our government budget in the coming years. And we will have to make sure that our budget remains on a sound footing so that we have the resources to take care of our seniors as they age. These measures – CPF LIFE, MediShield Life, and a sound government budget sufficient to fund our current healthcare needs, have put us on a firmer footing than many other countries. But we need to be careful to ensure government finances remain sustainable, and can provide for our future needs. What our past generations have done for us, to place all of us as a nation on a firmer footing to age with confidence and vigour, we must also continue to build on for our future generations.

I have just outlined: what all of us can do together at the national-level but we must also take ownership for what we can do collectively in our communities, and what we can do as individuals

to support our families and ourselves to age with vigour.

## **How all of us can contribute to a Society that Ages with Vigour**

As a community, we can all play our part to enable our seniors to embrace the opportunities that come with longevity, and live life to the full. For example, we have initiatives to enable those who want to work, to stay in work for longer. We raised the re-employment age from 65 to 67 from July last year. Alongside this, we have introduced the Special Employment Credit, which helps companies to pay part of the wages of workers aged 55 and above earning up to \$4,000 a month. This benefits about 340,000 workers<sup>13</sup>, and helps us to achieve a high rate of employment of workers for workers between 55 to 64 years of age. This stands at 67.3%, and is comparable to the levels in Germany and Denmark, and we can still do better<sup>14</sup>. There are also grants available for our companies to re-design work places and jobs. But these grants and credits are meaningful only when employers value and tap on the experiences and skills our seniors can offer. Our seniors too have to do their part to keep up with new skills required in the workplace and make themselves relevant. SkillsFuture is targeted at this. We can also re-design jobs to have more flexible work arrangements, so that there is part-time work, job sharing, and working from home. Technologies offers so many opportunities. The gig economy is not only for millennials. Because if we re-design jobs with more flexibility, seniors can take part too. Only through a change of mindset and a concerted effort can we help make it possible for our seniors to remain in the workforce for as long as they are able and willing to. I visited Changi Airport and SATS recently. Their Living Lab is a good example. I met Dolly. Dolly was quite happy to keep her eye on me and follow me around. Dolly is an automated guided vehicle for food delivery. Our workers no longer have to push heavy trolleys weighing up to 200 kg. The Singapore Public Service is also doing its part. As at December 2016, we have close to 3,000 public officers aged 65 and above, up from 500 in 2010. These officers continue to contribute well. In fact, our oldest serving public service officer, Mr Puteh bin Mahmood from the Elections Department, is 84 years old and first joined in 1947.

Within our communities, there is much that we can do to build community spirit and look out for one another. We can learn from the community spirit in Japan. Japan is well-known for having very strong community-based support. These younger seniors in the Nippon Active Life Club in Osaka help to take care of senior seniors, enabling them to live in their own homes instead of moving to assisted care facilities. These younger seniors are “paying it forward”. And we can always stay young at heart, keep ourselves active and vigorous, and encourage others to join in and do so. Uncle Chong, one of my Pasir Ris residents, exemplifies this spirit well. At age 90, he continues to conduct weekly swimming lessons for other seniors, encouraging them to remain active and fit, even in their advanced years! In 2016, we started the Community Networks for Seniors (CNS) to develop strong community-based support to complement family support. The Community Network reaches out to seniors to support them to age well in place. CNS coordinates the efforts across government agencies, VWOs and grassroots organisations, to bring senior-centric programmes and services to their doorstep. Volunteers such as Pioneer Generation Ambassadors and grassroots leaders encourage our seniors to attend health screening and talks, as well as exercises and social interest groups. We are also matching seniors living alone to befrienders and neighbours who can help them. Seniors living alone is another rapidly-growing sector of our population. The goal is to build a close-knit community in our neighbourhoods where our seniors can age happily, healthily and actively in place. To promote inter-generational bonding, we are also co-locating childcare and eldercare facilities. The first such site is at Kampung Admiralty where a Child Care Centre and Active Ageing Hub are located side by side. Over the next 10 years, we will extend this to some 10 new HDB housing precincts.

