



SMC 2019

# **Singapore Model Cabinet**

**(Income Inequality in Singapore)**

First Topic

**Should Singapore Implement a Universal Basic Income?**

Second Topic

**Should More be Done to Help Low-Income Families?**

# Introduction

## Overview of Income Inequality in Singapore

The topic of inequality in Singapore is receiving increased attention in light of Oxfam's Commitment to Reducing Inequality Index (CRI), an index that measures efforts to tackle the gap between the rich and poor. Singapore ranked a dismal 149 out of 157 countries in 2018. These results put Singapore as one of the bottom 10 countries in tackling inequality. Singapore's low score is attributed to its relatively low level of public social spending; only 39 per cent of the national budget goes to education, health and social protection as compared to South Korea and Thailand of 50 per cent. Another significant reason cited for the low score is due to 'harmful tax practices'. Singapore is deemed to have unfair tax practices where the taxes for the rich and business taxes are considered low (Channel News Asia, 2018). While the government has challenged Oxfam's claims and questioned its methodology, it has also acknowledged inequality as an issue in key speeches and parliamentary debates.

Income inequality refers to the unequal distribution of income across households or individuals in an economy. Income inequality is an inevitable outcome of our meritocratic system in an open economy. Nonetheless, it is perceived as "unfair" when a small portion of the population possesses a disproportionately large amount of the national income. Inequality is acknowledged as a pressing cause of concern as every member of society deserves an equal chance at social mobility, as stated by Deputy Prime Minister Tharman Shanmugaratnam during the Budget 2015 debate (Tham, 2015).

The Gini coefficient is used to statistically measure inequality and the income and wealth distribution within the population, with 0 being perfect equality, and 1 being maximum inequality. Using the Organisation for Economic Co-operation and Development (OECD) method, Singapore's 2017 Gini coefficient before taxation was at 0.417. However, after taxation, Singapore's figure dropped to 0.356, but the figure was still higher than other developed countries. The difference between the Gini coefficients of Singapore and other developed countries was attributed to these countries imposing "higher overall taxes on the working population" in order to finance large social transfers (Heng, 2018).

## **Reasons for Income Inequality**

Growing income inequality in Singapore can be attributed to rapid globalisation, tax policies and Singapore's meritocratic system.

### **Globalisation**

Globalisation has led to an influx in foreign workers entering Singapore. This sudden surge of labour, particularly in industries such as construction, has depressed wages for many in Singapore, hitting low-income Singaporeans the hardest (Leyl, 2014). Hence, the demand for lower-skilled labour decreases. This has led to higher rates of structural unemployment, as individuals lack education and the necessary job skills to cope with the changing needs of the economy. Poorer individuals who lack sufficient resources to upgrade their skill sets are at a greater risk of unemployment, thus inequality can increase (Ho, 2016). Globalisation also usually leads to higher profits for

multinational corporations, where the rich become richer, widening the income gap between the wealthy and poor. Companies are outsourcing labour, in order to obtain cheap labour to cut back on production costs. This, in turn, has hit the low-wage Singaporean workers the hardest, as the circumstances force them to bid lower wages in order to get employment. As a result, income inequality and poverty has worsen in Singapore (Toh, 2016).

### **Tax Policies**

Personal income tax in Singapore is progressive, but tax system over the years has been viewed to favour the wealthy. For instance, there is no tax on capital gain, to attract more wealthy individuals to live or invest in Singapore. Furthermore, corporate tax rates have been reduced to encourage business enterprise, while there is going to be a rise in the Goods & Services Tax (GST), as announced in Budget 2018. To reduce dependence on corporate tax rates for government tax revenue, GST was introduced. It is a regressive tax (Poh, 2018) and impact those from middle-to-lower income strata adversely, and does not equalise wealth distribution between the rich and the poor.

