

FACTSHEET ON CHANGES TO THE WORKFARE INCOME SUPPLEMENT SCHEME AND CPF CONTRIBUTION RATES FOR LOW- WAGE WORKERS

The Workfare Income Supplement (WIS) Scheme was introduced in 2007 as a key feature of Singapore's social security system. To complement the changes to WIS, changes were made concurrently to the CPF contribution rates of low-wage workers. The background of the WIS scheme and changes made to the CPF contribution rates in 2007 is at [Annex A](#).

Changes to WIS for work done from 2013

At Budget 2013, the Government announced revisions to the WIS scheme. These revisions take into account changes in income levels and inflation. They are also calibrated to give a meaningful level of assistance while encouraging individual effort, and are targeted at those who need it most.

The changes to the scheme are as follows:

- 1) *Income cap extended from \$1,700/month to \$1,900/month*

WIS is targeted at Singaporean workers in the bottom 20 percent. However, the income cap extends beyond the 20th income percentile to allow for a gradual phase-out of benefits. This ensures that their WIS payouts will not decrease too quickly as they upgrade their skills and earn more. With the higher income cap, about 40,000 more Singaporean workers will benefit from WIS.

- 2) *Higher WIS payouts of up to \$3,500*

The maximum WIS payout will be increased from \$2,800 to \$3,500 per year for employees aged 60 years and above. For employees of other age tiers, the increase in maximum WIS payout is between \$350 and \$700. The payouts for self-employed persons will remain at two-thirds of the employee WIS payout, and therefore be correspondingly increased. Details are in [Table 1](#) below.

[Table 1: Maximum WIS payout per year for different age groups](#)

Age Group	Max WIS payout for employees	Max WIS payout for self-employed persons
35-44	\$1,400 (+\$350)	\$933 (+\$233)
45-54	\$2,100 (+\$700)	\$1,400 (+\$467)
55-59	\$2,800 (+\$700)	\$1,867 (+\$467)
60 & above	\$3,500 (+\$700)	\$2,333 (+\$466)

Note: Figures in parenthesis refer to the quantum of the increase

3) *More WIS to be given out in cash*

In response to public feedback, more of WIS will be given in cash to help WIS recipients cope with their short-term needs.

Employees will receive 40% of their WIS payouts in cash, an increase from less than 30% today. Self-employed persons will receive 10% of their WIS payouts in cash. Previously, WIS for self-employed persons was paid entirely into their Medisave accounts.

4) *Increase WIS payments to CPF Medisave and Special Accounts*

To boost the healthcare and retirement adequacy of WIS recipients, more of the WIS that goes into the CPF will be channelled into the CPF Medisave and Special Accounts equally. After changes to the CPF contribution rates for low-wage workers are factored in (elaborated later in this factsheet), there will not be a reduction in CPF Ordinary Account savings.

5) *Additional criteria to improve targeting of WIS*

WIS is given only to workers whose place of residence has an annual value not exceeding \$13,000. To further ensure that WIS is targeted at those who have limited access to household wealth, the following additional criteria will be introduced:

- a) Individual does not own two or more properties;
- b) For a married individual,
 - i) He/she and his/her spouse together do not own two or more properties;
 - ii) The annual assessable income of his/her spouse does not exceed \$70,000, which is higher than the 80th percentile income of full-time employed Singapore Citizens.

A full list of the eligibility criteria is given at Annex B.

The changes will apply to work done from 1 January 2013 onwards. This means that the first WIS payment under the enhanced scheme will be made to employees on 1 June 2013 for work done from January to March 2013. About 480,000 Singaporeans are expected to receive \$650m in WIS for work done in 2013.

Changes to CPF contribution rates for low-wage workers

1) New CPF contribution rates for employees earning >\$50 to <\$1,500¹

The CPF contribution rates for low-wage employees were reduced in 2007 together with the introduction of WIS. The employer's share of the CPF contribution rates for employees aged above 35 years and earning <\$1,500 per month were reduced to increase their employability. The employee's share of the CPF contribution rates of all employees earning <\$1,500 per month were reduced to increase the take-home pay. The introduction of WIS, which is partly paid into CPF, made up for the cuts in CPF contributions.

