



# **Social Security Provision and Challenges in Singapore**

**Presentation by  
Mr Hawazi Daipi  
Senior Parliamentary Secretary  
Ministry of Manpower, Singapore**

© 2008 Government of Singapore

# Scope

- Brief background on CPF
- Challenges
- Recent reforms
- Sustainability

# Background on CPF

- **Central Provident Fund (CPF)**
  - Mandatory defined-contribution scheme
  - 3.1 million members
- **Social Security Philosophy**
  - Self-reliance
  - Reinforce work ethic



# Background on CPF: 4 Pillars

- CPF plays a pivotal role in each pillar

**Retirement  
Savings**

**Affordable  
Healthcare**

**Home  
Ownership**

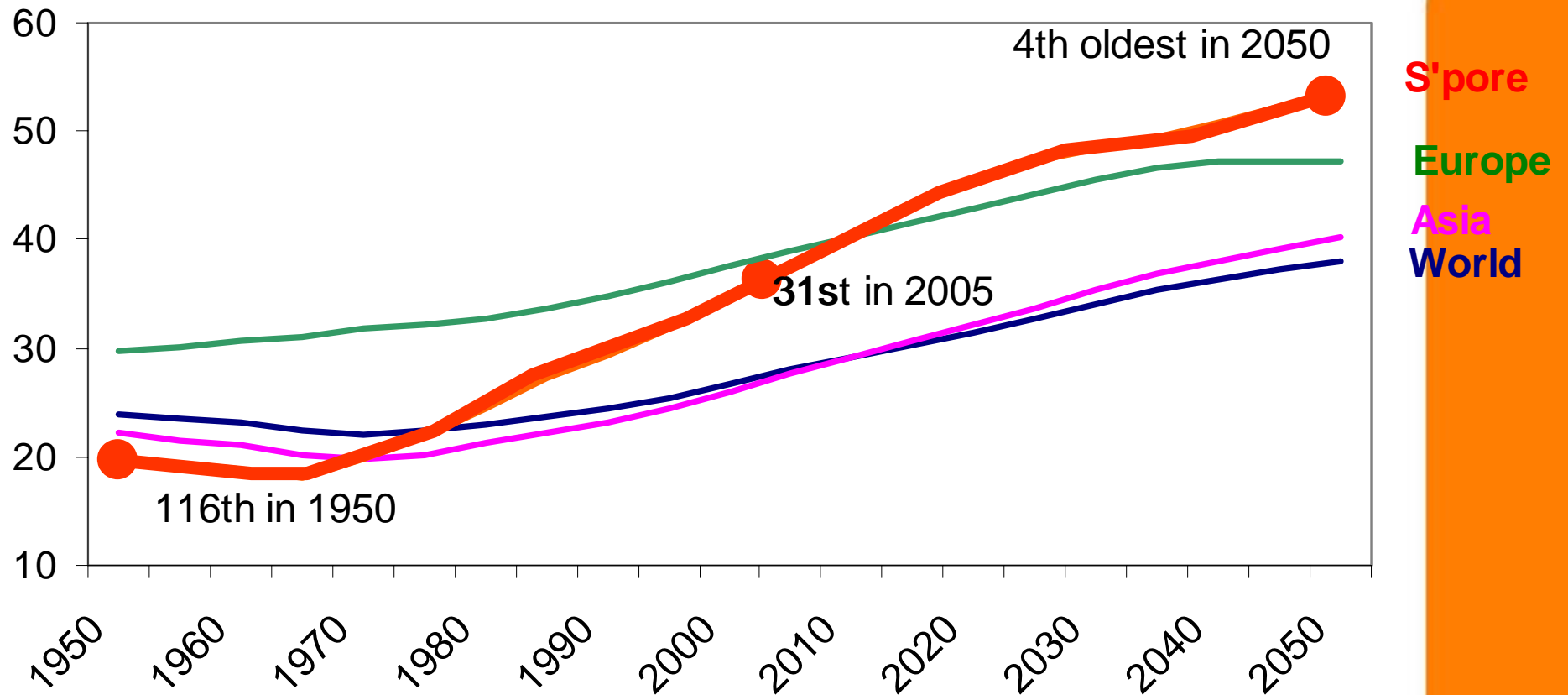
**Workfare**

# Challenges - Demography

- **Low fertility rate**
  - One of the lowest in the world
- **Increasing Longevity**
  - Life expectancy at birth now 80 compared to 61 in 1957
  - 1 in 2 alive at 65 are expected to be alive at 85
- **Smaller families**
  - Now: 8 persons between 15-64 for every person age 65 or older
  - 2030: 4 persons

