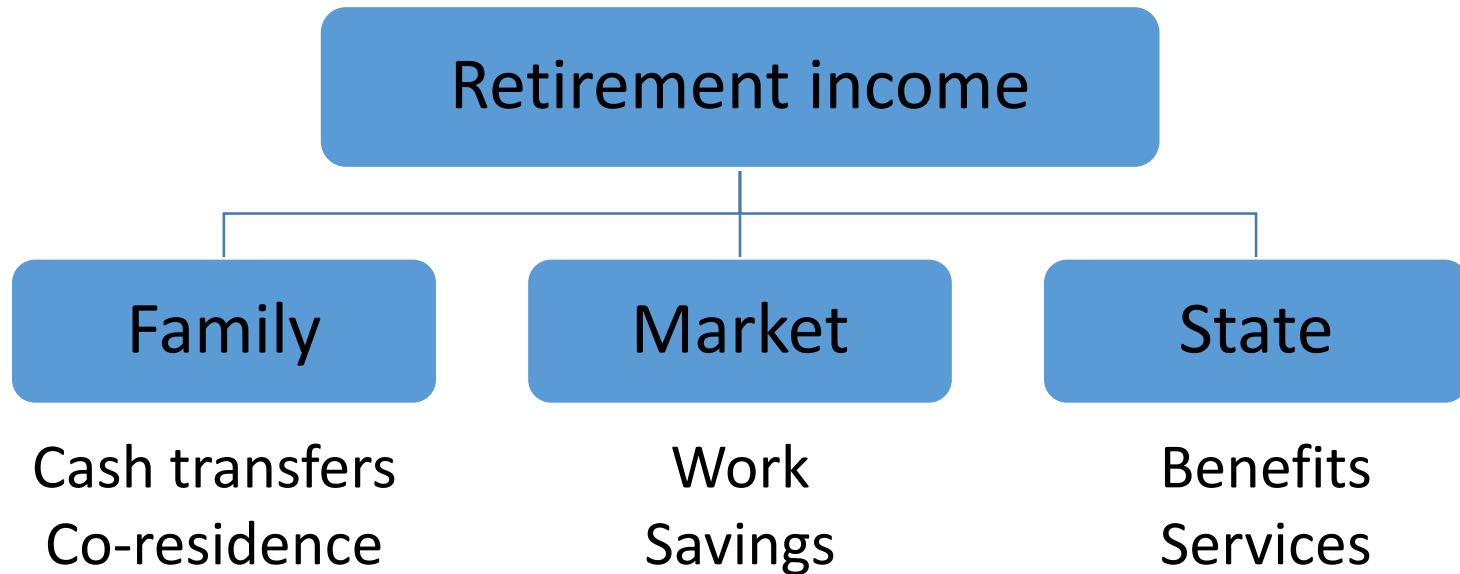


# Prospects and Pressures for Retirement Income Security in Singapore

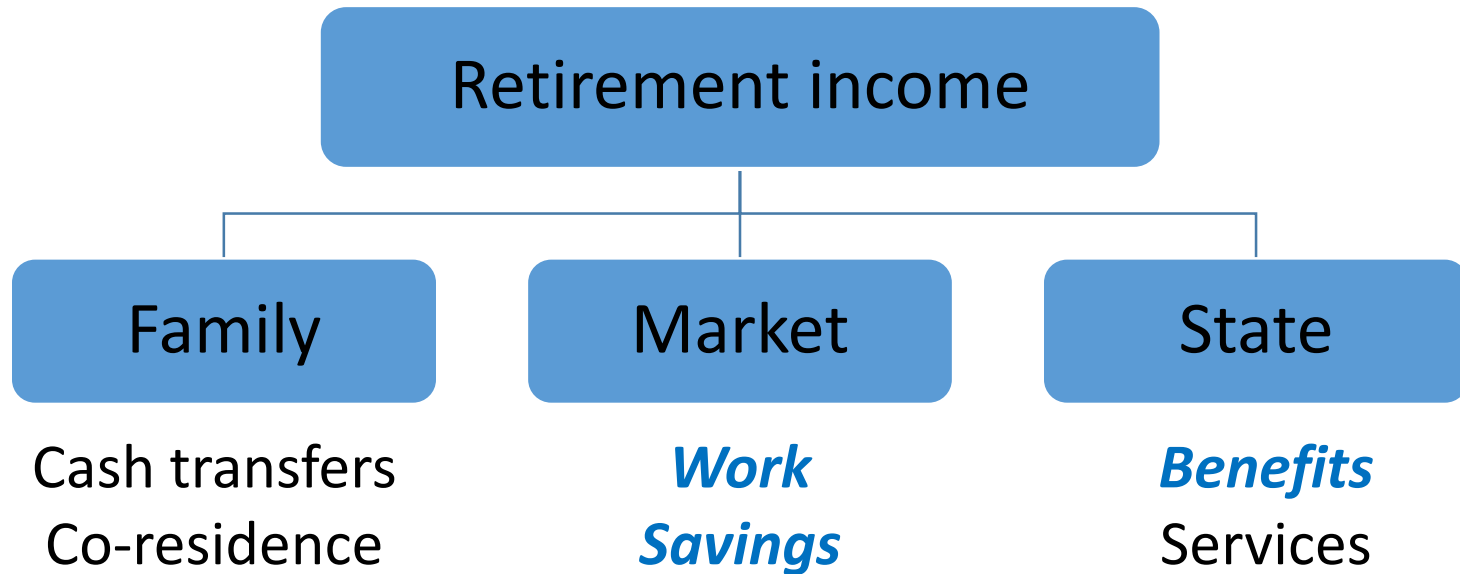
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# Income mix in old age



