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Writing Project

K.P. Kalirajan and G. Shantakumar. "Aging Labor Force in a Labor Shortage Economy: The Case of Singapore" *International Journal of Social Economics*, 25, 2/3/4, 1998: 486-503

I did not use EconLit to look for my article. There was no result on the topic of labor in Singapore. However, one article written by K.P. Kalirajan was found in the database but there was none by G. Shantakumar.

The article articulates that old age labor should be fully utilized in Singapore where human capital is a scarce resource. Due to present below replacement fertility, an increasing aged population would arise in the coming years and economic dependency burden will thus shift from the younger to the older population. The article provides suggestions for coping with this trend, with emphasis on the government's role. By increasing participation of the aged in the work force and providing better social protection, the economic burden on the economically independent population would be lessened. This theme is relevant to the topics of demand and supply of labor and the role of the government in a market economy.

Through the use of dependency ratio and economic dependency ratio based on medium growth assumptions and constant labor force activity rates in 1990, the trend of an increased dependency burden is forecasted.

There is a decline in the participation of the aged (55 – 65 years) in the workforce. Considering supply-side factors, one reason explaining this decline could be the past mandatory law that required retirement from the workforce at age 55. Other reasons include leisure preferences and poor health. Low educational level and obsolete skills reduce the demand for aged workers. Also, employers are unwillingly to employ an aged worker, as many believed a younger worker would have more long-term prospects.

Even though participation in the labor force would decline at an older age, higher educational skills would assure higher participation rate as shown by the authors' findings. Thus it is necessary for older workers to equip themselves with the necessary skills by attending retraining programs to stay competitive in the workforce. This would only be possible if there is cooperation among the worker, employer and government, as many employers would find it more cost effective to employ a younger worker already equipped with these skills rather than sending an older worker for retraining.

The Skills Development Fund was created by the government to attract younger and middle age trainees currently in the work force to enroll in skills development programs. However, the authors felt that the government should continue to reach out to companies that have yet to make use of this fund and also look into provision of training for those who have already retired and wish to re-enter the work force.

Incomes of the aged and average household indicate that aged labor participation not only ensures self sufficiency, also a significant contribution is made to the household too since most of the aged live with their offspring. Thus aged labor participation would relieve significant economic burden on the household.

The authors commented that even though the present state of social welfare provision is good, there is a lot more the government could improve upon. Pensions are only provided for a very small number of government servants. The social security system does not have unemployment benefits or Medicare provisions. As the national provident fund could be used for certain investments like homes, stocks and shares, a considerable amount of the savings would have been withdrawn by the time of retirement. It is also recommended that the retirement age be extended, giving workers a possible retirement period and allowing a more flexible transition to retirement through reduced working hours or lighter workload.

Some valid points were made in this article. Nonetheless it was not a convincing paper. Firstly, Singapore's GDP has continued growing despite the existing situation. The authors did not consider that rapid economic growth as a result of a larger workforce might be detrimental to the economy. Secondly, increasing old age labor participation could be a possible solution to solve the problem at hand, but it is definitely not best. There is a limit to the number of years an aged worker can continue to work due to weaker health. Increasing birthrate would thus be a better solution in the long run. With an increasing population, the problem of increasing economic dependency would be largely reduced.

Also, the aged should be given a choice between leisure and work. The authors cited that only about 1.1 percent of non-working males between ages 55-59 was actually looking for a job. The authors attributed the cause to the low educational level of this age group, without any indication that it could be due to preference for leisure. It leads to the question of whether there is a need to demand the aged to work even if leisure is preferred.

The authors appear to be contradictory and discriminatory in their argument. They mentioned that labor participation "should not be allowed to decline because of gender or old age." However, they suggested "leaving older women to be active in family duties" later on in the paper. Women, rather than the aged should be encouraged to participate in the labor force considering that younger women would have better long term job prospects and could be more productive with better health. One data provided by the authors showed that aged women's incomes are significantly lower than the men's. There is no mention about the need to bridge this gap. If the aged women's incomes were to be as equal as the men's, economic burden would be reduced.

I do not believe increasing old age labor is the most ideal solution to labor shortage. Increasing population growth through birth and influx of foreign talents together with increasing participation of women in the workforce would be the most effective solutions for the Singapore.