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### **LOW WAGE + NO CPF = ZERO NEST EGG?**

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**More than 120,000 low-wage workers in Singapore are not paid CPF. What can be done to help them receive the benefits of this compulsory social security scheme? What is stopping them from getting it now? Sue-Ann Chia and Zakir Hussain find out**

MADAM Noor H. helps prepare mee rebus and nasi lemak at a school canteen. She takes home \$30 a day.

She gets neither bonuses nor contributions to the Central Provident Fund (CPF). The 34-year-old knows it is a lousy deal.

However, having left school at the end of Primary 6, her options are limited. "I want other work, but this is the only job I can find," she tells Insight.

She lost her cleaner job over a year ago and no contributions have since been made to her CPF account.

Her plight is not uncommon.

About 120,000 low-income earners are in the same boat. Most are odd-job labourers, contract workers or part-timers. In short, informal workers.

Their plight is also not new.

But the extent of it did not come to light until last year when low-wage workers signed up for Workfare, a scheme to supplement their income.

Checks found that there were no records of their employment and, worse, no record that they were paid CPF.

Now, the issue has become more urgent, following the Government's decision that, from this year, workers eligible for Workfare will not receive it until they contribute to their Medisave account in the CPF scheme.

The decision brought into sharp focus their plight of having hardly any retirement savings, a situation MPs and labour leaders foresee getting worse because there will be more of them.

Two forces will drive up their numbers.

One is the global uptrend in the number of people on contract, working part-time and in other forms of non-permanent employment.

“Because of the strong co-relation (between contract workers and non-CPF payments), those without CPF would correspondingly increase in future,” says labour MP Halimah Yacob, noting that informal workers formed 12 per cent of the Singapore workforce last year, or almost 300,000 people.

The other factor is the growing popularity of outsourcing. As more employers farm out work to outsiders to reduce costs, the possibility of CPF abuse will very likely grow.

Nanyang Technological University economist Tan Khee Giap sees trouble looming if the number of workers without retirement and medical savings does not shrink.

“If they are not forced to save, then the state will have to pay,” he says. This would result in a “default welfare system”, with the Government forced to look after them in their old age, he adds.

As welfarism is anathema to the Government, which has consistently argued that it is a slippery slope that some developed countries are struggling to get off, these workers look set to be heading for gloom and anguish in their senior years.

What can be done to bring them on board the CPF scheme? What is stopping them from getting on board? More importantly, why have they missed the CPF net?

## **Workers shun CPF**

CASH is king. This is the view of many low-wage workers like Madam Yeo Aichoo.

The 50-year-old, who prefers to take home a bigger pay cheque for family expenses, has deliberately foresaken contributions to her CPF.

Says the mother of four, who earns about \$600 a month as a part-time student care teacher: “My employer asked me if I wanted CPF, but I’d rather not. My take-home pay is already so low.

“CPF may be for the future...but now, my children must be fed first.”

Even those on CPF, such as cleaner K.K. Mariammal, would rather not be on it. "Sometimes, I wish I could take home the \$50 or so that goes into CPF," says the 67-year-old who makes \$900 a month.

The attitude of such workers has not only stymied the efforts of those who want CPF but also encourages penny-pinching bosses to continue their errant ways.

Those feeling the CPF pinch most are ad-hoc contract workers hired by labour suppliers who, in turn, contract them out to companies. They could be cleaners, factory hands or construction workers, most of whom are paid on a daily basis.

To clinch a contract, some labour suppliers make a low bid, which prevents them from paying their workers well, let alone pay CPF.

For others, the paperwork involved in getting the workers on CPF is a hassle.

"These workers could be here today and gone tomorrow. So it is troublesome to put them on CPF," says a labour supplier who has been in the business for more than five years.

The number of informal workers has been mounting since the Asian financial crisis. "Between 1997 and 2003, cost pressures caused many more employers to cut corners," says Ms Annie Yap, group managing director of recruiter GMP Group.

Outsourcing became popular as a means to reduce costs, leading to a strong demand for contract workers, some of whom are paid CPF.

Since 2001, the pool of contract workers in the Singapore workforce jumped from 4 per cent to 12 per cent last year.

Though the law requires employers to pay CPF when a worker earns \$50 a month, many flout it.

Their cavalier attitude can perhaps be blamed on the difficulty in nabbing the culprits.

If workers do not blow the whistle on their bosses, the authorities will be none the wiser, says Ms Cham Hui Fong, industrial relations director at the National Trades Union Congress (NTUC).

"And most don't, for fear of getting fired," she adds.

A Ministry of Manpower (MOM) spokesman agrees but says steps are taken to protect an informant's identity.

Last year, 228 employers were convicted for failing to pay CPF to their workers, says the MOM spokesman.

No figures are available on the details of their offences and convictions.

