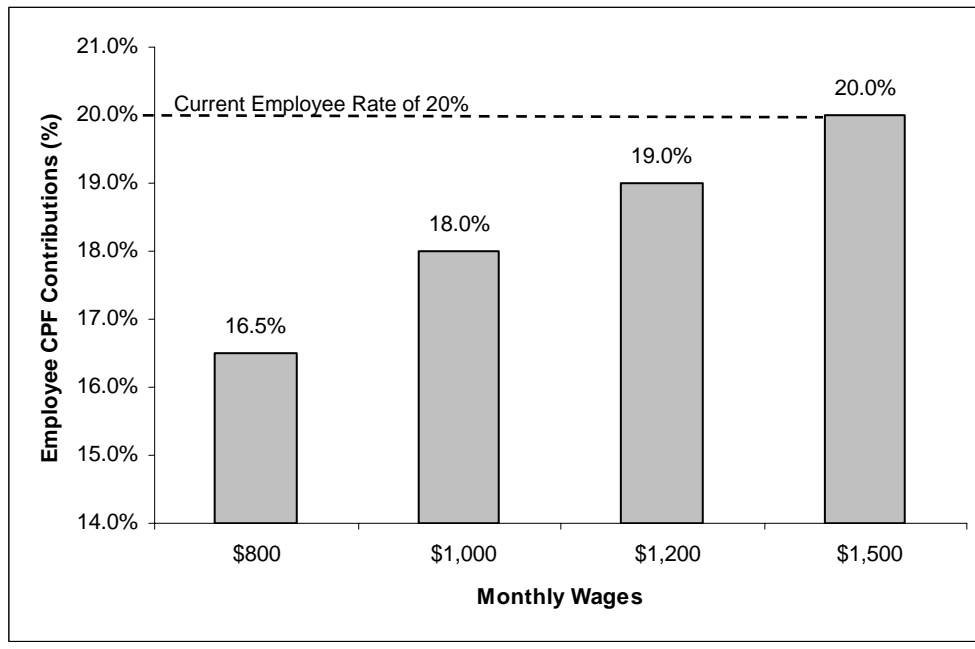


## **ANNEX B: CPF Restructuring for Low-wage Workers and Workfare**

### **(1) Increase Take-Home Pay of Low-Wage Workers**

- Reduce the employee component of CPF contribution rates for all employees earning \$1,500 or less a month.
  - Employee component of CPF will now increase from 0% at a wage level of above \$500 to the full rate of 20% at \$1,500.
  - Figure 1 illustrates the change in employee CPF contributions for those aged 50 and below.
- The rates for employees above 50 years old will be scaled down accordingly.