# Challenges - Demography

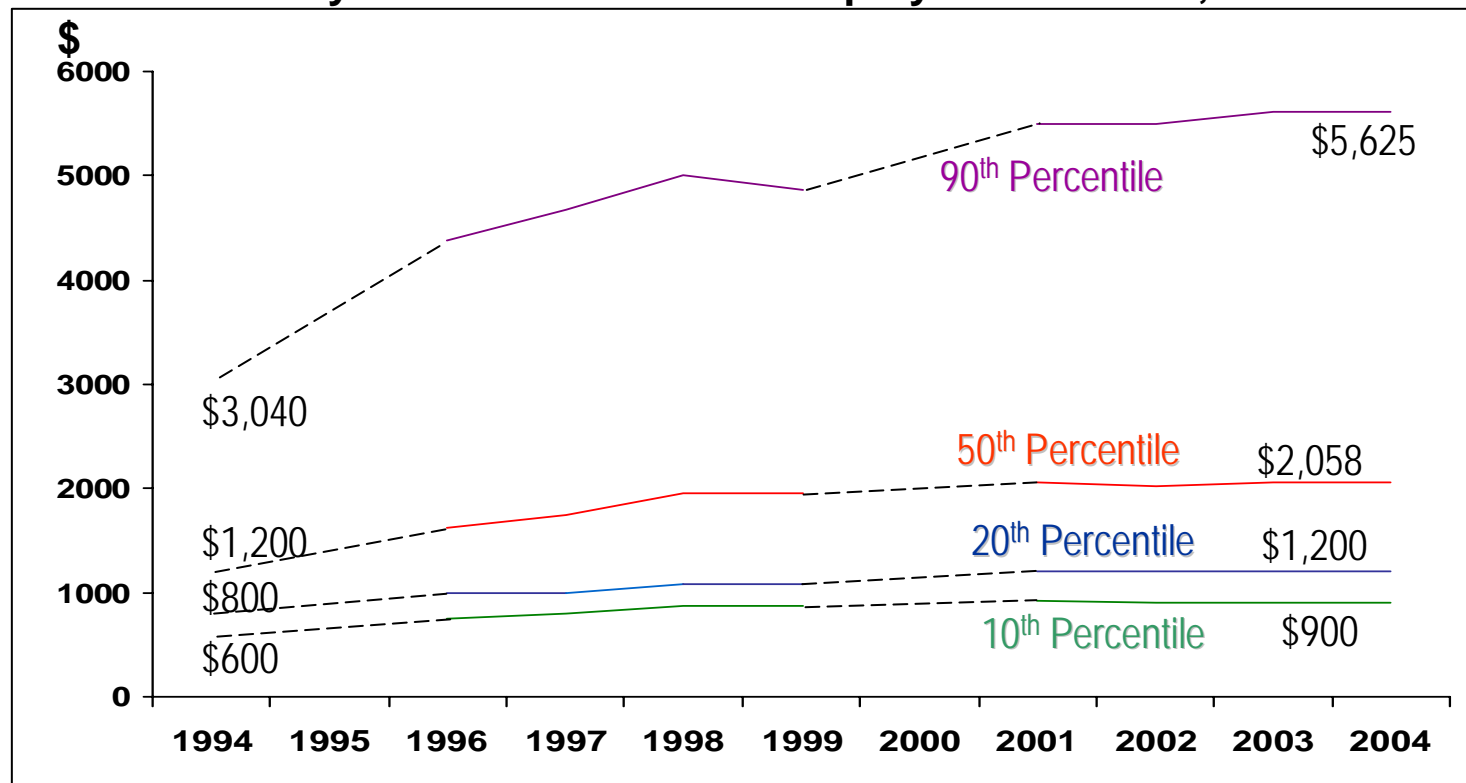
## Median Age



# Challenges : Low wage workers

- **Globalisation:**
  - Wages of lower income groups have stagnated

Gross Monthly Income of Full-Time Employed Residents, 1994-2004



# Policy Response

- **Three thrusts:**
  - Work Longer
  - Improve CPF Returns
  - Make CPF Savings Last for Life

# Work longer

- **Introduce Re-employment Legislation**
  - from 2012
  - flexibility
- **Workfare Income Supplement Scheme**
  - Reward work for older low wage workers
  - Tied to CPF system so that cost to employers is lower for this group and they receive more take home pay
  - Older workers get more WIS

# Improve CPF returns

- Extra 1% interest for first \$60,000 of CPF savings
  - Risk free interest rate

# Make CPF savings last for life

- Delay draw down of CPF savings
  - One-off incentives given
- New annuity scheme called CPF LIFE
  - One-off incentives given to participate

# Sustainability

- Incentives given are one-off
- CPF interest rates adjust with market while extra interest is capped
- WIS financed by tax revenue, an increase in GST announced at the same time as WIS Scheme
- Ultimately, system is sustainable because of emphasis on self-reliance and work ethic

# Conclusion

- Greater retirement security
- Low wage workers can share in the nation's progress
- Singaporeans can look forward with confidence

**Thank You**



# Contributions

- Contributions are allocated among 3 sub-accounts and can only be withdrawn for approved uses
  - **Ordinary Account**
    - Housing
    - Insurance, Investment, Education
  - **Special Account**
    - Retirement savings
  - **Medisave Account**
    - Hospitalization expenses
    - Approved medical insurance

# Policy Response:

## Workfare Income Supplement Scheme

- Wage supplement for low wage workers as a **reward for work**.
  - Aims to **improve their employability** and **build up their retirement adequacy**.
- Eligible employees receive up to \$2,400 a year
- Self-employed Persons receive up to \$1,600 a year,
- For work done in 2007, \$272 million of WIS paid to 262,000 employees