

**TRIPARTITE WORKGROUP REPORT ON
SELF-EMPLOYED PERSONS**

Contents

Executive Summary	2
Introduction.....	6
Who are Self-Employed Persons (SEPs)?.....	6
Public Consultations and Stakeholder Engagement.....	8
Key Guiding Considerations.....	11
Recommendations	12
a. Payment-related disputes	12
b. Loss of income due to prolonged illness or injury	14
c. Lack of CPF savings for healthcare and retirement	16
d. Lack of occupation-specific competency frameworks	19
Conclusion.....	20
ANNEX A.....	21
ANNEX B.....	22
ANNEX C	25
ANNEX D	28

Executive Summary

1. Self-employed persons (SEPs)¹ operate their own trade or business, and are their own bosses. They are a diverse group, with most choosing to be self-employed as a preferred choice. While the share of SEPs among employed residents has remained stable over the past decade, the emergence of digital platforms is making it easier for individuals to become SEPs.

2. While issues varied by occupation, the Tripartite Workgroup identified four common challenges faced by SEPs: (i) payment-related disputes, (ii) loss of income due to prolonged illness or injury, (iii) lack of CPF savings for healthcare and retirement, and (iv) lack of occupation-specific competency frameworks.

3. In addressing these challenges, the TWG was mindful that self-employment is not for everyone, and many Singaporeans will continue to prefer regular employment. Therefore, our approach must be premised on:

- a. A vibrant economy that continues to create quality jobs;
- b. A flexible and responsive labour market that sustains high employment and low unemployment; and
- c. A continuing education and training landscape that creates opportunities for every worker to up-skill themselves and remain employable;

This will help ensure that Singaporeans have access to good employment opportunities if they prefer regular employment.

Key Guiding Considerations

4. Noting that SEPs are a diverse group with varied needs, the TWG is guided by the following key considerations:

- a. Personal responsibility should remain the core principle for SEPs who have chosen to be their own bosses;
- b. Institutional support can be strengthened for SEPs to address their concerns; and
- c. Employment facilitation should be readily available for SEPs who prefer the relative stability and protection of regular employment and wish to switch.

Given that a well-established system of employment facilitation is already in place, the TWG's recommendations drew more heavily on the first two considerations.

¹ SEPs in this report refer only to self-employed persons who operate their own business without hiring any employees, more formally known as "own account workers" (OAWs).

Recommendations

a. Payment-related disputes

5. While payment-related disputes are not rampant, where they do occur, they usually happen because (a) there is no written contract, (b) the written contract lack important terms; and/or (c) terms are unclear. To encourage more businesses to record their agreement with SEPs via a clear written contract, **the TWG recommends developing a Tripartite Standard for engaging SEPs' services.**

6. The Tripartite Standard would require adopters to provide written contracts which cover key items – namely payment schedule, amount of payment, parties' obligations, how terms can be varied and dispute resolution. Businesses can then commit upfront and publicly that they would use written contracts when engaging SEPs, which helps them differentiate themselves to SEPs in demand. This will also allow SEPs to identify progressive service-buyers and intermediaries.

7. When payment-related disputes happen, some SEPs prefer mediation, which certain sector agencies, such as the Land Transport Authority and Council of Estate Agencies, already provide with satisfactory outcomes given their familiarity with the businesses and SEPs in their industry. Doing so could set useful norms that would reduce disputes and enable the industry to grow in a sustainable way. **Therefore, the TWG recommends that more sector agencies help SEPs and businesses in their sectors mediate their payment-related and other disputes, as an alternative to adjudication, which SEPs already have recourse to.**

8. **For those SEPs without sector agencies to support mediation, the TWG further recommends extending the voluntary mediation services of the Tripartite Alliance for Dispute Management (TADM) to them.**

b. Loss of income due to prolonged illness or injury

9. SEPs, like other workers, worry about getting injured or falling sick. Some have expressed the need for financial protection in three areas: (i) compensation for loss of future earnings due to death or permanent disability; (ii) reimbursement for hospitalisation expenses; and (iii) compensation for loss of income while recovering from prolonged illness or injury.

10. Existing insurance products such as the Dependents' Protection Scheme and Medishield Life already insure Singaporeans against death and permanent disability as well as medical expenses. However, the TWG noted that there is a gap in the protection against loss of income due to prolonged illness or injury. This is likely due to the small and fragmented SEP demand pool.

11. Given this gap, an insurance product to mitigate loss of income for SEPs should be made available. To keep premiums affordable, the TWG suggests that the SEP insurance pays a daily cash benefit for hospitalisation episodes exceeding 1-3 days or prolonged medical leave exceeding 7-14 days². It should cover prolonged illness or injury arising from both work and non-work activities, as these conditions can

² The actual number of days before the daily cash benefit is payable will have to strike a balance between premium affordability and attractiveness of the insurance protection.

jeopardise an SEP's earnings. Additional protection, including a higher daily cash benefit could be structured as optional riders. SEPs can then choose their desired level of insurance. **The TWG recommends that tripartite partners work with the insurance industry to make available such an insurance product for SEPs.**

12. The TWG considered whether purchase of such an insurance should be made compulsory for all SEPs. However, the TWG also recognises that the majority of SEPs in Singapore are in desk-bound or non-manual occupations where the risk of injury is low, such as website designers and insurance agents. Thus, the TWG's view is that it would be too onerous to require all SEPs to purchase insurance. Most SEPs should decide whether insurance is necessary for them.

13. Nevertheless, the TWG is concerned for SEPs in higher risk-occupations. The higher premiums for these occupations may deter purchase by those most in need of such protection. To this end, **the TWG recommends that the Government promote the adoption of insurance in higher-risk occupations through licensing controls, or tapping on Government's role as a service-buyer, where possible.**

c. Lack of CPF savings for healthcare and retirement

14. Many SEPs across different sectors told the TWG that they were concerned about the uncertainty of finding sufficient work consistently. This affected their income stability and ability to save regularly for future needs such as healthcare and retirement.

15. Currently, to help SEPs save for healthcare, they are required to make annual contributions to their Medisave Account (MA) based on their Net Trade Income in the previous year. However, many SEPs find it challenging to do so because of the time lag between when they earn and when they have to contribute, as well as cash-flow constraints. As a result, about one quarter of SEPs are not able to meet their Medisave contribution obligations in a timely manner.

16. Learning from the Chile model, the TWG notes that intermediaries and corporate service-buyers can play a role, as they process or make payments to SEPs for their work. The Chile model makes a pension contribution mandatory at the point when the service fee is earned by the SEP. In addition, service buyers are required to channel a portion of the service fee owed to SEPs into the SEP's pension account. This approach can be adapted to our needs.