### **Meritocracy**

In a meritocratic society, everyone is granted equal opportunities to succeed in life and climb up the social ladder. Although the system has created upward social mobility amongst most Singaporeans, it also has created structural and cultural conditions that reproduce inequality. For instance, a report by the OECD revealed that in 2015, 46% of disadvantaged students in Singapore were attending "disadvantaged schools", and

poorer students in these schools face the disadvantage of not having access to the best resources. Furthermore, families that are better off financially can afford to invest in their children's talents through tuition or private coaching for extracurricular activities such as sports. This proves that there are still gaps in the system to ensure every individual has a level playing field.

## **Impacts of Income Inequality**

Income inequality has become a cause for concern because of an increasingly apparent social class divide, resulting in downward or stagnant social mobility for low-income households. The chances of someone from a non-wealthy family staying non-wealthy is high. The goal for Singapore is to equalise the starting opportunities in life for all, regardless of background or status (Tharman, 2015). Furthermore, growing income equality has created rips in the social fabric. For instance, due to an empathy gap between individuals whose social status lie on the opposite ends of the spectrum, the poor are often looked down on, referred to as "stupid", and treated with disrespect (Paulo, 2018). Lastly, the resentment that occurs as a result of income inequality and a lack of social mobility can potentially threaten the stability and peace of the country, and even going so far as to pose an "existential threat" to it (Chua, 2018).

# **Should Singapore Implement a Universal Basic Income?**

## **Introduction**

Universal Basic Income (UBI) is a policy that has been gaining traction and support over the past few years. The debate surrounding UBI has almost become ubiquitous in newspapers, magazines and even blogs and forums. Although support for UBI from both sides of the political spectrum has been growing lately, there is still a majority that vocally and vehemently oppose this policy. As the debate around income inequality grows in prominence in Singapore, a key question must be raised: can UBI really be the cure to the issue of inequality in Singapore?

## **Definition of UBI**

According to the International Monetary Fund, UBI can be defined as “a cash transfer of an equal amount to all individuals in a country” (Gaspar, 2017). This means that, unlike most welfare policies, UBI is for everyone, rich or poor, working or unemployed. This is because UBI is implemented not just with the aim of combatting income inequality, but also to specifically fight back structural unemployment as a result of the automation of jobs.

## **Debate on UBI in Singapore**

While the Singaporean government has generally taken an anti-UBI stance, there are voices who are calling for an implementation of UBI in Singapore. Most notable of them all will include former chief economist of the Government of Singapore's Investment

Corporation, Yeoh Lam Keong (Chan, 2017). Some have also called for further debate on UBI, even if they have not explicitly stated their support for the policy. Notable figures include Straits Times editor Chua Mui Hoong. Teo You Yenn, the Professor of Sociology at NTU, has voiced her support for a “universal welfare” programme, which would ensure that all the fundamental requirements for decent living standards have been met (Jagdish, 2018). The debate on UBI has also been extended to members of the public in Singapore, with Reddit forums being set up to discuss the implementation and possible effects of a UBI in Singapore. The growing debate demonstrates the need to discuss the possibility of implementing UBI in Singapore. It is hence important to analyse the recent developments in the Singapore economy and workforce, and whether a UBI could address the possible problems that further exacerbate inequality as a result of the changes taking place in the Singapore economy and its workforce.

## **Current Employment Trends in Singapore**

### **Automation of Jobs in Singapore**

In a study by advisory firm Willis Towers Watson, approximately 29 percent of all jobs in Singapore will be automated by 2020, which was double the percentage in 2017. The same study has also forecasted that 5 percent of full-time workers will lose their jobs by 2020 (“5% of full time workers will lose their jobs to automation in the next three years”, 2017). Hence, as a result of automation, there is a greater likelihood of current jobs being displaced, making unemployment an uncertainty in the future.

