

CPF CHANGES AND WORKFARE

Raising the Employer CPF Rate

To help the majority of Singaporeans save more for their future needs, the employer component of CPF contribution rates will be increased by 1.5% from 1 July 2007.

- 1% will go into the worker's Ordinary Account (OA) and 0.5% will go into the Medisave Account (MA).
- This will not apply to older low-wage workers – those who earn \$1,500 or less *and* are also above 35 years old.

Restructuring CPF for Low-Wage Workers

For older, low-wage workers who face a different set of challenges, the CPF will be changed to increase their take-home pay and improve their employability.

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 (next page) 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.

Increase Employability of Older Low-Wage Workers

- Reduce the employee component of CPF contribution rates for workers above 35 years old and earning \$1,500 or less a month.
- 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 (next page) 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.

Figure 1: Employee CPF Contribution Reduced¹

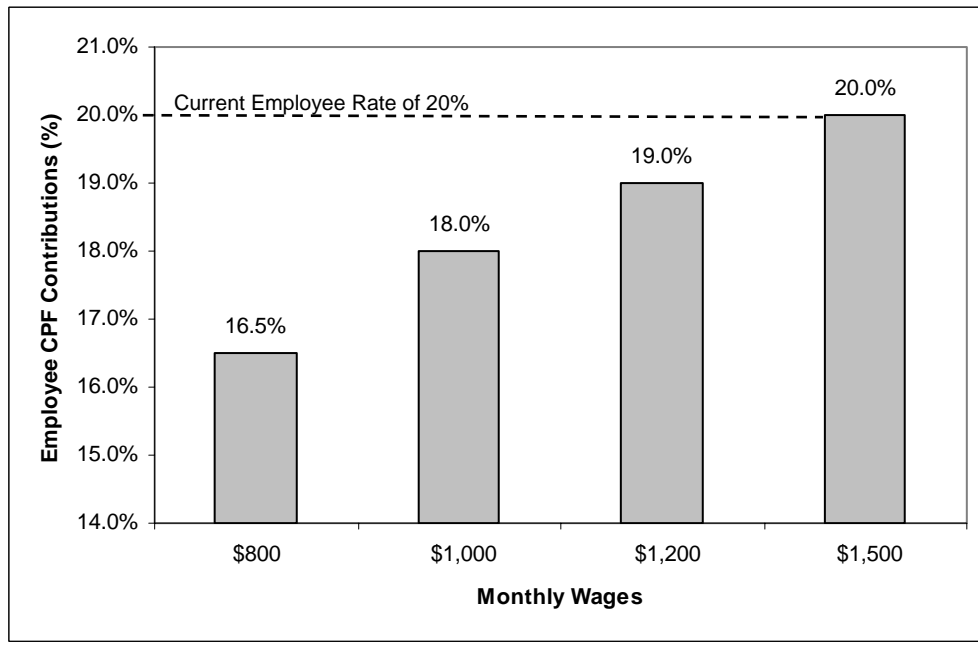
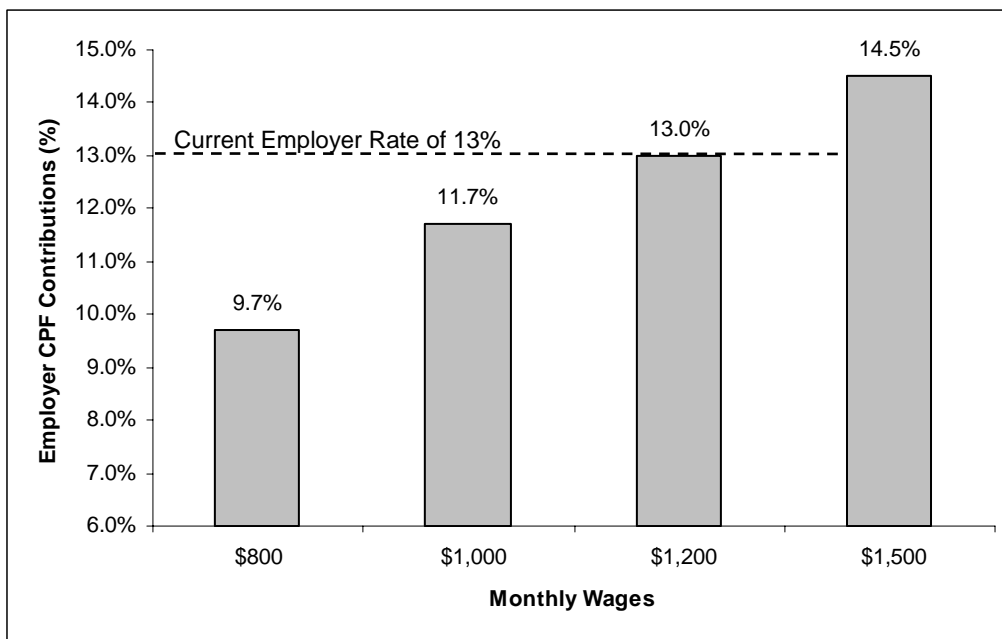


Figure 2: Employer CPF Contribution Restructured²



¹ Illustration for employees aged 50 and below.

