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Must I retire?: Optional retirement as a solution to ageing workforce

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The Greying and Diminishing of Hong Kong Working Population

Like many developed societies, Hong Kong is suffering from a rapid ageing population, especially when taking into account the imminent retirement tide of the baby-boomers. According to the Census and Statistics Department, the proportion of the ageing population is projected to rise sharply from 13% in 2011 to 30% in 2041, making Hong Kong a “Hyper-aged Society.”

Since most organisations require their older employees to leave the workforce when these employees are reaching retirement age, the experienced, skilful, and still able-to-work manpower will be completely wasted, which severely lower the city’s productivity due to a shrinking labour force. In addition, with the group of ageing workforce gradually leaving the market in the future, the demands on social security and other related expenses are expected to increase.

Optional Retirement as a Solution to Ageing Workforce

Considering the ageing population and greying workforce, extension of retirement age and re-employment of older people should be given more concern. “Optional retirement” is a possible solution adopted by governments worldwide for maintaining productive workforce and retaining older employees’ skills, knowledge, and experiences. APIAS was commissioned by the Central Policy Unit of the HKSAR Government between June 2014 and February 2015 to undertake an exploratory research project entitled “A Study on the Preferences and Feasibility of Optional Retirement in Hong Kong: A Human Resources Management Perspective” to look into the feasibility and perceptions of implementing optional retirement in Hong Kong.

Ten focus group discussions, each with 3 to 7 pre-retirees and retirees aged 50 or above from business sectors (i.e. profit-making enterprises) and non-business sectors (i.e. non-profit and non-commercial organisations), were conducted. The participants were invited to share their views on work and retirement, current and ideal retirement arrangements, capacity and willingness to work after retirement, as well as difficulties and challenges when implementing optional retirement in Hong Kong.

A total of six human resources directors, executive directors, and administrators who were directly responsible for employment matters from both the non-business and business sectors were interviewed. It aimed to understand the current policies and practices of recruitment, employment and retirement related to older employees, and to explore whether there are assistance and aids provided to old-aged employees to allow them to continue to work under certain conditions.
Retirement Options: Difficult but Necessary

We found that employers refused to change the existing retirement arrangements and most of them thought that the current human resources management practices within the organisations were effective and efficient enough. They believed that optional retirement and related flexible work arrangements would largely increase the administrative workload.

Pre-retirees were unlikely to consider retirement when they found they could not sustain their daily expenses. For retirees who had no stable pension to support their retirement, optional retirement and related flexible working arrangements would encourage them to resume working. They could earn their living rather than asking for the government’s aid.

Although retirees and pre-retirees held different views, most of them revealed that they possessed inadequate understanding about their employers’ retirement arrangements, so they had less bargaining power for a better retirement option.

Generally, employers, soon-to-be-retired employees, and retirees all agreed that the implementation of optional retirement and related post-retirement work arrangements were needed in Hong Kong. The main concern was whether the arrangements were flexible enough and can respect the employees’ personal choices of post-retirement life.

Increase Flexibility and Options to Facilitate Work-Life Balance of Older Employees

Based on the above findings, a local model of optional retirement for Hong Kong had been proposed and constructed. In a border view, the implementation of optional retirement should be flexible and provide freedom of choice to employees. Thus, a comprehensive optional retirement model should allow employees to freely choose their preferred retirement options, and three major retirement paths have been categorised:

(i) normal retirement - employees will fully retire from their current jobs when they have reached a common retirement age;
(ii) early retirement - employees will retire prior a common retirement age; and
(iii) extending working life or re-employment - employees will continue working after the normal retirement age, or returning to the workforce after having retired.

There are two major retirement options for extending working life or re-employment: (a) simple continuation of current working life and (b) flexible working arrangements. For continuation of working life, simply, employees will extend their existing employment without any changes. Regarding the flexible working arrangements, according to preferences of pre-retiree, retirees, and employers interviewed, several “post-retirement work modes” are identified, including:

(i) part-time working - employees keep working after retirement with a reduced working time;
(ii) job share - employees are encouraged to prolong their working life by reducing their working time and sharing workload with others;
(iii) occasional homeworking - employees can work at home and enjoy high freedom of working time and place;
(iv) fixed term contract - a project-based contract will be issued to employees, which the requirements and duration of the job will be clearly indicated;
(v) flexi-time - employees can adjust or reduce working hours subject to personal needs and agreements with employers,
(vi) bridging job - employees are encouraged to change their role and position, as well as reduce working time through negotiation with employers; and
(vii) self-employment - employees are self-employed to support their expenses after retirement.

In short, these post-retirement work arrangements aim to provide work-life balance to older employees by reducing their job duties, working time and job stress, and hence older employees can work productively while enjoying their retirement life. However, the possibility of extending working life and re-employment would be mainly subjected to the demands of manpower, the development of labour market, as well as the attitude of employers and employees.
Factors of Successful Implementation of Optional Retirement

Optional retirement is new to Hong Kong, and deficiency may inevitably appear throughout its implementation. Thus, some critical issues should be noted in promoting optional retirement:

**Issue 1: Job nature affects possibility of work-life extension**
At present, age is still the major determinant of retirement. It is necessary to categorise “labour-intensive” and “non-labour-intensive” industries with reference to the nature of jobs and occupations, as the two types of industry have different physical and functional requirements for their employees.

**Issue 2: Mutual agreement between employer and employee is essential**
Optional retirement means that employees possess freedom of choice of their preferred retirement arrangement. Currently retirement regulations and arrangements depend solely on employers’ decision that employees do not have sufficient bargaining power for negotiation. Thus, the implementation of optional retirement and related flexible work arrangements should include the process of negotiation and consensus between employees and employers, in order to benefit the two parties.

**Issue 3: Means of living must be secured before having optional retirement**
The implementation of optional retirement should work with both the provision of flexible arrangements and income security. However, there are several problems of the Mandatory Provident Fund (MPF), which is the only mandatory scheme currently available to provide retirement protection for employees. For example, early withdrawal of benefits before 65-years-old is merely allowed under certain circumstances, and people cannot return to workforce anymore after such withdrawal, plus both the employer and the employee are no longer required to use MPF if the latter continue working after 65 years old. Therefore, it is doubtful whether MPF can work along with optional retirement in Hong Kong.

**Issue 4: Planning is required for successful retirement**
When implementing optional retirement, it is very important to encourage soon-to-be retired employees to plan for their retirement, so that with sufficient preparation they could achieve their preferable retirement life.

Optional retirement is a trend worldwide and is a feasible and reasonable solution to tackle labour shortage, maintain precious skills of the manpower, transfer important skills and knowledge to the next generations, promote social participation in an old age, and enhance retirees’ financial security. To successfully implement optional retirement in Hong Kong, more efforts have to be made to change working culture and organisational practices to help older employees.