



21 December 2017

**SEPs' Top Concerns for the Future Economy:  
AWARE's submissions to the government consultation**

AWARE welcomes this public consultation to address the challenges of self-employed persons (SEPs). The global shift away from employment towards an informal economy is also playing out in Singapore. SEPs lack access to traditional employment benefits (e.g. employer CPF contributions, sick leave, healthcare). The rising proportion of these workers in the overall population challenges the assumptions underlying social support systems premised on consistent individual earnings from formal employment (e.g. CPF).

We urge particular attention to the circumstances of women, especially in low-income households, who are likely under-represented in official data and thinking around SEPs. According to the 2016 Labour Force Survey, almost 30% of SEPs are women, most of whom are degree holders<sup>1</sup> and work as associate professionals and technicians.<sup>2</sup> Women in general tend to take up flexible working arrangements in order to generate earnings while managing caregiving responsibilities.

However, there is reason to believe that the official data does not fully capture the number and experiences of women SEPs. Preliminary findings from our ongoing research into the work and caregiving experiences of low-income women (the median monthly household income of our respondents was between \$1,000 and \$1,499) indicate that many women are engaged in informal, ad-hoc and home-based work (e.g. sewing, making craft items) for an income.<sup>3</sup> They tend to be omitted from official data because their work does not require a licence, they are unregistered for tax purposes due to their low income, or some do not recognise what they are doing as "work".

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<sup>1</sup> Table 52, Labour Force Survey 2016. MOM.

<sup>2</sup> Table 34, Labour Force Survey 2016. MOM.

<sup>3</sup> AWARE interviewed 45 mothers from low-income households for our ongoing research project on factors affecting women's decisions about paid work. The respondents are beneficiaries from Daughters of Tomorrow (a local NGO working with underprivileged women).

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To address the needs of women SEPs, we discuss the following in this paper:

A. Why are women SEPs?

B. Challenges of women SEPs and our recommendations

1. Caregiver allowance
2. Review Workfare Income Supplement
3. CPF top-ups by the government
4. Parental allowance for all non-employee parents after childbirth
5. Study accessibility of parental and childcare leave for SEPs
6. Institutionalise awareness on and prevention of workplace harassment

**A. Why are women SEPs?**

In Singapore, gender-unequal sharing of care and domestic responsibilities within families combine with traditional work structures (e.g. long working hours, lack of accommodation for employees' caregiving needs) to form major barriers to women's employment and professional advancement. To resolve this difficulty, some turn to more flexible forms of work as SEPs, from running online business to working as real estate agents, freelance consultants or private tutors.

At the same time, many women appear to drop out of the labour force altogether: around 260,000 are recorded by official statistics as "outside of the labour force" because of "family responsibilities". Of prime working-age women (ages 25-55), 78% (or 137,000) are outside the workforce because of this reason.

However, despite being formally outside of the labour force, many still engage in activities in the informal sector to earn money, and should be included in any consideration of SEPs. Often, women in low-income families do this on top of caregiving, to supplement household income. Single mothers, in particular, are often the family's sole earners. The vast majority of women outside the labour force have low education levels.<sup>4</sup> This coupled with their caregiving responsibilities limits the type of work practicable. Women SEPs may not fit the pattern of stereotypical self-employed work like taxi driving, which requires leaving the house regularly. Their work is more likely to be informal, ad-hoc and home-based, e.g. home-based beauty services, sewing or making bags for sale. Due to the nature of their work, they are also less likely to identify themselves as SEPs.

**B. Challenges of women SEPs and recommendations**

Despite working to the best of their ability to meet their and their families' needs, SEPs are disadvantaged relative to traditional employees, with comparatively fewer benefits and greater

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<sup>4</sup> 2016 Labour Force Survey, Ministry of Manpower. Table 92.

insecurity in their financial situation. This includes potentially not having adequate resources for old-age retirement and healthcare needs. Below, we elaborate on some of the challenges they face and offer recommendations to address their concerns.

Our recommendations are based on international standards of decent work,<sup>5</sup> with a recognition that “those who work have rights at work, irrespective of where they work”,<sup>6</sup> including the right to social security, decent income and safety from harassment.

**(i) Challenge: Inconsistent income.** Work - and therefore a steady quantum of income - is not always available to SEPs. This is common to all non-salaried workers, but women experience a gendered barrier when how much work they can do is significantly determined - and limited - by caregiving responsibilities. With an ageing population, the disproportionate financial impact on women will only grow if caregiving is not equitably distributed.

This problem is especially acute for those doing informal work. Low-income mothers we interviewed report that their income from home-based, ad-hoc work is sporadic and mostly in the range of a few hundred dollars a month. This inconsistency exacerbates their financial hardship and makes it difficult for these families to make long-term financial plans.

