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Singapore (The Straits Times/ANN) - The latest Household Expenditure Survey by Singaporean statistics department found that average incomes have risen, with those in the bottom fifth having the biggest gains. But just who constitute the less well-off is a complex issue. Insight looks at this, and whether the Government can better target its welfare buck.

The headlines last month seemed like cause for celebration.

Households in the bottom fifth have seen the fastest income growth among all groups and an improving quality of life, thanks in part to more government help.

Yet, this news, coming from the latest five-yearly Household Expenditure Survey, also raises thorny questions.

Government handouts seem to have improved lives at the bottom, but is there a danger of an over-reliance on such forms of help? And just who should we be focusing on, when we talk about helping the poor?

Critics initially sounded alarm bells over how the bottom fifth seemed to be spending much more than they were earning, but a check by Insight showed that this problem was not as bad as it seemed.

Data from retirees, who do not work, was included in the aggregated income and expenditure figures. When retiree figures were excluded, the gap between income and spending narrowed.

The data shows that the bottom fifth of households, ranked by income per household member, is a highly varied group.

Many are indeed low-income families who need more help.

But a quarter of them are retiree households, some of whom may be doing well, with large properties and ample savings to live off, even if their income is technically zero.

As Singaporean government continues to strengthen safety nets, Insight looks at whether a finer-grained approach might better help the needy, while also ensuring more bang for the welfare buck.

A decade of more transfers

Households in the bottom fifth are earning more from work. Over the past five years, their employment income grew by 4.3 per cent each year, on average.

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But, at the same time, a growing proportion of their household income is coming from non-work sources like regular government transfers, money from relatives and friends, rental or investment.

While this is true of all income groups, the bottom fifth has seen the sharpest rise. Their non-work income is now at 26.5 per cent of total household income, up from 18.9 per cent five years ago and 14.7 per cent a decade ago.

Regular government transfers, in particular, formed 9.3 per cent of their monthly household income last year, compared with between 0.1 per cent and 3.5 per cent for all other income quintiles.

These recurrent transfers include the Workfare Income Supplement (WIS), which tops up the pay of low-wage workers, goods and services tax (GST) vouchers, social assistance and bursaries.

The Department of Statistics, which helmed the survey, told Insight that a breakdown of the different sorts of government transfers was unavailable.

But experts highlight the WIS, which was made permanent in 2007 and has been expanded since, as especially significant.

For National University of Singapore associate professor of social work Irene Ng, it was "a game-changer".

Previously, help was given mostly to those who could not work and had no other sources of support, such as the elderly and disabled, she says. "With Workfare, there is a recognition of the struggles of those who are working, yet are not earning enough."

Unlike one-off transfers or subsidies on specific items, such as housing, the WIS provides regular, sustained help, notes DBS Bank economist Irvin Seah. "The WIS is there all the time. It helps to fulfil basic needs."

Whether thanks to higher wages or government help, spending patterns at the bottom suggest day-to-day life has improved.

Of the total monthly spending by a household in the bottom fifth, 12.8 per cent goes towards food, in the form of groceries.

This is down from 14.1 per cent five years ago - a shift which suggests that this group is, in a sense, better off, says Nanyang Technological University (NTU) head of economics Euston Quah. "As these households gain more income, the proportion spent on basic goods should decrease, as they now move to better and higher quality goods," says Professor Quah.

Indeed, households in the bottom fifth are spending more on eating out, instead.

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They now spend an average of \$44.20 (US\$34.66) a month at restaurants, cafes and pubs, up from \$24 before.

More of these households also own "luxury" consumer goods such as digital cameras and cable TV, compared with five years ago, observes NTU economist Walter Theseira.

Funding a growing norm

BUT if the improvement in these households' lives is driven partly by government help, a question arises: How sustainable is this method of helping the poor?

For instance, should we worry if a greater reliance on government help becomes a norm for those in the bottom quintile, who might otherwise be unable to get by?

To that, Barclays economist Leong Wai Ho and DBS' Seah say a higher share of non-work income among poorer households is expected. "This is inevitable, since we have accepted the reality that stepping up social assistance programmes will benefit this group," says Leong.

This is also a trend among more developed economies such as those in Europe, which spend more government dollars taking care of their needy, says Seah.

In other words, government help is accepted as necessary, and is provided precisely to uplift those who would be struggling otherwise.

Greater reliance is, therefore, not a problem, though over-reliance might be. But that can be avoided because schemes such as Workfare come with strings attached, such as a minimum amount of time spent in employment, says Seah.

