SINGAPORE

An Overview of Singapore's Social Security System

Singapore's social security system has three aspects: retirement, healthcare and social welfare.

The first two aspects are taken care of through compulsory savings - Singapore's Central Provident Fund (CPF) is a social security savings plan, where workers and employers make compulsory contributions through deductions in salaries. It is supported by the government and guaranteed by law.

CPF began in 1955 as a simple pension savings plan. Over the years, new regulations and supplementary measures expanded its scope to meet the needs of its members and society.

Each member's CPF account is divided into three pools: Ordinary Account (OA), Special Account (SA), and Medisave Account (MA). The OA can be used for housing, insurance, investment and education, while SA is for old age and investment in retirement-related financial products.

The MA plays an important role in how healthcare security is taken care of in Singapore. It can be used for hospitalisation expenses and certain heath insurances, such as Medishield Life and its associated Integrated Shield Plans .

Introduced in 2015, Medishield Life is a basic health insurance plan administered by the CPF Board, covering all citizens and permanent residents, even for those with pre-existing conditions or previously rejected by insurers. It covers subsidised treatment in public hospitals pegged at B2 and C class wards. The premium can be fully paid through the MA and rises with age.

Those choosing to be treated in higher classes or private hospitals will still receive coverage at the B2/C class ward levels but have to pay the remainder out of pocket or from the MA. They can also buy Integrated Shield Plans to cover the difference, and this premium can partly be paid for out of the MA. Once again, the premium rises with age.

For social welfare, the government provides relief to those unable to maintain a minimum standard of living, through housing and medical subsidies, rebates and other forms of relief to low-income families and individuals.

CPF contribution rate

The monthly CPF contribution comes from both employer and employee. The contribution rates are:

*Age=<55, Monthly Salary>=SGD750	% of Monthly Salary	
	Employer	Employee
First year as Permanent Resident (PR)	4	5
Second year as PR	9	15
Third year as PR and beyond	17	20
Singapore citizens	17	20

* Beyond 55 years old, the CPF contribution rate gradually declines. For differing incomes, the contribution rate differs.

The CPF scheme emphasises the role of the individual in providing for his own security. The compulsory self-accumulation mechanism does not increase the state's financial burden, and forms a benign cycle of high savings-high accumulation-high growth-high employment rate-high savings.

The scheme has been able to adapt in response to increasingly complicated social challenges and requirements. However, the CPF system does not address income redistribution or mutual-aid, weakening its capability as a social security tool.

CPF does not alleviate income and wealth inequality since those with lower incomes make lower absolute CPF contributions. It does not secure the lives of young workers, low-income earners and the unemployed.

Instead, it stresses the role of personal responsibility in securing one's life. CPF has been acknowledged as a rather successful model for developing countries.