Retire on CPF savings? Think again

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By Rahayu Maizah

Economist warns there will be little money left after paying for a flat

IN THE wake of the recent debate on retirement adequacy in Parliament, his speech was cited by the labour movement’s Nominee Member of Parliament Mary Liew on Feb 28. That day, one in parliament who questioned the Government about how CPF funds could be boosted.

Deputy Prime Minister Tharman Shanmugaratnam assumed the role of steering the debate and asked the question of how CPF savings could be enough for retirement for lower-middle-income groups, but added that CPF was not designed to meet the needs of higher-income earners, who often had private savings.

Indeed, Prof Tharman’s words show that poorer Singaporeans are better off than the more well-off when it comes to depleting on CPF payouts during retirement.

You’re an advocate of setting a minimum wage, is that a better option than Workfare?

They are competing schemes. The way the debate has played out here has played against both. It doesn’t seem to have to be so.

It is not a fundamental conflict between a minimum wage system and the Workfare Income Supplement (WIS) scheme, both of which can be enhanced. Workfare may improve the opportunities for the long-term unemployed and the elderly to contribute to society through voluntary work.

But you also want to increase the minimum wage. Why?

Increasing the minimum wage is about raising the lowest rung of the ladder, so low-wage workers, as the unions and the Government have said, if we raise the salary of all the workers to at least $10,000, will mean charities go unemployed and will there be no demand for cleaners? No. You will still need cleaners as demand is relatively insatiable for the majority of these low-income industries.

The WIS increases workers’ wages through a direct government subsidy, while minimum wage does so at the expense of the employer’s profit. A minimum wage can encourage firms to adopt innovative management practices and production methods to achieve productivity gains that can sustain higher wages paid to their workers. It will also help to engender a stronger sense of dignity, respect and pride in employees towards their work, and lower labour turnover as a result of increased loyalty to their employers.

Labour expert

ASSOCIATE Professor Hui Weng Tat, left, lectures laboratory ethics at the Singapore University of Technology and Design and his work has been extensively published on globalisation, migration and labour market issues in Singapore.

The Columbo Plan scholar holds a bachelor’s degree in economics from the University of Tasmania and master’s and PhD degrees from the National University of Singapore. He has authored more than 50 academic papers and books chapters on topics including education, savings, migration and the impact of foreign workers on Singapore’s economy.

He is also a member of the Economic Strategies Committee Working Group on low-wage workers in 2009. He has been also a consultant with the Ministry of Manpower and the United Nations Conference on Trade and Development (United Nations).

The former Raffles Institution boy is married to a nurse and they have three girls aged 19 to 25. They live in the Ang Mo Kio house, where they have lived for the past 25 years.

Prof Hui says the purpose of having a home is to have a roof over their head, and property in Singapore should be regarded as “for consumption”, not an investment. Photo: ASHIM ASHOK

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