17. To better support our SEPs in improving their healthcare adequacy and make it more convenient to contribute to their MA, **the TWG recommends adopting a contribute-as-you-earn model whereby a Medisave contribution is required as and when a service fee is earned; and to require intermediaries and corporate service-buyers who contract with an SEP to deduct and transmit the Medisave contribution to the SEPs' MA whenever they pay the SEP.**

18. **The TWG also recommends that the Government further study (a) how to facilitate this contribute-as-you-earn model given that intermediaries and corporate service-buyers do not have a system to do so today; and (b) how such a model can work for matching intermediaries not directly involved in the service fee payment to SEPs.**

d. Lack of occupation-specific competency frameworks

19. SEPs told the TWG that coming together will meet certain collective interests e.g. mentor and educate new SEPs so that services meet certain standards. This should be strengthened. The TWG also believes SEP associations are in a good position to develop competency frameworks for their respective occupations. **The TWG therefore recommends that the tripartite partners support the SEP associations to enable them to assess SEPs' skills needs and develop occupation-specific competency frameworks. This will help SEPs keep their skills current, enhance professionalism and make self-employment a sustainable career.**

Conclusion

20. The TWG believes that its recommendations will strengthen the institutional support for SEPs. This will help ensure that SEPs can help themselves and take responsibility for their own well-being through making informed choices about contracting practices, protecting themselves against contingencies and planning for their future needs.

Introduction

1. The emergence of digital platforms makes it easier for individuals to become SEPs and offer their services directly to buyers. This brings potential efficiencies to the economy and better experiences to consumers. It also increases the range of choices available to the worker, providing career options that offer greater flexibility and autonomy, and an alternative source of income.
2. Given this trend, it is prudent to monitor the SEP landscape, identify early the challenges SEPs face and take proactive steps to address these challenges. This will allow self-employment to be a viable and sustainable career option if one so desires to be an SEP.
3. With this in mind, the Minister for Manpower formed a Tripartite Workgroup (TWG) in 2017 comprising officials from the Ministry of Manpower (MOM), Singapore National Employers Federation (SNEF) and National Trades Union Congress (NTUC) with the following Terms of Reference:
 - a. Identify the common challenges faced by SEPs
 - b. Make recommendations to address these challenges

The composition of the TWG is at Annex A.

Who are SEPs?

4. SEPs operate their own trade or business. They are their own bosses, and generally have significant autonomy over what assignments to accept and how, when and where they work. They are sometimes known loosely as “freelancers” or “independent contractors”. More formally, they are known as “own account workers” (OAWs).³
5. Over the past 10 years, the share of SEPs who are primarily in self-employment work has remained steady at 8-10% of the total resident workforce.⁴ During this time, the change in the SEP profile broadly mirrored the changes in the wider workforce:
 - a. SEPs became older, with proportion of those aged 50 and over rising by 11%-points (from 44% to 55%);
 - b. Their educational profile improved, with the proportion being tertiary-educated rising by 13%-points (from 25% to 38%); and
 - c. They earned more, for both Professional, Managers, Executives and Technicians (PMETs) and non-PMETs, with the income of PMET SEPs and non-PMET SEPs growing by 18.3% and 5.2% in real terms respectively.

³ SEPs in this report refer only to self-employed persons who operate their own business without hiring any employees, more formally known as “own account workers”.

⁴ Source: Comprehensive Labour Force Survey, Manpower Research & Statistics Department, MOM. Data refer to the June period of each year.

6. In 2016, there were about 200,100 resident SEPs⁵ who engaged in self-employment as a regular form of work. They were a very diverse group with many different occupations. The most common occupations⁶ were traditional occupations such as taxi drivers, real estate agents, working proprietors⁷ and insurance sales agents. These traditional occupations made up nearly half of the total SEP pool in 2016.

7. The SEPs were also quite well distributed among the different occupations. Except for taxi drivers, no single SEP occupation made up more than 20% of the total SEP pool and only seven occupation types had more than 10,000 SEPs each. More information about the profile of SEPs can be found in [Annex B](#).

8. Apart from the variety of occupations they are engaged in and services they provide, SEPs also differ from one another in the following significant ways:

- a. Relationship with their clients/service-buyers and their dependence on intermediaries. An SEP's relationship with his or her client may be transient, such as in the case of taxi drivers and their passengers, or regular/semi-permanent, as in the case of a freelance photographer and a large service-buyer such as Mediacorp, or a sports coach who successfully bids for a year-long contract. In most cases, an SEP could have numerous clients/service-buyers at any one time.
- b. How they are paid. SEPs may be paid per micro-task, for example private hire car drivers; per project, like graphic designers; or based on a payment schedule over the term of a contract.

9. The vast majority – some 80% – of the SEPs prefer self-employment over being a regular employee. A common reason is the autonomy of self-employment. SEPs enjoy the freedom to determine which projects to work on, how much they charge and earn, when and where they work. They prefer the flexibility of arranging their work around their lifestyles or family circumstances. Other SEPs take up self-employment because it pays better. Those who do so include highly skilled SEPs that businesses engage on a project basis, such as business consultants and high-end interior designers. Another reason is to take on self-employment as a way of augmenting their main income.

10. Their choice of self-employment has in most cases enabled them to have viable careers and a decent way to earn a living. For example, 86% of the self-employed live in a home that they own, comparable to the home-ownership rate of employees.⁸

⁵ These included those who derived their income primarily from self-employment work (i.e. primary SEPs), and those who took up such work on the side (i.e. secondary SEPs). Source: Supplementary Survey on Own Account Workers, Manpower Research & Statistics Department, MOM (See Annex B).

⁶ These traditional jobs were consistently the top common occupations among own account workers in the past decade as well, based on the Comprehensive Labour Force Survey.

⁷ Working proprietors in this paper refer to self-employed persons who operate and manage their own businesses without any paid employees. Examples include businesses in wholesale and retail trade such as provision shops and blog shops, or service providers, such as printing and renovating services.

⁸ Based on a Retirement and Health Survey conducted in 2014 with respondents aged 45 to 85. The corresponding home-ownership rate for employees is 85%.

Public Consultations and Stakeholder Engagement

11. Given the diversity of SEPs, the TWG had to consult and solicit feedback widely so that our recommendations could address SEPs' concerns as far as possible. The TWG sought to understand the perspectives and views of different groups of SEPs as well as different stakeholders. These included individual SEPs, SEP groups and associations, businesses that engage SEP such as platform intermediaries and corporate service-buyers, as well as Government agencies which oversee the licensing and development of industries which the SEPs belong to.

12. Various methods of consultations were used. In addition to calling for written comments via the REACH public consultation, the TWG also organised smaller engagement sessions that allowed for deeper conversations and brainstorming, as well as meetings with relevant companies and agencies to solicit feedback.

13. The list of stakeholders engaged are at [Annex C](#).

Diverse feedback received

14. The public consultation exercise surfaced multifaceted views for the TWG's deliberation. There were feedback relating to current challenges the SEPs faced as well as future issues that could arise. Several offered concrete proposals while others surfaced counterproposals. Some contributors were especially helpful in spelling out the pros and cons of various approaches. The TWG noted the range of views, from those recommending more protection for SEPs to those who cautioned against doing too much for SEPs as it would restrict their autonomy and freedom.