Finally, as individuals, and as families, we also have to do our part to support our senior family

members to age well and enjoy their silver years. The warm embrace of families play an important role too, to provide meaning to life, support, mutual love and care. The Government recognises this and our policies are designed to encourage family members to help one another, and to live close to one another. We encourage children to live together or close together with their parents by giving priority for housing and grants <sup>15</sup>. We have special incentives, to encourage individuals to top-up the CPF accounts of loved ones<sup>16</sup>. Our tax policies encourage inter-generational support through Parent Relief<sup>17</sup> and Grandparent Caregiver Relief<sup>18</sup>.

In addition, we need to re-think our individual approach to life and ageing so that we can all lead long, happy, healthy and purposeful lives. Life-long learning to learn new skills, keeping active through work, exercise, finding meaning through community and voluntary work, and fulfilment with our families.

Living longer does not mean being old for longer. It means staying young for longer. We need to keep fit, keep learning, and keep contributing. Instead of merely adding years to life, we should be adding life to years. Here's Mr Quek Keng Hock who did a yoga headstand after joining other residents to give feedback at a session organised by REACH at Pasir Ris neighbourhood centre. He is 71 years old. We need a mindset change in the way we think about ageing – to stand the way we think on its head.

## **We must prepare to age well with vigour**

We need a collective commitment at all levels – what can I and my family do, what can we do in our own communities and workplaces, and what can we all do together as a nation to prepare ourselves.

Our pioneers laid a strong foundation for us. Each one of us and our families, businesses, employers, our community need to shift toward a notion of ageing with vigour – to live a full life, and life to the full, and create a vibrant and vigorous Singapore for all ages.

I look forward to hearing your views, and having a good discussion on this important subject which will shape our country.

Thank you.

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<sup>1</sup>DOS. Resident (i.e. Singapore Citizens and Permanent Residents) Life Expectancy Data. Data before 1980 relates to life expectancy for total population (i.e. Residents and Non-residents).

<sup>2</sup>DOS. Resident (i.e. Singapore Citizens and Permanent Residents) Life Expectancy Data.

<sup>3</sup>Baby boomers are defined as those born from 1950 to 1964.

<sup>4</sup>DOS. Number of citizens aged 65 and above will increase from 496,000 in 2017 to around 900,000 in 2030 (i.e. 81% increase).

<sup>5</sup>DOS. Number of citizens aged 80 and above will increase from 98,000 in 2017 to around 208,000 in 2030 (i.e. 112% increase).

<sup>6</sup>UN World Population Ageing Report, 2015

<sup>7</sup>DOS. Refers to the Old-Age Support Ratio (OASR) for the Citizen Population in Singapore

<sup>8</sup>UN World Population Prospects (WPP) 2017 Revision

10 DOS. Singapore's OASR is expected to reach Europe's current OASR levels in 2021 and Japan's OASR levels in 2039.

11 Researchers commonly refer to an "ageing" country as having more than 7% of population aged 65 and above, an "aged" country as having more than 14% of population aged 65 and above.

12 Department of Statistics, Singapore

13 The Special Employment Credit (SEC) is extended till 31 Dec 2019. Employers who hire workers aged 65 and above, with monthly wages of not more than \$ 3000 per month, will receive the highest SEC of 8 % of the employees' monthly wages. The credit will be up to 5 % for workers aged 60 to 64, and up to 3 % for those aged 55 to 59.

14 MOM Labour Force Survey 2016. OECD Employment Database.

15 From Aug 2015, Singapore citizen families who buy a resale flat to live with or near their parents, or married child can receive a once-off Proximity Housing Grant (PHG) of \$20,000. Eligible singles can also enjoy a PHG of \$10,000 if they buy a resale flat with their parents.

16 Taxpayers can qualify for an additional tax relief of up to \$7,000 per calendar year, when making cash top-ups to CPF accounts of parents, parents-in-law, grandparents, grandparents-in-law, spouse and siblings.

17 Taxpayers can qualify for tax relief of up to \$9,000 per dependent (parents, grandparents, parents-in-law, and grandparents-in-law) per calendar year. Dependent must be above 55 years of age, with an annual income not exceeding \$4,000 and be living in Singapore.

18 Working mothers who engage the help of parents, grandparents, parents-in-law or grandparents-in-law to care for their children under 12 years of age, can qualify for tax relief of up to \$3,000 for one caregiver per calendar year.