## **The Gig Economy in Singapore**

Technology has now rendered freelancing much more accessible and appealing to take part in. Some prominent examples of local companies that employ such short-term workers include Grab and Food Panda. On one hand, many find the flexibility at work a more appealing alternative to a standard nine-to-five work day. However, around 61% of Singaporeans are worried for their financial security as a result of the gig economy, particularly due to their volatile salaries, lack of protection for their wages and retirement savings (“Manulife Investment Sentiment Index”, 2018). To mitigate this issue, the Ministry of Manpower recommends that employers use fair practices when employing ‘platform’ workers, such as by formulating written contracts to avoid problems between the employer and the ‘employee’. However, these practices are not mandatory, hence still leaving gaps in the protection of gig workers’ wages (Syed, 2018). Gig workers in Singapore are also inadequately insured, and are practically left uncovered by the CPF scheme unless they have an official occupation or contribute to their savings on their own, which is difficult for them as most freelancers do not earn high wages (Olano, 2018).

Given the nature of the evolving jobs sector, many people have been calling for UBI to be implemented in Singapore, in order to protect the livelihoods of the many who adversely impacted by the recent developments of the gig economy and the increase of automation of jobs.



## **Arguments for UBI**

UBI is supported by many because it increases the purchasing power of those unemployed, and guarantees flexibility for workers out of a job due to automation (Amadeo, 2018). It is also supported because the money received by workers through UBI can be invested back into upgrading their skills so that they can adapt to the changing landscape of the workforce.

Additionally, those who do not qualify for welfare schemes due to certain rules and conditions but are still struggling to get by can still increase their income through UBI (Amadeo, 2018). With the rise of the Gig Economy, many workers do not have financial security. Moreover, they are more vulnerable in Singapore, whereby welfare systems depend on workers to be employed. For instance, the CPF savings scheme requires an employer to contribute money to one's savings, which renders freelancers without additional contributions from any employer since they are not formally employed by any firm. Also, the Workfare Income Supplement (WIS) Scheme which seeks to supplement low wages requires the worker to be employed before they receive any benefits. Should workers lose their jobs, they will receive no unemployment benefits and will not qualify for the WIS Scheme. Hence Singaporeans who are unemployed for a prolonged period of time will have no safety net (Chua, 2016) so the UBI would be able to help them make ends meet.

Furthermore, UBI reduces the bureaucratic processes and administrative costs that governments have to bear when they implement welfare programmes instead (Amadeo, 2018).

Lastly, proponents of UBI also argue that UBI does not diminish the incentive to work, because the main contributing factor behind why people are inclined to work is because work constitutes a large part of one's self-worth and identity. This implies that while the UBI helps to raise living standards, the economy will continue to grow as a result of workforce participation, indicating that there will be no economic trade-off (Jagdish, 2018).

## **Arguments against UBI**

However, it is important to consider the disadvantages of UBI that have been voiced out by many. Critics argue UBI would actually worsen poverty, because it is not a specifically targeted cash handout to the most vulnerable in society, but rather, a generic cash handout, which means that the rich stand to gain more money that can make income inequality persist. This is because when both the rich and the poor receive the same amount of money from the government, it does not help close the income gap between the rich and the poor. (Goldin, 2018).

Furthermore, many also worry about the economic costs of UBI, which may result in greater economic deficits and a reallocation of funding from other key sectors, such as healthcare and education, to support a UBI (Goldin, 2018). This meant that welfare

programmes that target the poor to significantly improve their living standards could be compromised, which could worsen poverty (Dodge, 2016). In a study by the OECD, taxes will have to be raised by approximately 30 percent in order to sustain a universal basic income (Smulian, 2017). In terms of work incentive, UBI would prevent people from wanting to work as it provides an overarching safety net for everyone, creating a culture of dependency. In addition, a UBI programme also means that the connection between work and income is lost, allowing people to remain unemployed and unproductive. (Goldin, 2018).

Critics also argue that a UBI does not, address the root causes behind why some groups of people in a country are poor, and giving free handouts does not necessarily remove these causes of poverty and inequality, such as inequitable access to education, which are institutional in nature (Winfrey, 2018). To add on, in the context of Singapore, UBI directly contradicts Singaporean values such as hard work and meritocracy that are fundamental to the Singaporean society (Chua, 2016).