Recognising self-employment for its inherent advantages

15. From the feedback received, many SEPs said that they recognised that self-employment was a legitimate form of work that presented its own advantages. SEPs enjoyed the flexibility and autonomy that came with being their own boss. Many chose self-employment not because they had to, but because they wanted to. SEPs that TWG spoke to did not ask for the fundamental structure of self-employment to be changed but more for the practical challenges that come with being self-employed to be addressed. Service-buyers likewise appreciated SEPs' expertise, as it allowed them to augment their workforce more flexibly. Companies and businesses recognised contributions of SEPs vis-à-vis the contributions of their employees.

Lack of employment benefits and misclassification

16. A few SEPs mentioned the issue of the lack of employment benefits. For example, some said that a challenge for them was the lack of employment benefits such as annual leave and paid sick leave. However, the TWG found that most SEPs recognised that they are their own bosses and therefore should not expect their clients to provide such employment benefits or treat them as employees. SEPs who prefer to be full-time employees can generally do so; if they need assistance, they can seek help at the career centres run by WSG and NTUC-e2i.

17. The TWG however notes that there have been instances of employers misclassifying their employees as SEPs and not providing them with their due CPF

contributions and employment benefits. MOM and the Central Provident Fund Board (CPF) already take proactive enforcement action against such misclassification. Errant employers are made to rectify CPF contributions and employment benefits. The TWG notes that MOM is also stepping up education efforts to both employers and employees to avoid such misclassification, including under the WorkRight initiative.

Lack of “career progression” and support for skills training

18. Another category of challenges raised had to do with the lack of “career progression” and lifelong learning. For example, some were concerned that certain SEP work, such as private hire car driving, did not build up SEPs’ employability over time. Younger individuals with tertiary education may be attracted by the possibility of better pay in such SEP work in the immediate term, but find that their skills would be less relevant when they try to find a job later within their field of specialty. Compared with their peers who may be full-time employees, and better able to deepen their skills and employability over time, they would have lost out in terms of progress in earning capacity, particularly if they do not invest in up-skilling themselves.

19. The TWG believes that SEPs who see self-employment as their career should continuously keep up-to-date on their skills. SEPs who can provide better services and bring greater value to their projects will be more sought after by service-buyers. SEPs who prefer to be regular employees can seek help at career centres run by Workforce Singapore (WSG) and NTUC-e2i, who can help them switch careers and find jobs.

20. A few SEPs said that there was insufficient support for training and they could not claim for loss of income during the period of training. The TWG notes that SEPs have access to course fee funding for courses offered by Continuing Education and Training (CET) Centres appointed by SkillsFuture Singapore (SSG) and certifiable courses approved by SSG. Eligible trainees can also apply for training allowance (TA) under the Workfare Training Support (WTS) scheme. The tripartite partners should continue to do their part to provide information about training and development opportunities in growth sectors.

Sector-specific challenges

21. There were also some sector-specific challenges raised by SEPs. For example, some co-curricular activity (CCA) instructors said that their service-buyers were not sufficiently discerning about their various skill levels, and only engaged SEPs based on the lowest price. Some independent financial advisors said that contracts with their principals i.e. insurance companies were restrictive – for example, if an advisor’s contract is terminated, his/her commission payments from policies already sold are terminated as well. A number of taxi drivers also noted that the playing field for them and private hire car drivers was not level, due to different age requirements and different tax treatment for fuel.

22. The TWG noted the wide range of practices in the various sectors. As such sector-specific challenges do not lend themselves to a common solution, the TWG has conveyed the feedback to the sector agencies, and encourages them to engage their stakeholders to resolve such issues within their own sectors.

23. Apart from the above concerns, the TWG identified four common challenges faced by SEPs across different industries, namely (i) payment-related disputes, (ii) loss of income due to prolonged illness or injury, (iii) lack of CPF savings for healthcare and retirement, and (iv) lack of occupation-specific competency frameworks. These challenges were surfaced as the most relevant ones to focus on in the immediate term. Tackling these challenges would assure SEPs that their choice for self-employment would be a viable one and prepare them for the future.

Key Guiding Considerations

24. In addressing the challenges identified, the TWG was mindful that the self-employment landscape cannot be seen in isolation, but in fact exists within the wider context of the economy and labour market. Self-employment is not for everyone, and many Singaporeans will continue to prefer regular employment. Therefore, our approach must be premised on:

- a. A vibrant economy that continues to create quality jobs;
- b. A flexible and responsive labour market that sustains high employment and low unemployment; and
- c. A continuing education and training landscape that creates opportunities for every worker to up-skill themselves and remain employable.

This will help ensure that Singaporeans have access to good employment opportunities if they prefer regular employment.

25. Noting that SEPs are a diverse group with varied needs, the TWG is therefore guided by the following key considerations:

- a. **Personal responsibility should remain the core principle.** For SEPs who have chosen to be their own bosses, personal responsibility should remain the core principle for their own well-being. The TWG does not intend to crimp the choices of those who opt for the flexibility and autonomy of self-employment, nor to shield SEPs from market risks, such as competition from the emerging digital economy and volatility in volume of business. However, TWG recognises that there are areas where support can be given that can leverage on SEPs taking action for themselves or that does not reduce SEPs' personal responsibility.
- b. **Strengthen institutional support which SEPs can tap on to address their concerns.** To better enable SEPs to address their concerns, the TWG recognises that institutional support can be strengthened for SEPs. This would help to make self-employment sustainable for those who choose to be SEPs.
- c. **Employment facilitation for those who prefer regular employment.** For those SEPs who prefer the relative stability and protection of regular employment, employment facilitation should be readily available to help them find such jobs. The TWG recognises that it should not be changing the fundamental structure of self-employment or aiming to equalise conditions for self-employed work with those of regular employment, and in the process undercut the flexibility given to both the self-employed and buyers of their services.

Given that a well-established system of employment facilitation is already in place, the TWG's recommendations drew more heavily on the first two considerations.

Recommendations

a. Payment-related disputes

26. While payment-related disputes are not rampant, the ad-hoc and piecemeal nature of self-employed work in general means more payment-related disputes. During the TWG's public engagement sessions, SEPs such as tourist guides, performers, producers, designers, music instructors and videographers all confirmed that such disputes were a challenge in their industries.

Minimising payment-related disputes

27. The disputes usually happen because (a) there is no written contract, (b) the written contract, if there is one, does not include the important terms, or (c) the important terms stated are not clear. For example, a photographer may negotiate the terms of his services with a corporate client over text messages. Should a dispute occur later, such as which party should bear the costs of equipment purchased, there is no written contract to take reference from. Such disputes are unproductive for all parties.