# Income mix in old age



# Central Provident Fund (CPF)

## CPF features

- Distinct design of public DC pensions + social assistance only, most OECD countries provide basic/minimum pensions + public DB/ private DC
- Monthly contributions 20% salary by employee, 17% by employer
- Each individual account divided for 3 uses: Ordinary, Medisave, Special
- Centrally managed and invested, administrative interests 2.5% to 6%/yr
- Small withdrawal at 55yo, annuity payout from 65yo

## Challenges

- General: No redistribution, unfavourable to people with weak labour market attachments, individuals bear risk
- Contribution: Volatile rates, steep cuts in 80s and 90s to lower wage cost during recessions affected retirement savings
- Accumulation: Large pre-retirement withdrawals (53% of total withdrawals in 2000s for housing) and low interests slowed accumulation

# Central Provident Fund (CPF)

Year	Contribution	Accumulation	Redemption
<b>2003</b>	Lower target rates of 30-36%, not 40% Lower salary ceiling targeting P10-P80	-	Minimum Sum raised, 50% withdrawal rule to be phased out by 2013
<b>2007</b>	-	Additional 1% interest on first \$60,000	Delay in payout from 62 to 65, from 2012
<b>2008</b>	-	-	Life annuity to replace 20-year payout from 2013
<b>2015</b>		Additional 1% interest on first \$30,000 from 55yo	Minimum Sum rules revised to allow 20% withdrawal at 65yo
<b>2020</b>	Matched Retirement Savings Scheme, 2021-25		

# Work and wages

## Economic conditions

- Succession of economic shocks and unprecedented volatility: 1997 AFC, 2001 recession, 2003 SARS, 2008 global financial crisis, COVID-19
- Slower growth, rise in (long-term) unemployment
- Large-scale economic restructuring: Technology and research, higher value-added industries, deregulation, financial services, niche sectors

## Low-wage older workers

- Labour force participation high and rising, however less secure and rewarding, e.g. part-time, term contracts, low-skilled, low-paying
- Poor CPF accumulation and preparation for retirement, especially women
- [From 2012](#), Retirement and Re-employment Act requires employers to offer annual contracts to employees from 62yo to 65yo, extended to 70yo

# Work and wages

## Wage subsidies for employers

- Special Employment Credit [2012-20](#): Subsidy of up to 8% wages for employees aged 55+, covers 340,000 or 75% of older workers
- Jobs Credit Scheme [2009](#): 12% of first \$2500 of wages for every employee
- Wage Credit Scheme [2013-20](#): 20% of wage increases in tight labour market
- Temporary Employment Credit [2015-17](#): 1% of wages for CPF rate changes

## Wage support for workers

- Workfare Income Supplement [started 2007](#): Up to \$4000/yr, 60% in CPF, for low-wage workers aged 35+, higher at older ages, because “low-income Singaporeans are finding it more difficult to save enough in their CPF... Older low-wage workers are the ones most affected.” (Budget 2007)
- Progressive Wage Model [started 2014](#): “Productivity-based wage progression pathway” with mandatory wage scale pegged to training, career upgrades, and productivity gains, in cleaning/security/landscaping sectors

# Benefits: Permanent schemes

## “Workfare” scheme (Short-to-Medium Term Assistance)

- [From 2003](#), social assistance combined with employment assistance for persons temporarily out of work, means-tested, includes case supervision
- 2012-2016: Recipients 55-64yo 18%→22%, 65+yo 12%→14%
- 2013-2015: From 5 to 24 offices, new “integrated” service

