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The upcoming Singapore Budget could see some adjustments to the Central Provident Fund or CPF system as the Government seeks to address retirement adequacy issues for older Singaporeans.

File photo of the CPF building. (Photo: TODAY)

SINGAPORE: Budget 2015 is expected to see further strengthening in Singapore's social security system. One area is in boosting Central Provident Fund (CPF) savings and retirement payouts for older workers.

Suggestions include equalising the CPF contribution rates for older workers aged above 50 to 55, to the rates for younger workers. It will see a two-percentage point increase in overall contribution rate – to be borne equally by both the employer and employee.

Chief Executive of the Singapore International Chamber of Commerce, Victor Mills, said age is secondary as long as the employee is equipped with the skills. He added that the employee should also be competent and enthusiastic.

"You should be rewarded equally, if you are doing the same job. I would go further to say that I do not think CPF contribution should be reduced as you get older, that is unintentionally discriminatory," he said.

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A CPF Advisory Panel had recently said it strongly supported the Government's commitment to raise CPF contributions rates for older workers. It added that it would be timely for the Government to consider raising the CPF contribution salary ceiling, to keep pace with wage growth and enable more CPF members to accumulate higher levels of savings for retirement.

Earlier this year, the National Trades Union Congress (NTUC) also proposed raising the CPF Ordinary Wage Ceiling from the current S$5,000 to between S$5,500 and S$6,000.

Some observers have said that should these changes be effected, they do not expect that to increase business costs dramatically.

Singapore Management University Associate Professor of Finance, Annie Koh said: “The individual may actually be quite happy to come back as an advisor, in a mentor role, leveraging the experience in their previous jobs to help a group of younger workers, so they are quite comfortable looking at renegotiating a different package. If you bring up the employer contribution on that lower package, I don’t think that is going to set them back on cost totally."

Mr Mills added: “If it is for example, a one percentage point increase in contributions, it will not make a dramatic increase. There is a cap for contributions, and that cap itself has not moved for many years, so possibly one of the recommendations was the consideration to raise the cap. And if you look at the recommendation, it is a very modest S$1,000 increase."

However, the Association of Small and Medium Enterprises (ASME) said an increase in cost will put more pressure on companies. While the Government tends to provide support measures to help businesses cope with policy changes, companies are concerned about the time when those measures end, amid uncertain global economic conditions.

President of Association of Small and Medium Enterprises, Kurt Wee said: “It is a question of another one percentage point, on top of what has been happening. There will come a point in time where businesses will say ‘Hey it has gone up too much, I have to rethink my business position’.”

If companies are thinking of downsizing, there will be fewer jobs in Singapore, he said.

One way to cope with rising cost is to boost productivity. ASME said it hopes to launch new technology-based initiatives this year to help companies. These will cover areas like accounting and HR services as well as e-commerce. Meanwhile, SICC said its key focus over the next three to four years is to help smaller companies tap expertise of larger ones to drive productivity growth.