28. To address this challenge, some SEPs suggested making standard contract templates available. The TWG notes that there are already such documents available for free online⁹. The pressing issue is not the availability of such templates but to encourage a norm where businesses and SEPs are expected to use them.

29. While SEPs may play their part by proposing standard contracts, it is their clients – i.e. corporate service-buyers and intermediaries – who play a larger part in making the use of such contracts a common practice. To encourage more businesses to do so, **the TWG recommends developing a Tripartite Standard¹⁰ for engaging SEPs' services, so that businesses can commit upfront and publicly that they would use standard contracts when engaging SEPs.** This will allow SEPs to identify progressive service-buyers and intermediaries, and also help businesses differentiate themselves to SEPs in demand.

30. To minimise payment-related disputes, the Tripartite Standard would require adopters to provide written contracts which cover key items such as payment schedule, amount of payment, parties' obligations, how terms can be varied and dispute resolution.

31. On dispute resolution, the TWG notes that while mediation is generally a good option for resolving disputes and should be made available, there have been instances where a mandatory mediation clause is used by service-buyers to frustrate SEPs from

⁹ Resources can be found at:

- singaporelegaladvice.com/legal-templates/freelance-service-agreement
- probono.lawsociety.org/Pages/Law-Works.aspx

¹⁰ The tripartite partners developed the Tripartite Standards to help companies build fair and progressive workplaces. They fill the gap between employment laws, which require all companies to comply, and advisories, which provide a reference guide for companies on best practices. Each Tripartite Standard defines verifiable and actionable practices that businesses can publicly commit to adopt, which helps businesses with good practices distinguish themselves.

pursuing their due payment via low-cost adjudication. Therefore, the TWG is of the view that any clause for mediation should not be a barrier to either party bringing any dispute to the Small Claims Tribunals (SCT), which is designed to be low-cost and expeditious.¹¹

Sector-specific contracts

32. Given the diversity of SEPs' work, a sector-specific contract template would be more useful. Looking overseas, there are many examples of associations which provide such templates. For instance, the Professional Writers Association of Canada provides a model contract for voluntary adoption by freelance writers and service-buyers, which lays out clear payment terms and intellectual property rights. The Media Entertainment and Arts Alliance in Queensland, Australia also provides a model contract with clear payment terms for SEPs and service-buyers to use.

33. In Singapore, the media sector has shown the way through the launch of the Tripartite Standard on Procurement of Services from Media Freelancers. This effort was led by the Infocomm Media Development Authority (IMDA) who had worked closely with tripartite partners to develop the Standard. Both service-buyers and SEPs have responded positively.

34. We encourage more sector agencies and SEP associations to follow IMDA's footsteps and work together to customise a Tripartite Standard for their own sector/occupation.

Helping SEPs and businesses resolve disputes

35. When payment-related disputes happen, some SEPs may prefer quick adjudication to recover their owed monies, which they can do so today through the SCT. Other SEPs may prefer mediation, so as not to "burn bridges" and affect future work opportunities within the small circles they worked in.

36. Today, some sector agencies provide support for mediation. For instance, taxi drivers said that the Land Transport Authority's practice of "refereeing" disputes between taxi drivers and taxi operators, and later publicising the outcomes, has helped to set norms for the industry and greatly reduced the number of disputes that had to be adjudicated. Real estate agents said that the Council of Estate Agencies' assistance in acting as a bridge between them and their real estate agencies was helpful in resolving disputes. Similarly, IMDA writes on behalf of media freelancers to their clients to clarify issues of dispute. In addition, IMDA subsidises mediation at the Singapore Mediation Centre for disputes involving media freelancers.

37. The TWG noted that sector agencies could be well-placed to provide such support for mediation given their familiarity with the businesses and SEPs. Doing so could set useful norms that would reduce disputes and enable the industry to grow in a sustainable way. **Therefore, the TWG recommends that more sector agencies help SEPs and businesses in their sectors mediate their payment-related and**

¹¹ Claims at the SCT are capped at \$20,000, if both parties agree to the limit, and no legal representation is allowed, making the SCT an affordable and quick avenue for resolving lower-value SEP contracts.

other disputes, as an alternative to adjudication, which SEPs already have recourse to.

38. For SEPs without sector agencies to support mediation, the TWG recommends extending the voluntary mediation services of the Tripartite Alliance for Dispute Management (TADM)¹² to them.

Recommendations

(1) The TWG recommends developing a Tripartite Standard for engaging SEPs' services, so that businesses can commit upfront and publicly that they would use standard contracts when engaging SEPs. This will allow SEPs to identify progressive service-buyers and intermediaries, and also help business differentiate themselves to SEPs in demand.

- To minimise payment-related disputes, the TWG further recommends that adopters of the Tripartite Standard use written contracts which cover certain key items such as payment schedule, amount of payment, parties' obligations, how terms can be varied and dispute resolution.

(2) The TWG recommends that more sector agencies help SEPs and businesses in their sectors mediate their payment-related and other disputes, as an alternative to adjudication, which SEPs already have recourse to.

- For those SEPs without sector agencies to support mediation, the TWG recommends extending the voluntary mediation services of the TADM to them.

b. Loss of income due to prolonged illness or work injury

39. SEPs understand that they are also exposed to uncertainties that can disrupt their livelihoods or their ability to support their dependents, such as prolonged illness, injury, disability, or accidental death. They need financial protection in three areas to better cope with unforeseen events that can disrupt their livelihood: (i) compensation for loss of future earnings due to death or permanent disability; (ii) payment for major medical expenses; and (iii) compensation for loss of income while recovering from prolonged illness or injury.

40. The TWG noted that there are already existing schemes that offer coverage for the first two areas. For example, the Dependants' Protection Scheme (DPS) provides payouts of up to \$46,000 in the event of death or total permanent disability. About 84% of SEPs already had DPS coverage in 2016. Similarly, Medishield Life is a universal insurance scheme for hospitalisation expenses. There are also other healthcare

¹² TADM has been operational since 1 April 2017 and provides a low cost and effective avenue for resolving disputes between employees and their employers. While claims that come under the jurisdiction of the Employment Claims Tribunals (ECT) require mandatory mediation at TADM, TADM also provides voluntary mediation for other employment-related disputes.

insurance products available for SEPs to further mitigate the risk of major medical expenses.

Gap in protection against loss of income

41. There is a gap, however, in the protection against loss of income due prolonged illness or injury for SEPs. This is likely due to the small and fragmented SEP demand pool. Without more viable protection against loss of income, fewer people may find self-employment a sustainable career choice, constraining Singaporeans' career options.

42. Given this gap, an insurance product to mitigate loss of income for SEPs should be made available. While SEPs would prefer to be insured against loss of income for all medical leave, the TWG recognises that there could be many circumstances where it can be difficult for insurers to prevent abuse. Left unchecked, this would drive up premiums. To keep premiums affordable, the TWG suggests that the SEP insurance offers a daily cash benefit for hospitalisation episodes exceeding 1-3 days or prolonged outpatient medical leave exceeding 7-14 days¹³. It should cover prolonged illness or injury arising from both work and non-work activities, as such conditions can jeopardise an SEP's earnings. Additional protection, including a higher daily cash benefit could be structured as optional riders. SEPs can then choose their desired level of protection.