Pairing government help with skills training will also help to "avoid the pitfall of a handout mentality", says Leong.

The Government itself has been keen to stress that it is doing more to strengthen safety nets, by raising the income ceiling for the Workfare scheme, so more qualify for it, for instance.

But Singapore Management University law don and political watcher Eugene Tan questions the viability of this new norm.

"There will be competing calls for the Government to do even more, which will have to be balanced against Singapore going down the welfare dependency route which the People's Action Party government has always cautioned against," he says.

Both the Government and political watchers have suggested the possibility of raising income taxes in the distant future to fund this increase in social spending.

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For Singapore to sustain higher social spending, it must keep generating enough revenue from taxes and investments, says Seah.

But before taking that step, a middle path may be to take a closer look at current welfare policies and try for a more refined, less blunt approach.

More bang for welfare buck

One aspect is determining what sort of government help is most useful.

Experts suggest two types of transfers to focus on: those tied to work, and those for education.

Both of these do not simply alleviate the immediate problems faced by the low-income, but also empower households to improve their situation.

"I think the right policies are things like the WIS scheme which not only enhance incomes, but also provide some incentive for households to continue to work and gain work experience," says Dr Theseira.

Similarly, government help with education is important if families are to break out of the poverty cycle, says Prof Quah.

"Poverty will be significantly reduced if the younger children are provided the best possible assistance in education pursuits."

Who needs more help?

But being more precise in helping the needy is not just about choosing the right forms of government transfers. It is also a question of who exactly should be helped.

Certainly, some slip through the cracks. This week, Straits Times readers were moved by the plight of Tan Soy Yong, a 76-year-old who soiled himself while grocery shopping and who was helped by a good Samaritan.

Tan and his wife, Lee Bee Yian, also 76 and who uses a wheelchair, live in a flat in Potong Pasir.

They receive help from the area's Citizens Consultative Committee as well as welfare organisations, but they live in a flat which could do with a clean-up to clear accumulated junk and the stench. Clearly, more can be done to help them.

At the public policy level, the variation between how those within the lower-income quintiles are doing suggests the need for a fine-grained approach, say experts.

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"Policymakers should use more precise methods of identifying those in need," says SIM University (UniSIM) economist Randolph Tan. For instance, more attention could be paid to specific family circumstances such as housing, instead of more common measures such as income alone.

Prof Quah argues that income reference should not be the only indicator used to assess whether a family needs help. "Their wealth and assets must also be accounted for."

Specific groups could be identified. Associate Professor Randolph Tan suggests those in the lowest quintile with young children or elderly dependants who might have trouble holding down a job while performing their challenging caregiving roles.

"Their needs should be met by ensuring their dependants are provided for - for example, childcare, children's school fees, textbooks - with enough assistance so the working members of the household can continue to function effectively in the workforce."

The Government can go even bigger on education top-ups like the Post-Secondary Education Award scheme, where the Government matches dollar for dollar the amount parents save for their child's education, he adds.

Prof Quah says this will also have the long-term effect of easing the needs of children in low-income families so that they can move out of the poverty trap and become self-sufficient.

Identifying specific groups to help is an approach that should extend to the next quintile, which is also diverse.

It can include, for example, both younger households who are just starting out in their careers and mature households who are in lower-paying occupations.

Households firmly in this latter category for a long period of time should be of greater concern, says Dr Theseira, as this indicates that their earnings have peaked and are unlikely to rise further.

And while those in the bottom fifth are clearly the most vulnerable, some households in the next quintile are at risk, too, and should be paid closer attention as well.

"This group does not have the access to much subsidies because they are largely regarded as outside the poor income group, and, yet, the middle-income earners cannot afford much of the increased cost of living over time," says Prof Quah.

Many may be stretching themselves thin to pay for their flat, raise their family and support their elderly relatives at the same time, for example.

"Things can quickly unravel if the breadwinner falls ill or is injured," says Prof Ng.

Experts call for more studies to assess how much help is needed for this group, and where.

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After all, targeted help is more effective than thinly spread assistance, says UniSIM's Prof Tan.

For instance, 800,000 households in HDB flats will receive \$45 million worth of GST Voucher U-Save rebates to offset their utility bills this month.

Those who live in one- and two-room flats will receive \$65, while those in executive flats will get \$45 in vouchers - but UniSIM's Prof Tan questions whether the latter group truly needs it. He argues: "If the coverage had been narrowed, the payouts could have made more of a difference where it counted."

As the Government works to strengthen safety nets without weakening its fiscal position, perhaps greater precision could help in that balancing act.