## Public assistance (ComCare Long Term Assistance)

- Strictly means-tested, 85% applicants elderly, 1% coverage

## Broad-based social assistance (Silver Support Scheme)

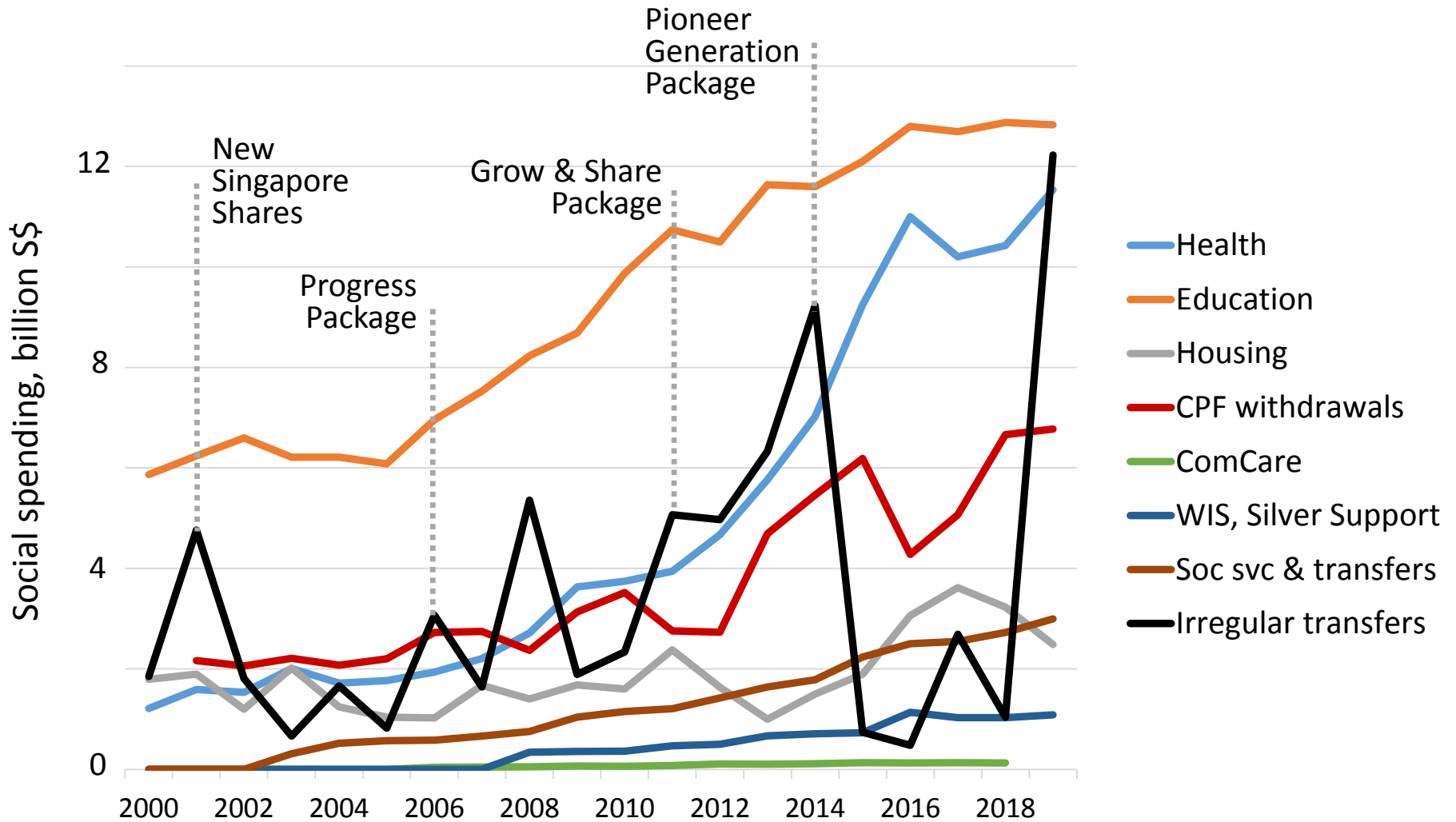
- [Started 2016](#) to “mitigate life’s disparities” for “bottom 20%-30%”, means-tested on lifetime CPF savings, twice ceiling/half generosity of PA

## Transfers package (GST Vouchers)

- [Started 2012](#) to reduce impact of GST on low-income households, income- & asset-tested, cash & utilities subsidies & CPF top-up for 65+



# Benefits: Irregular transfers



# Summary: A work-first approach

**CPF**: Incremental reforms only. Lower contributions to promote employment, compensated by higher interests and delays in payout aligned to longer working lives.

**Work and wages**: Economic shocks triggered one-off measures to protect jobs. New permanent wage interventions for low-wage workers, low in amount or limited to selected sectors.

**Benefits: Permanent schemes**: Means-tested and low in generosity. With expansion, still just half of minimum income standard. 'Workfarism' gradually extending to older people.

**Benefits: Irregular transfers**: Huge parallel programme of social spending provides flexible way to boost incomes without long-term fiscal commitments. Unpredictable and highly variable.

# Impact of COVID-19

## Rising unemployment threatens earnings and savings

- Employment fallen by 147,500 in 2020
- Resident unemployment rate up from 3.2% (Dec-19) to 3.9% (Jun-20)
- Across sectors, occupational groups, ages

## Poor coverage of self-employed persons (including gig economy)

- More than 210,000 own account workers in 2019
- Half aged 50 and over, 40% secondary education or less
- Job insecurity, income instability, no CPF savings except Medisave

## Delay to labour market and social policy reforms

- COVID measures focused on the present, replicate existing approach (e.g. protecting and creating jobs, one-off benefits)
- Systemic welfare expansion unlikely given fiscal strain
- Extension of Progressive Wage Model put on hold