43. The TWG considered whether the purchase of such injury insurance should be made mandatory. This is done in some countries such as New Zealand¹⁴, where SEPs are required by law to contribute part of their income for national insurance that pays for lost earnings when recovering from an injury. Apart from universal coverage, the advantage of making such insurance mandatory is that it would provide a level playing field, so that SEPs are not competing on the basis of willingness to lower costs by taking on uninsured risks. However, the TWG also recognises that the majority of SEPs in Singapore are in desk-bound or non-manual occupations where the risk of injury is low, such as website designers and insurance agents. Thus, the TWG's view is that it would be too onerous to require all SEPs to purchase insurance. Most SEPs should decide whether insurance is necessary for them.

44. In view of the above, **the TWG recommends that tripartite partners work with the insurance industry to make available an SEP insurance product, which pays a daily cash benefit for hospitalisation episodes exceeding 1-3 days or prolonged outpatient medical leave exceeding 7-14 days.**

¹³ The actual number of days before the daily cash benefit is payable will have to strike a balance between premium affordability and attractiveness of the insurance protection. Further, to keep premiums affordable, the daily cash benefit duration should have a suitable cap, e.g. 60 days for hospitalisation leave, and 14 days for outpatient medical leave. The outpatient medical leave cash benefit should not be payable for the first 7-14 days.

¹⁴ Individuals in New Zealand who are SEPs are automatically on an insurance scheme called "CoverPlus". If an SEP can't work because of an injury, CoverPlus pays compensation of up to 80% of the SEP's taxable income based on the most recently completed financial year, so that the SEP continues to get paid while he is recovering. There is no payout for the first week after the SEP's injury. Premiums for CoverPlus are estimated each year using income from the previous year. SEPs who want to pay a lower premium or whose income varies every year can opt for CoverPlus Extra, which allows SEPs to tailor the insurance to suit their needs.

Encouraging insurance for higher-risk occupations

45. Although purchase of the insurance should not be made mandatory for all SEPs, TWG is concerned for SEPs in higher-risk occupations, who are more likely than other SEPs to face loss of income from injury. However, the higher premiums for riskier occupations may deter purchase by those most in need of such protection. To this end, **the TWG recommends that the Government promote the adoption of insurance in higher-risk occupations through licensing controls, or tapping on Government's role as a service-buyer, where possible.** This levels the playing field so that SEPs are not competing with each other on the basis of their appetite for uninsured risks.

Recommendations

(3) The TWG recommends that tripartite partners work with the insurance industry to make available an SEP insurance product, which pays a daily cash benefit for hospitalisation episodes exceeding 1-3 days or prolonged outpatient medical leave exceeding 7-14 days, as its basic component.

(4) The TWG recommends that the Government promote the adoption of insurance in higher-risk occupations through licensing controls, or tapping on Government's role as a service-buyer, where possible.

c. Lack of CPF savings for healthcare and retirement

46. The TWG heard from many SEPs across different sectors that they were concerned about the uncertainty of finding sufficient work consistently. This affected their income stability and ability to save regularly for future needs such as healthcare and retirement.

47. Currently, to help SEPs save for healthcare, the Government has made it mandatory for SEPs¹⁵ to contribute to their Medisave Account (MA) annually, based on their assessed Net Trade Income (NTI) in the previous year. However, some SEPs find it challenging to make these mandatory MA contributions because of:

- a. **Time-lag.** By the time they are informed of how much to contribute to their MA, many SEPs may have already spent their earnings or reinvested them in their business.
- b. **Cash-flow issues.** With the long time-lag, some SEPs are unable to earn enough in the following year to make their MA contributions, whether in a lump-sum or via monthly instalments. This is especially difficult for SEPs who work in sectors where income is volatile and varies every year.

48. Consequently, the TWG also notes that one in four SEPs have not been keeping up with their Medisave obligations and hence have lower MA savings, making it difficult for them to pay for their Medishield Life premiums and out-of-pocket healthcare expenses. This is despite ongoing efforts to encourage compliance such as imposition

¹⁵ For SEPs with Net Trade Income above \$6,000

of fines or denial of license renewal or application. These SEPs are therefore saving less for healthcare than they should.

49. To help SEPs save for retirement, the Government has so far relied on providing incentives for SEPs to make voluntary contributions to their CPF Special and Ordinary Accounts (e.g. tax relief and higher Special Account interest of up to 5% per annum), no different from what employees receive. Unfortunately, such a promotional approach has not worked very well. As a result, most SEPs aged 55 and above do not have sufficient CPF savings to receive even the Basic Retirement Sum payout from CPF LIFE¹⁶.

50. Although this lack of retirement adequacy is undesirable, the TWG recognises that it is not an immediate issue to be solved. The TWG is of the view that the more urgent issue is how to improve the compliance of the Medisave obligations which is already mandatory for SEPs. With greater compliance, we can then contemplate the thought of requiring SEPs to contribute to the Special Account as well.

51. The TWG notes that some countries have addressed the challenges of SEPs saving for long-term needs. For example, Chile, whose pension system is well-regarded internationally¹⁷, has announced that it will be mandatory for a portion of service fees owed to SEPs to be paid as pension contributions into the SEPs' own pension account from 2019. This contribute-as-you-earn approach will be effected through their withholding tax system (more information in [Annex D](#)).

52. The TWG notes that such an approach can be adapted for use in Singapore. **To better support our SEPs in improving their healthcare adequacy, the TWG recommends adopting a contribute-as-you-earn model whereby:**

- a. **A Medisave contribution is required as and when a service fee is earned.** This will shorten the time-lag faced by SEPs and allow them to better manage their cash-flow.
- b. **Intermediaries and corporate service-buyers¹⁸ who contract with the SEPs shall have the duty to deduct and transmit the Medisave contribution to the SEP's MA when they pay the SEP.** In other words, the intermediaries and corporate service-buyers should channel a portion of the service fee to the SEP's MA before paying the remainder of the service fee to the SEP. There is no change to the SEPs' obligation to make Medisave contributions based on their assessed annual NTI.

¹⁶ About 86% of SEPs aged 55 and above do not have sufficient CPF savings to receive the Basic Retirement Sum payout of \$720-770 under the CPF LIFE Standard Plan, while only 42% of employees in the same age group are unable to do so.

¹⁷ Chile was ranked amongst the top 10 of 30 countries surveyed in the 2017 Melbourne Mercer Global Pension Index (MMGPI). The report noted that Chile's multi-tiered retirement income system has a sound structure with many good features.

