

## Seamless assistance

By CHARISSA YONG

COMBINE Singapore's various assistance schemes into a single, more streamlined system – that is one suggestion urged by the handbook's authors.

And these schemes should be "opt out" – meaning that Singaporeans who qualify for them should automatically receive payouts, rather than having to go through tedious applications and assessments.

Proponents argue that the current system, which is heavy on paperwork, takes up time, effort and money.

Moreover, the financial concerns of the poor are already a distraction, sapping the of their capacity to make rational decisions, say experts like economists Yeoh Lam Keong and Donald Low.

This draws from the "bandwidth" argument by Harvard economist Sendhil Mullainathan and Princeton psychologist Eldar Shafir.

In their book *Scarcity: Why Having Too Little Means So Much*, they use the term "bandwidth tax" to describe the cognitive burden of poverty.

The professors found that the poor are significantly more stressed by paying large amounts of money while in a position of scarcity, resulting in having less "bandwidth" that is, the capacity to process information and make decisions.

Assistance schemes should aim to help the poor out of this morass, not contribute to this burden, they argue.

Mr Yeoh adds that

automatic schemes reduce the chances of individuals falling through the cracks because they do not know what help they can get, or refuse to apply out of a sense of pride.

But a key move could be to link non-automatic schemes to the Workfare Income Supplement scheme, which automatically covers low-wage workers earning less than \$1,900 a month, say Mr Low and researcher Alisha Gill.

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Both suggest that an individual who gets Workfare payouts could automatically qualify for and receive a fuller range of assistance, such as additional housing, childcare, education, healthcare and eldercare subsidies, that someone in a similar financial situation would be eligible for.

However, the Government prefers working through the social services apparatus, such as the network of Social Service Offices it launched in 2013.

Instead of linking the schemes together, the offices reduce the level of bureaucracy by making it easier for those who need help to get it, a point that the handbook's authors acknowledge.

Experts are also hopeful about a Ministry of Social and Family Development move last year to assign a social worker to each vulnerable family.

These social workers will help their assigned families work through their problems, and coordinate the help from various schemes and agencies.

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## Raising wages

By RACHEL CHANG

DESPITE the Government's stand that a minimum wage would create unemployment among the low-income earners, calls to establish one have continued unabated.

Most notably, the former chairman of the National Wages Council, economics professor Lim Chong Yah, proposed in 2012 a minimum monthly wage of \$1,000 – unless rates of inflation render that too low.

Economists like Linda Lim and Hui Weng Tat argue that a higher wage would lessen the stigma associated with low-end jobs like cleaning and boost low-wage workers' productivity, say the handbook authors.

"It could provide the necessary impetus for the start of a positive, ongoing cycle of skills upgrading and wage increases, enabling workers to reach their full potential," says Professor Hui.

In the political arena, all the opposition parties in Singapore support the establishment of some form of minimum wage.

Among the ruling People's Action Party (PAP), a number of backbench MPs have also consistently called for such a move.

In this year's Budget debate, veteran PAP MP Inderjit Singh (Ang Mo Kio GRC) repeated a longstanding call for the Government to implement a five-year timeline towards a minimum wage of \$1,500 per month.

In his parliamentary speech earlier this month, he argued that an across-the-board minimum wage was still necessary so that those with the lowest salaries do not need to rely on continual state aid.

"A Singaporean earning very low wages – who has a family to support – cannot cope with unrealistically low salaries," he said. "We should formalise a national minimum wage so that Singaporeans are more self-sufficient and don't have to rely on regular government interventions to help them cope."

The Government has eschewed a minimum-wage policy in favour of two initiatives to boost the wages of the low-income: the Workfare Income Supplement (WIS), where cash handouts

are tied to staying in employment, and the Progressive Wage Model, in which labour unions work with employers in three low-wage sectors to gradually ease wages up according to a "ladder" linked to productivity gains.

It believes that these two schemes can boost wages without the corresponding danger of causing unemployment among low-wage workers, which it says has been one of the outcomes seen in other countries with a minimum wage.

At present, workers who earn up to \$1,900 are eligible for Workfare, which gives them about \$100 to \$300 per month in a mix of cash and Central Provident Fund top-ups.

Politicians like PAP's Mr Zainal Sapari (Pasir Ris - Punggol GRC) have consistently called for the payouts to be boosted and a bigger proportion to be handed out in cash.

At the launch of the handbook, noted economist Yeoh Lam Keong argued that Workfare should be increased so that low-wage workers take home, in cash, at least \$1,500 monthly. That is, WIS payouts should be increased to \$500 to \$600, largely in the form of cash, he said.

"People living at this margin need to pay the bills and keep their heads above water," he said.

As for the Progressive Wage Model, it has borne fruit in the form of average-wage increases in the cleaning and security sectors.

The landscaping sector is next in line for the implementation of mandatory wage ladders linked to productivity gains.

MPs like Nominated MP and unionist K. Karthikeyan and Workers' Party Non-Constituency MP Gerald Giam have called for the extension of the model to other sectors.