**Figure 1: Employee CPF Contribution Reduced<sup>8</sup>**

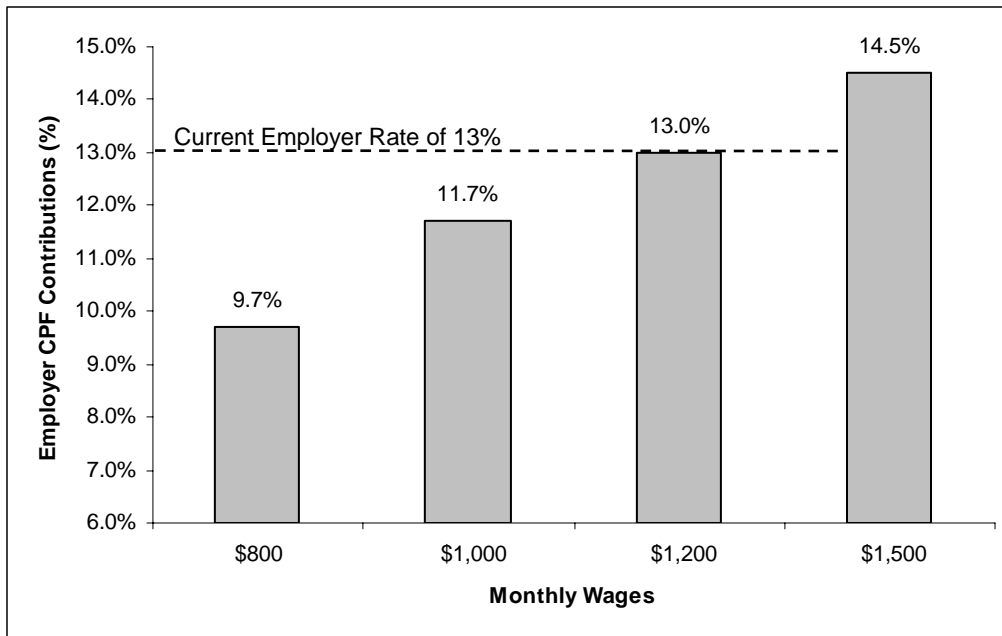


### **(2) Increase Employability of Older Low-Wage Workers**

- Reduce the employer component of CPF contribution rates for workers above 35 years old and earning \$1,200 or less.
- Increase employer CPF contributions gradually from 0% at a monthly wage of above \$50 up to 13% at a monthly wage of \$1,200. The 1.5% increase in CPF will be phased in between \$1,200 and \$1,500. (Employers currently pay the full rate of 13% when monthly wages exceed \$50.)
  - Figure 2 illustrates the change in employer CPF contributions for those aged above 35 to 50.
- The rates for employees above 50 years old will be scaled down accordingly.

<sup>8</sup> Illustration for employees aged 50 and below.

**Figure 2: Employer CPF Contribution Restructured<sup>9</sup>**



***(3) Help Self-Employed Persons (SEPs) contribute to CPF***

- Reduce the Medisave contribution rate to one-third of the full rates i.e. less than 3% for those with an annual net trade income of above \$6,000 and up to \$12,000. The contribution rate will gradually rise to the full rates for those with an annual net trade income of between \$12,000 and \$18,000.
- SEPs earning an annual net trade income of \$6,000 or less do not have to contribute to the CPF. But those who meet the Workfare Income Supplement (WIS) scheme criteria can voluntarily contribute at the reduced contribution rates to qualify for WIS.

***Workfare Income Supplement (WIS) Scheme for Older Low-Wage Workers***

***Eligibility Criteria***

- Singapore Citizen;
- Monthly salary of \$1,500 or less;
- Above 35 years old;
- Stays in a property of not more than \$10,000 annual value; and
- Works at least three months in any six-month period in the calendar year, or at least six months in the calendar year.

***Payout Structure***

- Payouts will be given to eligible beneficiaries earning above \$50 and up to \$1,500 a month.
- Higher payouts for those above 45 years old, up to a maximum of \$1,200 a year.
- Maximum of \$900 a year for those aged above 35 to 45.

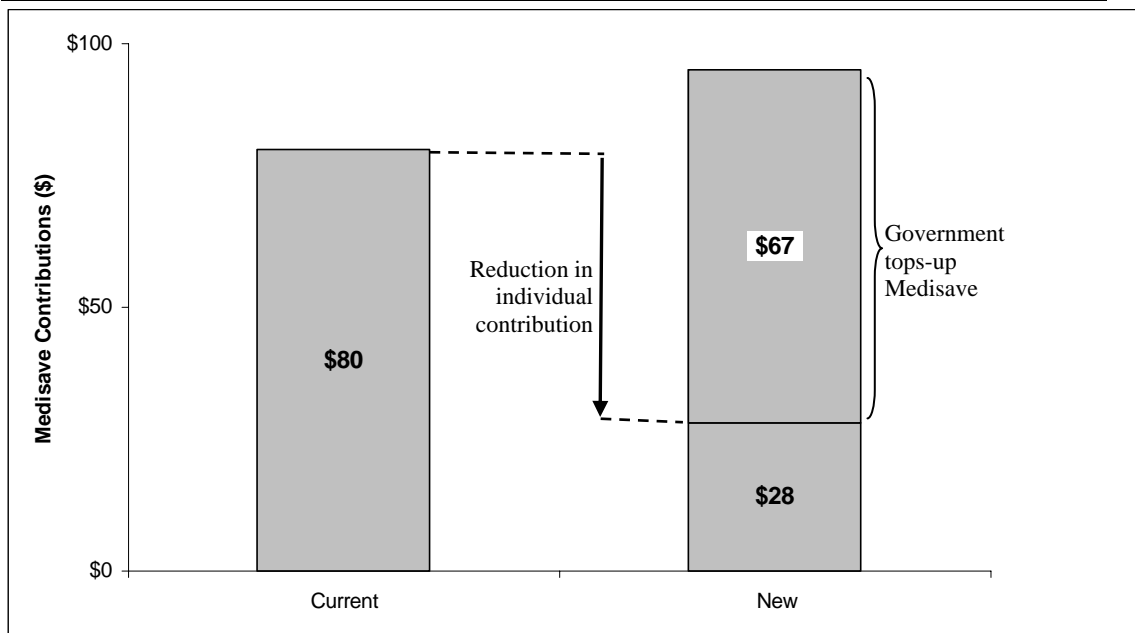
<sup>9</sup> Illustration for employee aged above 35 to 50.