¹⁸ This excludes household service-buyers (e.g. households who hire a self-employed electrician to fix the home's lighting, individuals who purchase food from hawker stalls), as it will not be practical for them to pay the Medisave contribution on the SEPs' behalf.

53. The TWG notes that putting this model into effect will require many implementation details to be worked out, and therefore **recommends that the Government further study:**

- a. **How to facilitate contribute-as-you-earn given that intermediaries and corporate service-buyers do not have a system to do so today; and**
- b. **How such a model can work for matching intermediaries that are not directly involved in the service fee payment to SEPs.**

54. The TWG also considered other suggestions surfaced by stakeholders:

- a. Mandatory co-contributions by intermediaries and corporate service-buyers to the CPF accounts of SEPs. The TWG notes that some sectors, such as the taxi industry, already have schemes whereby the intermediaries make voluntary co-contributions to the SEPs' MA. However, such co-contributions pitched as a taxi-hirer benefit are much lower than the required Medisave contributions. Moreover, the driver's actual Medisave liability, which depends on the driver's expenses (e.g. fuel) is unknown to the taxi operator. The situation for other SEP occupations would be equally if not even more complex. As such, the TWG notes that it is impractical to make co-contributions mandatory for intermediaries or corporate service-buyers. Nevertheless, the TWG supports efforts by intermediaries and service-buyers to make voluntary co-contributions on the SEPs' behalf.
- b. Making Government co-contribute to the CPF accounts of SEPs. The TWG notes that Government co-contributions departs from the principle of self-help and will be perceived as unfair treatment in favour of SEPs, given that the Government does not make CPF co-contributions for regular employees. Instead, Government support should be applied uniformly and targeted at those who are more vulnerable. Currently, the Government already makes CPF top-ups to eligible low-wage Singaporean employees and SEPs via the Workfare Income Supplement Scheme.

Recommendations

(5) To better support our SEPs in improving their healthcare adequacy, the TWG recommends adopting a contribute-as-you-earn model, where:

- (a) A Medisave contribution is required, as and when a service fee is earned.
- (b) Intermediaries and corporate service-buyers who contract with the SEPs shall have the duty to deduct and transmit the Medisave contribution to the SEPs' MA when they pay the SEP.

(6) The TWG recommends that the Government further study:

- (a) How to facilitate contribute-as-you-earn given that intermediaries and corporate service-buyers do not have a system to do so today; and

(b) How such a model can work for matching intermediaries that are not directly involved in the service fee payment to SEPs.

d. Lack of occupation-specific competency frameworks

55. SEPs operate in a competitive environment, and many have commented that it takes additional effort for them to band together to further their collective interests. However, these same SEPs also recognise that coming together would meet certain common needs.

56. A number of more experienced SEPs noted that for their industry to be sustainable, it was in SEPs' collective interests to mentor and educate new entrants to the industry, so that their services are of a certain value and standard. This is a worthy goal, and a key institutional support that the TWG believes SEP associations are in a good position to provide is to assess SEPs' skills needs and, where needed, to develop competency frameworks for their respective occupations. These will help SEPs enhance their value and earning capacity as they gain skills through experience and training. It can be a key plank to making self-employment a sustainable career.

57. The TWG therefore recommends that the tripartite partners support the SEP associations to enable them to assess SEPs' skills needs and develop occupation-specific competency frameworks. This will help SEPs keep their skills current, enhance professionalism and make self-employment a sustainable career.

Recommendation

(7) The TWG recommends that the tripartite partners support the SEP associations to enable them to assess SEPs' skills needs and develop occupation-specific competency frameworks. This will help SEPs keep their skills current, enhance professionalism and make self-employment a sustainable career.

Conclusion

58. Self-employment has long been a viable career for those who opt for more flexibility and autonomy. Aided by the emergence of digital platforms, the pool of SEPs may well grow as a share of employed residents in future. The TWG believes that its recommendations will strengthen the institutional support for SEPs. This will help ensure that SEPs can help themselves and take responsibility for their own wellbeing through making informed choices about contracting practices, protecting themselves against contingencies and planning for their future needs.

59. The TWG notes that these adjustments should be seen in the context of the continuous evolution of workplace norms, and the shift away from traditional permanent employment. Workers, whether employees or SEPs, are more likely to work for multiple employers in their career. The trend of jobs being unbundled and disaggregated and automated will continue. This means that it is more important than ever for individuals to play their part to prepare themselves for the future economy by making use of every available opportunity to continue learning, up-skill themselves and remain employable.

60. Finally, the TWG wishes to thank all members of the public who provided feedback and insights via the various general and sector-specific consultations and focus group discussions.

ANNEX A

**COMPOSITION OF
TRIPARTITE WORKGROUP ON SELF-EMPLOYED PERSONS**

Ministry of Manpower

1. Mr Augustin Lee, Deputy Secretary (Chairman)
2. Mr Lee Pak Sing, Divisional Director, Workplace Policy & Strategy Division
3. Mr Then Yee Thoong, Divisional Director, Labour Relations & Workplaces Division

National Trades Union Congress

1. Ms Cham Hui Fong, Assistant Secretary-General & Director, Industrial Relations Department
2. Mr Patrick Tay, Assistant Secretary-General & Director, Legal Services Department & Director, Future Jobs, Skills & Training Department
3. Mr Ang Hin Kee, Assistant Director-General & Director, Freelancers & Self-Employed Unit

Singapore National Employers Federation

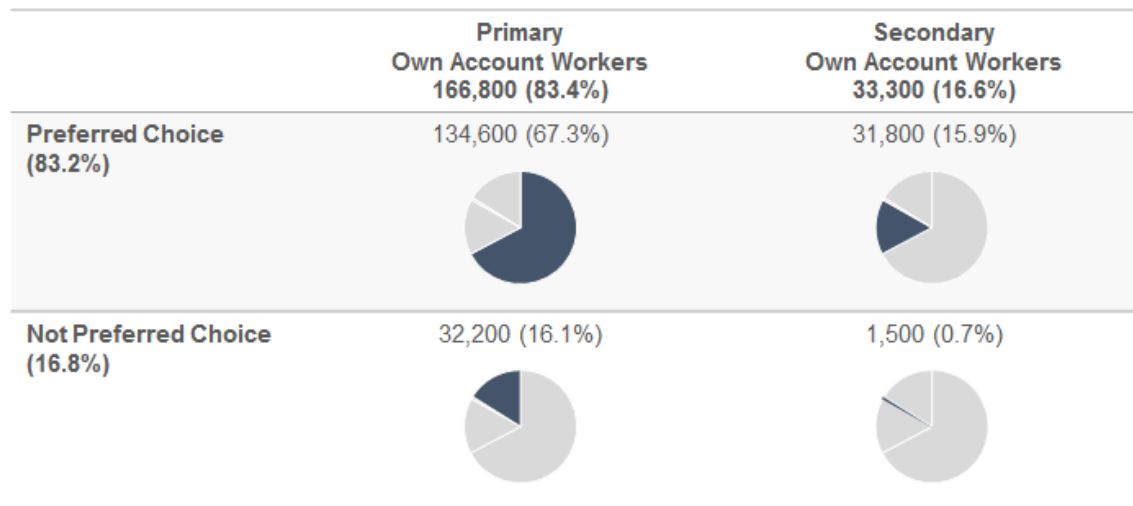
1. Mr Edwin Lye, Group Director, Industrial Relations and Workplace Partnerships
2. Mr Kee Chia Choon, Director, Industrial and Workplace Relations
3. Ms Ang Poh Inn, Deputy Director, Industrial and Workplace Relations