But Senior Parliamentary Secretary for Manpower Hawazi Daipi said in Parliament last week that the Government does not want to enforce wage ladders beyond the initial three sectors.

"We should allow the market to determine a suitable trajectory of wages based on productivity improvements overtime."

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## HELPING THE NEEDY:

# 5 FRESH FIXES

A report released this week highlights the continuing problem of poverty in Singapore and suggests some ways to deal with it. Insight takes a closer look at the recommendations.

AT FIRST glance, a gleaming city-state like Singapore may not look like it has many people who are starving, without a roof over their heads – that is, those in abject poverty.

After all, help for low-income households has been the overwhelming focus of recent policies like the Workfare schemes supplementing low-wage workers' incomes, and Silver Support payouts for the poorest elderly.

But despite these schemes, the issue of poverty and inequality is still a problem – just hidden, say some academics and experts.

A handbook on poverty issues released this week by the Lien Centre for Social Innovation has gathered suggestions from these experts on how to tack-

le the problem.

In the book, titled *A Handbook On Inequality, Poverty And Unmet Social Needs In Singapore*, they collate calls for policy changes in the Central Provident Fund savings scheme, education, taxes and wages.

The debate over the exact level and landscape of poverty here has been a long-running one, as Singapore – unlike Hong Kong, for instance – does not have a defined poverty line.

Prime Minister Lee Hsien Loong has said that a rigid poverty line might be polarising, and leave some outside the definition of poor.

Instead, Singapore needs several layers of assistance, as it groups of needy are shifting and multi-faceted, he said.

But social welfare groups argue that the true face of poverty is, ironically, hidden by some of Singapore's successes, such as widespread public housing.

The former chief economist of the GIC sovereign wealth fund, Mr Yeoh Lam Keong, estimates that there are about 110,000 to 140,000 Singaporeans who fall into the categories of working poor, elderly poor and unemployed poor.

Regardless of their positions in the debate, all recognise there are the needy and vulnerable who need help.

Whether Singapore can afford such policy moves to boost assistance – scheme payouts is a debate that society must have, say the experts.

Insight looks at five left-of-field measures proposed in the new book.



A disabled elderly man sorting out cardboard to sell to recycling firms. Despite help schemes for households like the Workfare scheme supplementing low-wage workers' incomes, the issue of poverty and inequality is still a problem – just hidden, say some academics and experts. ST FILE PHOTO

## Taxing the wealthy

ONE way to tackle inequality in Singapore is to target the truly wealthy in taxation.

The latest Budget took a step in this direction by raising taxes on the top earners.

Tax rates for the top 5 per cent of income earners – those pulling in at least \$160,000 a year – will go up by 2 percentage points to 22 per cent of income in 2017.

However, some experts argue that this does not go far enough to tax the truly wealthy.

Former Nominated Member of Parliament and political watcher Calvin Cheng argued in a commentary in *The Straits Times* that the wealthy make their money not from earned income, but through investments, including capital gains or dividends. "Many of

these individuals paying higher income taxes are not the truly wealthy," he wrote.

He and others propose wealth taxes – for one thing, introducing a tax on the sale of assets such as property. Such capital gains are currently not taxable in Singapore.

Another suggestion is to reintroduce taxes collected on wealth left behind after an individual's death – that is, an estate or inheritance tax. The opposition Singapore Democratic Party has made this call and wants it to apply to those with assets worth more than \$20 million.

Singapore had an estate duty but it was scrapped in 2008. Then, the Government said that more middle and upper-middle income earners were caught by it but, unlike the super-rich, did

not have the resources to set up trusts and other legal arrangements that let them sidestep death duty.

Revenue from these taxes can fund social schemes, and this redistributive effect can mitigate inequality, the argument goes.

But there is an issue as to why such taxes may not take off, says senior research fellow Gillian Koh at the Institute of Policy Studies: People may not be willing to pay more out of their own pocket to support the needy.

"The Government is not an entity unto itself," she argues. "It is responsive, but also held back by the willingness of people to stump up for taxes to benefit the lower-income."

It may be a real political challenge to convince the general public to agree to this, she says.

The Economist Intelligence Unit's (EIU) Asia economist Narvita Sarma says that

Singapore's taxes are currently low enough to raise them marginally.

But in the long run, raising them substantially higher than those of nearby cities like Hong Kong will hurt the Republic's competitiveness as a business destination.

"One of the main lures of Singapore is that taxes are low," she notes. Singapore is currently judged the world's best place to do business by the EIU in its annual ranking.

As only the top third of income-earners in Singapore pay income tax, she says that a way to raise additional revenue without hurting Singapore's competitiveness would be to broaden the tax base and have a larger proportion of the population pay some income tax.

Or, the Goods and Services Tax could be increased, she says.

"But either would be a politically difficult move," she notes.

CHARISSA YONG



## Using CPF as cushion

VULNERABLE groups like the unemployed, and homemakers, should be better protected by the Central Provident Fund (CPF) system, say experts.

