

CPF Trends & Highlights

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Contribution Rates

At the inception of the CPF scheme in 1955, contribution rates for employees and employers were set at 5 percent each. The contribution rates were maintained at this level until 1968.

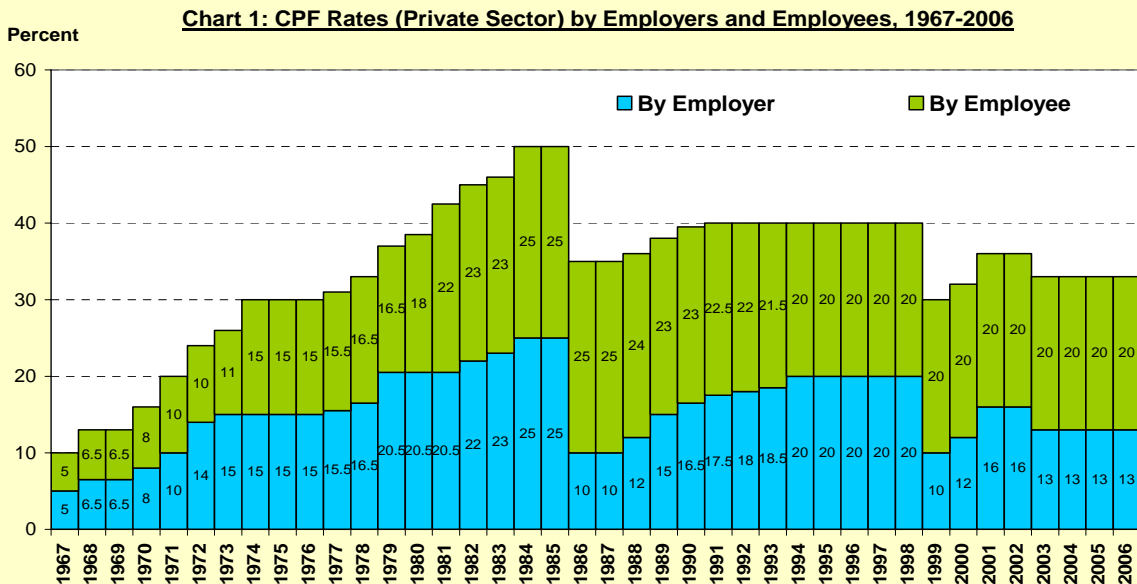
From 1968, contribution rates for employees and employers were gradually increased to a peak of 25 percent each, or a total of 50 percent, in 1984. The objective was to boost saving by households to finance investment. A later review showed that the contribution rate of 50 percent in 1984 was higher than needed to meet long-term needs. As a result, a target rate of 40 percent was set and achieved in 1991. The principle of equal contributions by employees and employers was restored in 1994.

However, the economic downturn between 1985 and 1986, led the government to reduce employer contribution as a temporary measure to stimulate the economy. In 1986, there was a revision of the employer's CPF contribution from the original 25 percent to 10 percent. Even when the economy subsequently recovered from the recession this rate was increased by only 2 percentage points to 12 percent in 1988. Instead of cuts in take-home pay, employees had their CPF contribution rates reduced, thereby making wage restraints relatively painless.

Since 1999, in response to the economic downturn caused by the Asian economic crisis, the employer contribution rate was lowered to 10 percent (while the employee contribution rate remained at 20 percent) for those aged 35 years and below as part of an overall package to stimulate the economy.

When the economy showed signs of picking up in 2000, this rate was increased by 6 percentage points to 16 percent in 2001. However, it was lowered again to 13 percent in 2003 with no change to the employee's portion at 20 percent. These further changes to CPF helped Singaporeans cope with the economic downturn in 2003 and made Singapore's wage system more flexible and competitive.

Meanwhile, the long term CPF contribution rate will be within a range and will fluctuate between 30 and 36 percent for those aged 50 and below. For those aged between 50 and 55, the CPF rate will fluctuate between 24 and 30 percent.



1988 to 1991 refers to contribution rates for those aged 55 yrs and below

1992 to 2006 refers to contribution rates for those aged 35 yrs and below