² Illustration for employee aged above 35 to 50.

Reduced Medisave Contribution Rates for Self-Employed and Informal Workers

- 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.
- Self-Employed Persons 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. (Further details in the next section.)

Workfare Income Supplement (WIS) Scheme

To complement the above CPF changes, the Government will institutionalise Workfare as a long-term scheme and introduce the Workfare Income Supplement (WIS) Scheme to boost the take-home pay and CPF savings of low-income workers.

The WIS will more than compensate for the reduction in CPF contributions. The principal target group for WIS are full-time workers aged above 45 years who earn \$1,000 or less. But WIS benefits will extend to a wider group – those above 35 years who earn \$1,500 or less – at a lower rate. The WIS scheme will be reviewed after three years.

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.

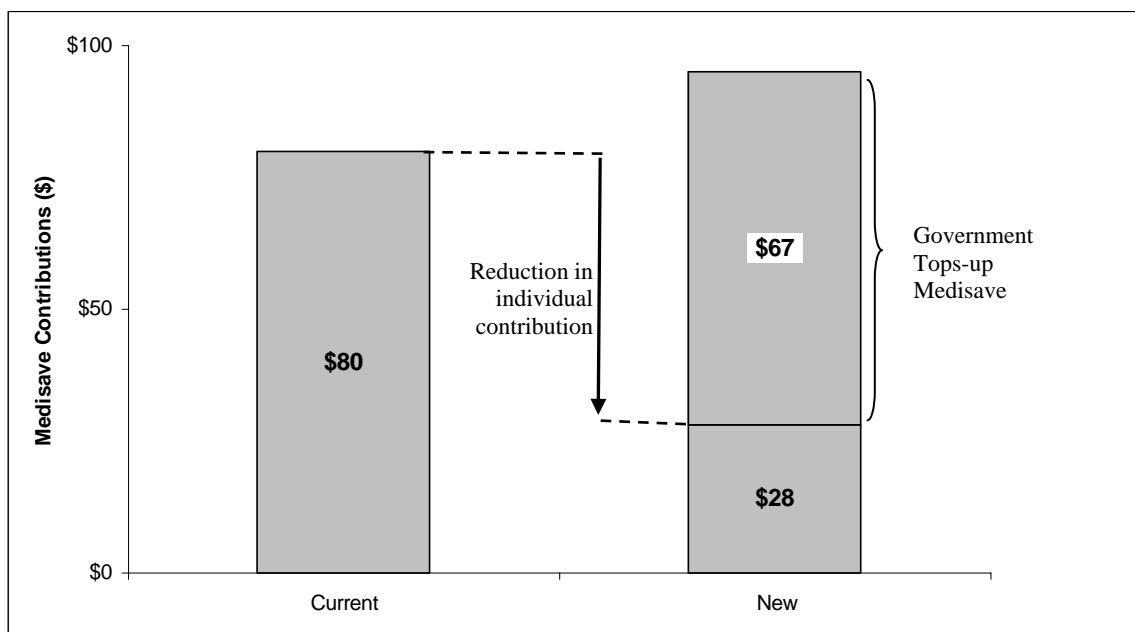
Payout Structure

- 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 between 35 to 45.
- 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 on Jan 2008.

Workfare for Self-Employed and Informal Workers

- 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 Medisave accounts.
- 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.

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.
- Low-wage workers will be better off compared to the past.
- Employers will enjoy savings from hiring these workers.

Illustration of impact of WIS and CPF changes

Table 1a: A 46-year-old employee earning \$800 per month

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

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

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

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

	Current (\$)	New (\$)	Difference (\$)
CPF Contributions	80	28	-52
WIS CPF (monthly)	-	67	67
Take-home Pay	920	972	52
Total CPF Contributions	80	95	15
Total Income	1,000	1,067	67
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Total WIS (\$)		67	

You can also refer to the Budget 2007 Household Benefits Calculator on the MOF website, www.mof.gov.sg, to find out how much you are going to receive.