## **Case Studies: Finland and Canada**

Many countries have begun experimenting on UBI, to find out if UBI is worth the cost.

The most notable examples include Finland and Canada.

The Finnish experiment, conducted by Kela, lasted for two years, and the Finnish government ended the experiment in 2018. The government instead has introduced alternative social policies that require recipients to be actively working for three months at least. However, the Finnish experiment showed that many UBI recipients were proactively looking for work, and one even stated that he “felt less stressed” after the inception of the experiment (Caughill, 2017). The Finnish experiment also allowed many to start their own businesses (Griffin, 2018).

This case study has illustrated the intangible benefits of UBI, such as positive changes in the psychological state of Finnish workers, but also highlighted the economical difficulties of implementing an UBI.

Meanwhile, UBI was implemented in Ontario, Canada, but the experiment was cut short after only running for slightly over one year, when it had been slated to take place for three years (Winfrey, 2018). The most significant reason behind its cancellation was the hefty cost incurred by the Ontario provincial government, a sum of about \$150 million in Canadian dollars (Setyon, 2018).

Representatives can utilise such a case study as an approximation to the outcome of implementing the UBI in Singapore, and, where applicable, consider areas of improvement.

## **Alternative Policies to UBI**

There are other policies used in Singapore and elsewhere to protect wages and employment opportunities, as well as to combat the impacts of income inequality.

### **Minimum Wage**

Minimum wage is the lowest wage per hour that a worker may be paid (Kenton, 2018). However, a higher minimum wage usually means that there is a higher chance of workers not getting employed as employers would rather turn to cheaper sources of labour instead (Kenton, 2018). Specifically in Singapore, the government believes that a minimum wage will contradict the value of hard work and self-sustenance, which will hamper productivity growth (McGrady, 2017). Singapore is one of the few countries in the world that does not have a minimum wage.

### **Negative Income Tax (NIT)**

The NIT is a policy that allows those earning below the poverty line not to pay personal income tax. Instead, these members would directly receive money from the government. These handouts are financed by the taxes paid by those above the poverty line. The difference between an NIT and a UBI is that everyone is required to pay taxes

even if they receive UBI, and everyone, regardless of financial status, will receive a UBI. The income tax in Singapore is progressive, with individuals earning \$20,000 or below throughout one year being required not to pay any income tax at all. While tax revenue is not redistributed to the poor as cash handouts, the government uses the tax revenue to finance social welfare programmes, indirectly helping the poor in Singapore.

<b>Singapore Resident Tax Rates</b> <small>From YA 2017</small>		
Chargeable Income	Income Tax Rate (%)	Gross Tax Payable (\$)
First \$20,000	0	0
Next \$10,000	2	200
First \$30,000	–	200
Next \$10,000	3.5	350
First \$40,000	–	550
Next \$40,000	7	2,800
First \$80,000	–	3,350
Next \$40,000	11.5	4,600
First \$120,000	–	7,950
Next \$40,000	15	6,000
First \$160,000	–	13,950
Next \$40,000	18	7,200
First \$200,000	–	21,150
Next \$40,000	19	7,600
First \$240,000	–	28,750
Next \$40,000	19.5	7,800
First \$280,000	–	36,550
Next \$40,000	20	8,000
First \$320,000	–	44,550
In excess of \$320,000	22	

*Photo credits: 3E Accounting*

**Table 1: Income Tax Rates in Singapore**

## **Affirmative Action**

Affirmative action is a policy that seeks to help marginalised communities do better economically by reserving some jobs in firms for such demographics, such as the African-American community in the United States. Some have suggested that affirmative action be used in the new wave of automation as well: affirmative action for humans, to protect their jobs from robots (LeVine, 2017). Firms can also reserve jobs for workers from low-income families to guarantee them a source of living. Other affirmative actions can take include welfare aid such as in housing and education by the state or private sector.