However, the law requires errant employers to pay a penalty interest of 1.5 per cent of the amount they failed to pay to CPF each month and/or are fined.

The fine for first-time offenders is \$2,500 for each offence and, for repeat offenders, \$10,000 for each.

In addition, they have to pay the CPF arrears.

The spokesman says the main culprits include employment agencies, cleaning contractors, security firms and suppliers of contract workers.

### **Bosses beware**

HOWEVER, the days of bosses behaving badly are numbered. Several measures have been introduced by the Government and the NTUC to overcome their resistance.

Most significant are the linking of Workfare to CPF and lowering the CPF rate for low-wage workers and their employers.

Informal workers older than 35, earning at most \$1,500 a month and who are not paid CPF, can receive Workfare only if they personally contribute to their Medisave account.

Even then, they will not receive any cash in hand. Their entire Workfare will go into their Medisave.

As for those who get CPF, only a portion of their Workfare will be given to them in cash. The rest will go into their CPF account.

This distinction could be seen as a bid to steer workers into the CPF system. Government and labour leaders have signalled as much.

Labour chief Lim Swee Say said last month that Workfare was not just about adding to the income of low-wage workers. The scheme's "much bigger" objective was to get workers onto Singapore's social safety net, he added.

The other lure is the lower CPF rates these workers and their employers need to pay from July.

With the change, workers pay the full 20 per cent when their monthly pay hits \$1,500 (compared to the current \$750).

For employers, they pay their workers the top CPF rate of 13 per cent when the monthly wages reach \$1,200, instead of above \$50.

With these new rates, workers will have more cash in hand while employers enjoy lower wage costs.

If this is seen as shortchanging workers, Workfare is supposed to more than make up for the shortfall.

Besides these measures, NTUC set up a unit last year to coax employers to do right by their workers.

Why not just take them to court?

Ms Cham, who heads the unit, believes in starting with negotiations because, she says, friendly overtures can be more persuasive than a confrontational stance.

If talks fail, then action will be taken.

So far, 400 workers have been put on the CPF scheme, she says.

If talks with more than 20 companies, labour suppliers and government agencies who hire contractors prove successful, about 10,000 workers would benefit this year, adds Ms Cham.

One company it successfully persuaded last year was Haw Par Healthcare, which manufactures Tiger Balm products.

Since last September, 40 contract staff – mostly packaging operators – began receiving CPF. It even made back-dated payments to the tune of \$1.5 million to over 200 former contract workers. Each of their CPF accounts received on average \$6,000.

One of these workers is Madam Soh Chon Ha, 51, who earns \$4.50 an hour as a packaging operator. "Very satisfied" with the new-found savings, she says: "It helps to pay for our home loan, save for retirement and build up medical savings."

She co-owns a four-room flat in Jurong with her cabbie husband.

Another company that has also put their contract workers on CPF is CD-Rom producer Mediagate, which outsources its packing functions.

It requires its labour suppliers to pay CPF to the 40 or so contract workers at its Tampines site. Says its general manager

T H Lee: "Legally, they are not our workers, but we make it a point to put the CPF and working hours requirement in negotiations with labour suppliers."

## Obstacles

BUT such companies are few and far between. It takes a lot of persuasion to convince companies and labour suppliers to put their workers on CPF, says Ms Cham.

She recalls a manufacturer and its labour supplier stubbornly refusing to spend any money to re-skill the contract staff so that a higher pay with CPF would be justifiable.

But some, like Singapore Airport Terminal Services (Sats), are more amenable. Sats engages labour suppliers to provide more than 1,000 contract workers, from kitchen staff to baggage handlers.

The general secretary of its workers' union, Mr Victor Pang, says NTUC leaders have coaxed the company to consider changing the way it awards contracts and stipulate, for instance, that labour suppliers must pay contract workers CPF.

## The test

SLOWLY but surely, companies are making the move. However, for low-wage workers in their 50s and older, these measures are too little too late for them to recover the long years of CPF losses.

Though the next generation of such workers can expect to be better off, this outcome also hinges on effective enforcement.

In other words, there must be enough manpower to monitor the thousands of small employers scattered all over the island.

Madam Halimah also wants greater protection for workers who now face the threat of being fired if they complain.

"The Employment Act should be amended so that employers cannot camouflage an employment contract as a contract for services, pretend these workers are self-employed or independent contractors, so they don't have to pay CPF," she says.

Unionists such as Mr Pang believe the time is ripe to lick this long-time problem. Part of the reason is that the Government has also stepped forth to push for workers to be paid CPF.

While the robust economy will add to the momentum, the ultimate decisive factor is the workers themselves.

If they don't get CPF, will they let their feet do the talking?

Ms Cham thinks not, insisting it is the employers' duty to do right by workers. "It's their social responsibility."

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