- For employees, the WIS will be paid with a cash-to-CPF ratio of 1 : 2.5.
- Payments will be made twice a year.
- Eligible workers who have worked for at least three months in the first six months of 2007 can look forward to their first payout in January 2008.

*Self-Employed Persons and Informal Workers Need to Make Medisave Contributions to Benefit from WIS*

- Self-employed persons and informal workers who meet Workfare eligibility criteria will be required to contribute into their Medisave Accounts (MA) in order to receive WIS.
- WIS for self-employed persons and informal workers will be two-thirds of the amount for employees, as they contribute much less in CPF. The WIS will be paid entirely into their MA.
- Figure 3 illustrates an example of a 46 year-old self-employed worker who earns \$1,000 per month, and receives \$67 of WIS payouts to his MA.
- Self-employed and informal workers who earn \$6,000 or less in annual net trade income can make voluntary contributions to qualify for WIS.

**Figure 3: Example of 46 year-old Self-Employed Worker Earning \$1,000 / month**



***Overall Impact of WIS and CPF Changes***

- WIS is designed to complement the CPF changes.
- The reduction in CPF contributions from the CPF changes will in general be made up for by WIS.
- Beneficiaries will be better off as compared to previously.
- Low-wage workers will be better off as compared to previously.
- Employers will enjoy savings from hiring these workers.

**Table 1: Illustration of Impact of WIS and CPF changes**

A 46-year old employee earning \$800 per month

	<b>Current (\$)</b>	<b>New (\$)</b>	<b>Difference (\$)</b>
Employee CPF	160	132	-28
Employer CPF	104	77	-27
WIS Cash (monthly)	-	29	29
WIS CPF (monthly)	-	71	71
Take-home Pay	<b>640</b>	<b>697</b>	<b>57</b>
Total CPF Contributions	<b>264</b>	<b>280</b>	<b>16</b>
Total Income	<b>904</b>	<b>977</b>	<b>73</b>
Employer Savings (\$)		<b>27</b>	
Total WIS (\$)		<b>100</b>	

A 46-year old employee earning \$1,000 per month

	<b>Current (\$)</b>	<b>New (\$)</b>	<b>Difference (\$)</b>
Employee CPF	200	180	-20
Employer CPF	130	117	-13
WIS Cash (monthly)	-	29	29
WIS CPF (monthly)	-	71	71
Takehome Pay	<b>800</b>	<b>849</b>	<b>49</b>
Total CPF Contributions	<b>330</b>	<b>368</b>	<b>38</b>
Total Income	<b>1,130</b>	<b>1,217</b>	<b>87</b>
Employer Savings (\$)		<b>13</b>	
Total WIS (\$)		<b>100</b>	

A 46-year old self-employed with an average net trade income of \$1,000 per month (or \$12,000 per year).

	<b>Current (\$)</b>	<b>New (\$)</b>	<b>Difference (\$)</b>
CPF Contributions	80	28	-52
WIS CPF (monthly)	-	67	67
Takehome Pay	<b>920</b>	<b>972</b>	<b>52</b>
Total CPF Contributions	<b>80</b>	<b>95</b>	<b>15</b>
Total Income	<b>1,000</b>	<b>1,067</b>	<b>67</b>
Total WIS (\$)		<b>67</b>	