ANNEX B

PROFILE OF SELF-EMPLOYED PERSONS¹⁹

1. Self-employed persons (SEPs) are a diverse group. 83% engaged in self-employment as their primary job (i.e. they were primary SEPs), while the remaining did so on the side (secondary SEPs). 83% were self-employed as a preferred²⁰ choice. Among the remaining 17% who were SEPs even though it was not their preferred choice, those who were doing this as their primary job accounted for 16%-points (Chart 1).

Chart 1: Distribution of Resident SEPs, August 2015 to July 2016



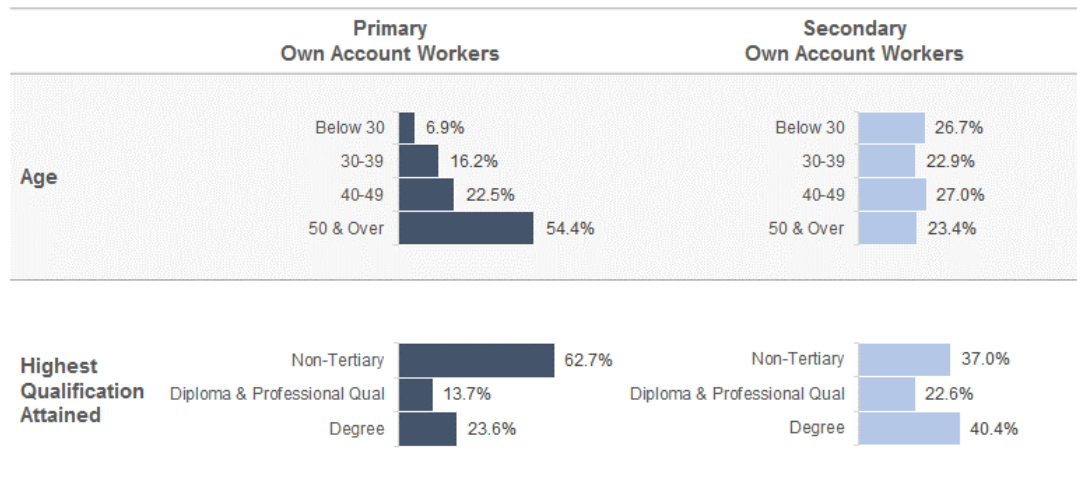
Source: Supplementary Survey on Own Account Workers 2016, Manpower Research & Statistics Department, MOM

2. The profiles of primary and secondary SEPs were different (Chart 2). Primary SEPs were more likely to be older, with 54% aged 50 years and over. They were also more likely to be lower-educated, with 63% holding non-tertiary qualifications. In comparison, 77% of secondary SEPs were aged below 50 years. 63% were tertiary-educated, comprising 40%-points degree-holders and 23%-points diploma-holders.

¹⁹ SEPs in this report refer only to self-employed persons who operate their own business without hiring any employees. They are more formally known as “own account workers” (OAWs).

²⁰ Persons for whom own account work is not their preferred choice of work refer to those who engage in own account work because they are unable to find work as an employee. Among multiple job holders, it includes those who are unable to find full-time work. Those for whom own account work is a preferred choice of work refer to the remaining who do not fall into the above estimate. They engage in own account work to supplement income, or to have freedom in the choice of work and time spent with family members, among other reasons.

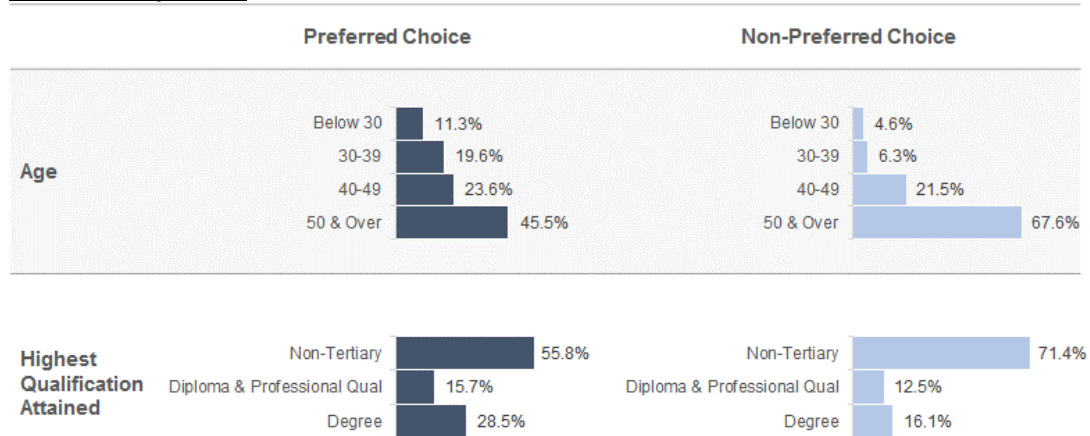
Chart 2: Profile of Primary and Secondary Resident SEPs, August 2015 to July 2016



Source: Supplementary Survey on Own Account Workers 2016, Manpower Research & Statistics Department, MOM

3. Those who were self-employed as a non-preferred choice were likely older and lower-educated. 68% of this group were aged 50 years and above, and 71% held non-tertiary qualifications (Chart 3).