Income support is therefore necessary. However, the Workfare Income Supplement Scheme (WIS) for low-income workers is limited in its reach to SEPs, who only qualify if they have declared their net trade income and made Medisave contributions. In 2008, many SEPs who could have been eligible did not register for WIS. They outnumber those who have registered by two to one.<sup>7</sup>

SEPs who have sporadic and low incomes often do not declare their net trade income with IRAS or CPF Board, nor have the ability to make Medisave contributions. The fact that WIS payouts for SEPs are made into their Medisave accounts instead of cash payouts (that other workers receive) also disincentivise sign-up.<sup>8</sup> It is likely that some, especially those who do not consider themselves as SEPs do not know that they even qualify for WIS.

### **Recommendation 1: Caregiver allowance**

More efforts are needed to reshape gendered thinking about the distribution of care. At the same time, there is an urgent need to ensure that the well-being of caregivers is protected.

We recommend state support for family carers providing home-based care for elderly or disabled family members, in the form of a caregiver allowance. The government should undertake a study of caregiver financial support systems in other countries to design a suitable

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<sup>5</sup> <http://www.ilo.org/global/topics/decent-work/lang--en/index.htm>

<sup>6</sup> <http://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/rep-vi.pdf>

<sup>7</sup> <http://www.asiaone.com/News/AsiaOne%2BNews/Singapore/Story/A1Story20080122-46196.html>

<sup>8</sup> <http://www.mom.gov.sg/newsroom/press-replies/2008/new-workfare-scheme-helps-more-workers-now>

system (e.g. see AWARE's Budget recommendations for [2015](#) and [2016](#) for an introduction to the Australian system).

Some may have concerns that it is difficult to verify that a claimant is indeed providing care, instead of merely refraining from employment. To address this concern, we suggest that:

- a. A claimant must identify a care recipient - an adult whom they help to carry out a specified number of Activities of Daily Living (ADLs).
- b. Neither the claimant nor the care recipient can be employers of a domestic worker hired through the ElderCarer Foreign Domestic Worker Scheme or who is primarily tasked with caregiving responsibilities.

These criteria are easily verifiable. ADLs are already the basis for assessments such as for Eldership payouts. While this proposal is probably under-inclusive - i.e. some caregivers who need support would be left out - it sets out a workable mechanism at least to identify and support some caregivers.

### **Recommendation 2: Review Workfare Income Supplement (WIS) for SEPs**

To better support low-income SEPs, we recommend that WIS be reviewed to

- a. Find out how many SEPs currently benefit from WIS and how many would qualify if the requirement to contribute to their Medisave accounts was removed, and adjust the eligibility criteria so more low-income SEPs can benefit from this scheme.
- b. Make the payouts in cash, as is the case for other workers on WIS.

**(ii) Challenge: No CPF savings.** SEPs with an annual Net Trade Income (NTI) of over \$6,000 must contribute to Medisave;<sup>9</sup> they can also make voluntary contributions to the other CPF accounts. Lower-earning SEPs are not required to contribute to their Medisave and indeed, often find it difficult to put cash into their CPF accounts.

Those with inconsistent incomes - especially where incomes are low - usually need the cash to support the day-to-day needs of their family. They are unable to confidently lock wealth away into an inaccessible format such as CPF. Yet, at the moment, CPF savings are critical for meeting basic needs in Singapore - housing, healthcare and financial resources for retirement.

### **Recommendation 3: CPF top-ups by government**

We recommend that the Government support low-income SEPs in building their CPF savings by introducing a matched CPF savings scheme. This would act as an incentive to save, and promote financial security for recipients. However, as there is an inherent regressive tendency

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<sup>9</sup> <https://www.cpf.gov.sg/members/schemes/schemes/self-employed-matters/self-employed-scheme>

to matching schemes (i.e. those with more resources benefit more), the amount matched should be capped to ensure that this is not exploited by the most well-off for whom this is not designed.

Moreover, to support those less able to make contributions to their own accounts (i.e. all lower-income persons and those who do not have employer CPF contributions), the Government should consider establishing annual automatic basic contributions by the state to low-balance individual CPF accounts. The qualifying threshold could be determined by mapping out a nominal schedule projecting how much one needs in a CPF account for each year of working age life to reach the CPF Retirement Sum by age 55. Those who are not “on schedule” each year would receive the automatic basic contribution from the state.

This proposal builds on the insights of the Silver Support scheme. This already provides payouts for individuals in retirement age based on lifetime CPF accumulations, in recognition that those unable to accumulate private earnings (including because of the unpaid labour of caregiving) require collective support. However, instead of supporting low-income persons only when they are old and impoverished, this proposal would front-load the payout in the form of regular CPF contributions to those who are already projected to eventually fall short.