With the increase in cash from WIS, there is less need to raise take-home pay through lower CPF contribution rates. Instead, by raising the CPF contribution rates of low-wage employees, we can boost their retirement adequacy.

Employers have also found the existing varying CPF rates challenging to administer, as it is not easy for them to figure out how much CPF to pay their employees. Having a simplified CPF contribution schedule would make it easier for employers to comply with the CPF Act. This will also benefit more employees directly as they will receive their rightful CPF contributions.

With more cash from WIS and other measures to improve employability in place, there is scope to increase the CPF contribution rates of low-wage workers so that they save up more in their CPF. To this end, the CPF

¹ There is no change to the contribution rates for employees earning \geq \$1,500.

contribution rates for employees earning >\$50 to <\$1,500 will be revised upwards from 1 January 2014 as follows:

- a) The Employer CPF contribution rates for employees aged above 35 years and earning >\$50 will follow the existing rates of employees earning \geq \$1,500.
- b) The Employee CPF contribution rates for employees earning \geq \$750 will also follow the existing rates of those earning \geq \$1,500. The rates for employees earning >\$500 to <\$750 will be phased in. There is no change for employees earning \leq \$500, who are not required to make employee CPF contributions.

Please refer to the illustration below for more information.

Employee (EE) and Employer (ER) CPF Contribution Rates

Monthly Income Level	\$50	\$500	\$750	→
Employer (ER) CPF Contribution	No ER CPF contribution required	Full ER CPF contribution rates apply		
Employee (EE) CPF Contribution	No EE CPF contribution required	Phased in EE CPF contribution rates	Full EE CPF contribution rates apply	

With the proposed changes, the full CPF contribution rates will apply to almost all employees, making it easier for employers to administer. Only employees earning >\$500 to <\$750 will still be subject to varying CPF contribution rates. The new CPF contribution rates for employees can be found at Annex C.

- 2) *New Medisave contribution rates for self-employed persons earning Net Trade Income (NTI) of >\$6,000 to \$18,000*

In line with the changes for employees, the Medisave contribution rates for low-income self-employed persons will similarly be raised to boost healthcare adequacy.

Starting from 1 January 2014, self-employed persons earning an annual NTI of >\$6,000 to \$12,000 will be required to contribute half (instead of the current one-third) of the full Medisave contribution rate relevant to their age group. As before, the contribution rate will be gradually phased-in until it reaches the full Medisave contribution rate at NTI of \$18,000. There is no change to the contribution rate for self-employed persons earning >\$18,000.

Please refer to the illustration below. Further details can be found at [Annex C](#).

Self-employed Medisave (MA) Contribution

Net Trade Income		\$6,000	\$12,000	\$18,000	
Self-Employed Medisave (MA) Contributions	MA Contributions are not mandatory*	Contribute half of the full MA contribution rate	Phased in MA contribution rates	Full MA contribution rates apply	

*While Medisave contributions are not mandatory under the CPF Act for SEPs with NTI of ≤\$6,000, they would nevertheless have to contribute at half of the full Medisave rate if they wish to receive WIS.

Benefits to WIS recipients

The combined changes to WIS and CPF contribution rates will help to boost the retirement adequacy of lower-income workers as well as raise the take-home pay for the vast majority of WIS recipients.

All WIS recipients will save more in their CPF, with those aged between 45 and 50 years who earn about \$750 per month saving about \$1,030 more a year.

More than 95% of WIS recipients will see an increase in net take-home pay (i.e. increase in cash from WIS net of increase in employee CPF contributions). The remainder, comprising primarily younger workers aged between 35 and 44 years, will experience a small fall of up to \$11 monthly.

Examples of how WIS recipients will benefit from the 2013 revisions to the WIS Scheme and CPF contribution rates can be found at [Annex D](#).

More information

Members of the public may visit www.cpf.gov.sg or contact CPF Board for more information.

On WIS scheme

Hotline: 1800-222-6622 (Mondays to Fridays: 8am to 5.30pm)

Email: member@cpf.gov.sg

On CPF contribution rates

Hotline: 1800-227-1188 (Mondays to Fridays: 8am to 5.30pm)

Email: employer@cpf.gov.sg

On Medisave contribution rates for self-employed persons

Hotline: 1800-227-1188 (Mondays to Fridays: 8am to 5.30pm)

Email: member@cpf.gov.sg

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