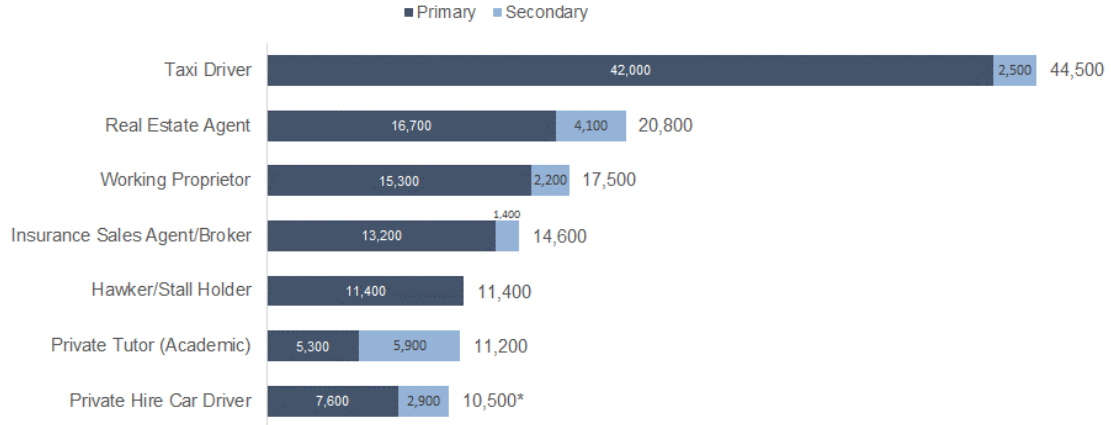
Chart 3: Profile of Resident SEPs by preference for self-employed work, August 2015 to July 2016



Source: Supplementary Survey on Own Account Workers 2016, Manpower Research & Statistics Department, MOM

4. Traditional occupations²¹ such as taxi drivers, real estate agents, working proprietors²² and insurance sales agents, as well as an emerging group of private hire car drivers, were the most common occupations among SEPs (Chart 4). SEPs working in traditional occupations were likely to do so as their primary jobs; a majority were older persons aged 50 years and over. On the other hand, a higher proportion of private hire car drivers and private tutors were secondary SEPs; a majority were younger too. Notably, the SEPs were spread out across many occupations: except for taxi drivers and real estate agents, none of the occupations made up more than 10% of the total SEP pool.

Chart 4: Top occupations among Resident SEPs, August 2015 to July 2016



* Figures refer to private-hire car drivers on online matching platforms (such as Uber, Grab).

Source: Supplementary Survey on Own Account Workers 2016, Manpower Research & Statistics Department, MOM

²¹ These traditional jobs were consistently the top common occupations among own account workers in the past decade as well, based on the Comprehensive Labour Force Survey.

²² Working proprietors in this paper refer to self-employed persons who operate and manage their own businesses without any paid employees. Examples include businesses in wholesale and retail trade such as provision shops and blog shops, or service providers such as printing and renovating services. Self-employed professionals, insurance sales agents, real estate agents, hawkers, electricians etc. who perform the principal tasks of their respective occupations are classified in these occupations and not as working proprietors.

ANNEX C

LIST OF STAKEHOLDERS ENGAGED

1. The Tripartite Workgroup (TWG) conducted a public consultation exercise to seek feedback from all stakeholders, including self-employed persons (SEPs), service-buyers and intermediaries, on SEPs’ top concerns in the future economy.
 - a. The TWG received a total of 39 written responses from stakeholders that responded to the consultation paper published on the REACH platform.
 - b. A total of 170 community leaders from all stakeholder groups attended 4 focus group discussions (TWG “coffeeshop talks”). The following industries were represented; together, they covered more than 56% of SEP occupations.
 - i. Media, creative, and entertainment industries
 - ii. Taxi and private hire car industries
 - iii. Education industry
 - iv. Insurance, real estate, tourism and healthcare industries

The list of stakeholders that participated in the public consultation exercise, where available, is below.

(a) Associations/groups

Association of Professional Trainers (APT)
Association of Women for Action and Research (AWARE)
Attractions, Resorts & Entertainment Union (AREU)
AREU - Tourist Guide Chapter (AREU – TGC)
Band Directors’ Association of Singapore (BDAS)
Chinese Orchestra Group (COG)
Choral Directors’ Association of Singapore (CDAS)
Education Services Union (ESU)
Healthcare Services Employees’ Union (HSEU)
Institute of Estate Agents (IEA)
Insurance and Financial Practitioners Association of Singapore (IFPAS)
Musicians Guild (MG)
National Private Hire Vehicles Association (NPHVA)
National Taxi Association (NTA)
Outdoor Learning and Adventure Education (OLAE)
Professional Photographers Association Singapore (PPAS)
Screenwriters Association (Singapore)
Singapore Association of Motion Picture Professionals (SAMPP)
Singapore Estate Agents Association (SEAA)

Singapore Industrial and Services Employees' Union (SISEU)
Singapore Society of Cinematographers (SGSC)
Singapore Talent, Artistes and Resources Association (STAR Association)
Singapore Training & Development Association (STADA)
Society of Tourist Guides Singapore (STGS)
Sports Coaches Association of Singapore (SCAS)
Working Group for Dance Advocacy (WGDA)

(b) Companies

Bird & Bird ATMD LLP
CaregiverAsia
ComfortDelGro Taxi
CreativesAtWork
Curtin Singapore
Deliveroo
Esplanade
General Insurance Association (GIA)
Grab
HEART Association
Honestbee
IoTalents
Jaga-Me
LASALLE College of the Arts
Life Insurance Association (LIA)
Management Development Institute of Singapore (MDIS)
Mediacorp
Musicians Guild / Timbre
National Association of Travel Agents Singapore (NATAS)
Premier Taxi
Prime Taxi
SMRT Taxi
Taipan Films
ThunderQuote
Transcab
Tueetor
Uber
Vanitee
ZomWork

(c) Occupations of members of the public (where available)

EMBARGOED UNTIL 21 FEBRUARY 2018 2359 HOURS

Adjunct lecturer
Author
Combi driver
Employment lawyer
Financial consultant
Financial planner
Freelance Counsellor
Freelance designers
Freelance educators (Film Directing, Theatre, Hospitality/Food Science, English)
Freelance fashion designer
Freelance interpreter
Freelance makeup artist
Freelance photographers
Freelance website programmer
IT trainer
Limousine drivers
Media freelancer
Private hire car drivers (Uber/ Grab)
Private tutors
Retired school teacher
Self-employed biomedical/pharmaceutical engineer/consultant
Senior Resident Engineer
Trainer

ANNEX D

**CHILE'S CONTRIBUTE-AS-YOU-EARN PENSION SYSTEM FOR
SELF-EMPLOYED PERSONS – A USEFUL MODEL FOR SINGAPORE**

1. The TWG notes that some countries have addressed the challenges of SEPs saving for long-term needs. In particular, Chile provides a noteworthy example. Chile's pension system is well-regarded internationally. It was ranked amongst the top 10 of 30 countries surveyed in the 2017 Melbourne Mercer Global Pension Index (MMGPI).
2. The Chile Government has made innovative strides to improve its pension contribution system for SEPs. Since 2012, Chile has introduced an opt-out pension contribution scheme for all SEPs who issue invoices for professional services rendered. There are two key features. First, riding on its withholding tax collection system, 10% of SEPs' service fees are withheld and used to pay their pension contribution first before taxes. Second, to facilitate the collection process, such contributions are made by corporate service-buyers on behalf of the SEPs.
3. This collection model was implemented via Chile's online tax-invoicing system. Any over-collection or under-collection is refunded or topped up after the tax declaration at the end of the year. The Chile Government has announced that this collection mechanism will be mandatory for all its SEPs from 2019.
4. Chile's model serves as a useful reference for Singapore, and can be adapted to our needs.