This contributes to an overall reduction of social costs. Sums paid earlier in the lifecycle can support access to basic needs like housing and healthcare over time, reducing associated social costs (e.g. by encouraging preventative healthcare and reducing housing instability). Moreover, it should not unduly intensify the fiscal burden because the recipients of such payments will have a higher level of CPF accumulated at retirement age, reducing their entitlement to Silver Support cash payouts at that stage.

This proposal would not disincentivise work since CPF savings cannot be used for expenses on day-to-day needs (e.g. food, transport, healthcare that cannot be financed through Medisave). Even when one can start withdrawing their CPF savings at 55 years old, they can only withdraw the amount available after setting aside the applicable Full Retirement Sum (FRS) or Basic Retirement Sum (BRS) with sufficient CPF property charge/pledge. This means that those who rely only on the automatic CPF top-ups (capped at the applicable FRS or BRS amount) will still not have cash to withdraw from their CPF savings.

**(iii) Challenge: Limited access to parental and childcare leave.** Currently, SEPs who can show a loss in income during parental leave period are eligible for government-paid parental leave. Under the Child Development Co-Savings Act, SEPs are defined as those who “engage in or carry on any trade, business, profession or vocation other than employment under a contract of service and derives income from such trade, business, profession or vocation...”, which can be interpreted as including those who take on odd jobs.<sup>10</sup>

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<sup>10</sup> <https://singaporelegaladvice.com/law-articles/paternity-leave-singapore>

It is unclear if this includes those who work in the informal sector. Mothers we interviewed did not report access to paid maternity leave (it is likely that they did not apply or did not know if they would have qualified). For those with irregular or low incomes, quantifying and documenting the income loss may also be challenging.

Similarly, childcare leave is only available to SEPs who have documented and declared their incomes. The application process - which involves having to file the Notice of Assessment with IRAS - may be too onerous or troublesome for those with sporadic and low incomes.

#### **Recommendation 4: Parental allowance for all non-employee parents after childbirth**

SEPs who can show a loss of income should continue to be eligible for government-paid parental leave.

SEPs who apply for government-paid parental leave but are unable to quantify and document income loss should be given a minimum sum of \$500 a month for the leave period.

A good precedent for this is the German [\*Elterngeld\*](#) system (parental allowance for parents who lose income after the birth of their child). A minimum allowance (300 euros) is given to those who cannot demonstrate their income prior to the birth of the child, while others can claim up to two-thirds of their lost income.

#### **Recommendation 5: Study the accessibility of parental and childcare leave for SEPs**

We recommend that a study be done on the take-up rate of parental leave and childcare leave by SEPs, and to find out why eligible SEPs do not apply for such leave.

It is likely that apart from the reasons given earlier (e.g. onerous application process, inability to document income loss), SEPs may just be unaware that they could qualify for them.

**(iv) Challenge: Protection from workplace harassment.** As employers in Singapore have no statutory responsibility to address workplace harassment, employees may have inadequate (or non-existent) protection, with rules and procedures varying significantly from employer to employer. However, without formal ties to an institution, SEPs have even less protection, for example when they are harassed by clients or customers. This may affect their safety and well-being in earning their livelihood.

#### **Recommendation 6: Institutionalise awareness on and prevention of workplace harassment**

All workers, including SEPs, have a right to a safe working environment. The Government should invest in public education on harassment, including how it affects SEPs, with a view to creating public understanding of respectful communication and consent. By promoting

awareness of what constitutes workplace harassment - and encouraging zero tolerance for it in all settings - this would create a safer working environment for SEPs.

The CEDAW committee has recommended that Singapore prioritise mandatory gender-sensitivity training at all levels of the criminal justice system, in order to end all forms of discrimination against women. This should include ensuring that employers are well-trained and equipped as they are critical in institutionalising the prevention of workplace harassment and achieving the widespread awareness necessary to protect SEPs. The Government should mandate or more proactively encourage all employers to implement the Tripartite Advisory on Managing Workplace Harassment.

## **Conclusion**

This discussion has highlighted key concerns of SEPs with a gendered focus. However, there remain other issues that affect all SEPs (e.g. sick leave, health insurance, non-payment of dues). In view of the general shift towards an informal economy and weakened access to traditional employment benefits, which will tend to complicate existing social support systems, it may also be time to explore more universal solutions (e.g. universal basic income) to better serve the needs of Singapore's people. In our recommendations, we made the case that expanding financial support does not necessarily involve extra fiscal burden. Indeed, investing in the social security of all persons is not only necessary but can also contribute to social cohesion and to a country's overall growth and development.<sup>11</sup>

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<sup>11</sup>[http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms\\_067588.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_067588.pdf)