This was one area of policy recommendation covered by the Handbook on Poverty, Inequality And Unmet

Social Needs In Singapore. National University of Singapore (NUS) labour economist Hui Weng Tat has called for unemployment and wage insurance to be provided by CPF in the event of sudden retrenchment. He proposes that individuals

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be allowed to withdraw 50 per cent of their salaries from their CPF accounts for three months, or longer in the case of a recession, to tide them over a period of unemployment.

This can be repaid when they have found new jobs.

Also, to encourage people to take new jobs even if the pay is lower than that of their previous positions, Professor Hui suggests "wage insurance" that would pay someone 50 per cent

of the wage differential for up to 12 months.

His suggestions would soften the impact of being retrenched without "incentivising unemployment", the traditional fear of entrenching welfare payments, say the handbook authors.

Wage insurance would also "increase labour mobility and help reduce the public cost of providing assistance to the more vulnerable income groups".

At the panel discussion

during the handbook's launch on Tuesday, former government economist Yeoh Lam Keong noted that the main scheme to help the unemployed poor right now is Comcare, ad hoc cash assistance given to families in difficulty by their MPs.

"But you have to apply for it and jump through all kinds of hoops," he noted. Supporting the type of CPF-backed unemployment and wage insurance schemes that Prof Hui has advocated, he said: "What

weneed is a national unemployment protection system that is automatic."

Also included in the handbook is NUS economist Chia Ngee Choon's call for tweaks to better protect homemakers and caregivers who have been unable to build up their own CPF.

They should be given automatic access to their husband's CPF savings, she says.

RACHEL CHANG

## Scrapping the PSLE

THAT Singapore's education system does not do enough to promote inter-generational social mobility is a longstanding criticism of experts and observers.

The Handbook On Poverty, Inequality and Unmet Social Needs In Singapore notes that academics like National University of Singapore social work expert Irene Ng reserve special ire for the system of streaming - specifically, the Primary School Leaving Examination (PSLE).

The PSLE, which splits students into secondary schools based on their scores in the nationwide exam at age 12, is "the single most harmful early streaming practice that increases unnecessary stress on students and potentially reduces social mobility", says Dr Ng.

Indeed, in recent years, PAP MP Denise Phua (Moulmein - Kallang GRC), Workers' Party Non-Constituency MP Yee Jenn Jong and former Nominated MP Laurence Lien have all advocated in Parliament for the creation of integrated schools where students can move through seamlessly from ages seven to 16, without having to sit the PSLE.

Ms Phua, who started special-needs school Pathlight, wants the Ministry of Education (MOE) to green-light a pilot of a

10-year school, which she says she will head herself.

Advocates like Ms Phua say that streaming at a tender age disadvantages children from poorer backgrounds, who have less care and attention at home and less access to pre-school and enrichment classes.

As those who do well in the PSLE go on to the top secondary schools with better resources, their advantage is compounded and the gap between them and children from disadvantaged families widens. A 10-year school would allow children to flower without the pressure of standardised sorting before their formative years, they argue.

But Education Minister Heng Swee Keat has made clear that the PSLE is here to stay.

The MOE, he has said, will move to significantly dilute the PSLE's focus on scores. Since late 2012, it has been working on a review with the aim of replacing the PSLE "T-score" with wider grade bands similar to the A1 to F9 grades for the O levels.

The T-score system has often been criticised for fuelling competition by sorting children too finely based on how well a child does relative to his peers.

The education authorities here believe that some streaming is still necessary to maintain the system's high

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Pupils awaiting their PSLE results. The PSLE, which splits students into secondary schools based on their scores in the nationwide exam at age 12, is "the single most harmful early streaming practice that increases unnecessary stress...and potentially reduces social mobility", says social work expert Irene Ng.

ST FILE PHOTO

academic standards, but that such tweaks will dilute the unhealthy competitiveness that has built up.

And in any case, the Government is addressing the social mobility issue by pouring resources into pre-school and early education for children from disadvantaged families, so that they do not fall too far behind their more privileged peers before the start of formal schooling.

Besides creating 15 government-run pre-schools by next year, the MOE aims to have student-care centres in almost all primary schools.

Pupils at these centres receive meals, homework supervision and attention from counsellors.

Government ministers have also brandished statistics to show that social mobility is still healthy in Singapore's education system and in society at large.

In 2011, then Education Minister Ng Eng Hen said that about half the pupils in the bottom third of the socioeconomic bracket scored in the top two-thirds of their cohort in the PSLE.

Earlier this month during the Budget debate, Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam said that among young adults in their mid-20s to early 30s now, 14 per cent of those from families

in the poorest one-fifth have moved into the top one-fifth of income earners.

This compares with 7.5 per cent in the United States and 9 per cent in Britain. Even in the Scandinavian countries, known for their comprehensive social welfare programmes, only about 10 per cent to 12 per cent of those in the lowest income quintile end up among the richest one-fifth, he said.

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