## **Skills Upgrading**

Skills upgrading is usually implemented to increase the employability of a country's citizens. It is deemed necessary in the age of automation, as traditional jobs are quickly getting replaced and demand is increasing for jobs that require high levels of technological skills, such as data mining and cloud computing (Sregantan, 2018). In Singapore, the government has been focusing heavily on skills upgrading, with schemes such as SkillsFuture and Workfare Training Support Scheme (WTSS) being introduced. Through SkillsFuture, Singaporeans at or above the age of 25 will be provided \$500 each to enroll in courses to upgrade their skills. WTSS specifically targets Singaporeans aged 35 and above, who do not earn more than \$2000 monthly, to upgrade their skills so that they can move into higher-paying jobs.

### **Tighter foreign labour laws**

Due to globalisation, the influx of foreign labour worldwide has displaced many local workers from their jobs, due to the cheap labour that such workers provide. This has led to a loss of livelihood for many across the globe, including Singapore. For example, in Singapore, more restrictions were placed on companies hiring foreign workers, such as imposing a quota of foreign workers that were allowed to be employed in a firm. The eligibility criteria for a foreign worker to obtain an S-Pass was also made more stringent, with the government deciding to raise the threshold to \$2400 in 2018 (Mokhtar, 2018).

The aforementioned policies could be potentially viable alternatives to an implementation of UBI in Singapore. Representatives should analyse the advantages and disadvantages of implementing such policies in Singapore. Representatives should also analyse the strengths and limitations of such policies in protecting the jobs and wages of workers.



## **Conclusion**

Despite the controversy surrounding UBI, UBI has amassed support from both liberals and conservatives, former economists, tech tycoons as well as low-wage earners. Given the diverse base of support for UBI, representatives should consider the significance of UBI in the Singaporean society, and whether it can tackle the issue of inequality.

Furthermore, given that the primary goal of UBI is protecting the financial security of workers in the event that they become unemployed, representatives should consider whether Singapore should employ a UBI and whether it is possible to achieve the same goals through different means.

Finally, representatives should consider if current policies are doing enough to protect financial security of workers in a changing workforce, where increasingly more people are moving into self-employment, freelance and working casual jobs.

## Questions for Discussion

1. Are the current policies adequate in ensuring that workers are being supported enough financially, particularly low-skilled workers earning low wages?
2. Do all workers deserve a basic guaranteed income from the government? If they do, how much money should the government set as a basic income?
3. How will a UBI have impact the growth of the Singaporean economy? What are also some political and social impacts that a UBI can have on Singapore?
4. If UBI were to be implemented, how would it be funded? Who will oversee the creation and support of a UBI?
5. How can Non-Governmental Organisations and other stakeholders help workers cope with the loss of their livelihood?

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# Should More be Done to Help Low-Income Families?

## Introduction

Singapore has been named the world's most expensive city to live in for the fifth year running (Gilchrist, 2018) based on statistics from the Economist Intelligence Unit's (EIU) Worldwide Cost of Living 2018 survey.

Country	City	Index (New York=100)	Rank	Rank movement
Singapore	Singapore	116	1	0
France	Paris	112	2	5
Switzerland	Zurich	112	2	1
Hong Kong	Hong Kong	111	4	-2
Norway	Oslo	107	5	6
Switzerland	Geneva	106	6	1
South Korea	Seoul	106	6	0
Denmark	Copenhagen	105	8	1
Israel	Tel Aviv	103	9	2
Australia	Sydney	102	10	4

*Photo credits: CNBC*

**Table 2: The ten most expensive cities to live in the world according to the Worldwide Cost of Living 2018 Survey**

Low-income households, especially, have felt the brunt of the high cost of living, due to the increase in food and water prices and medical and dental treatment costs (Tang, 2019). Thus, should more be done to help low-income families?

## **Definitions**

Though there is no official definition of low-income in Singapore, according to the Singapore Department of Statistics, the average monthly household income of the bottom 20<sup>th</sup> percentile is about \$3,000, in 2017.

## **Challenges Low-Income Families Face**

### **Housing**

Having a secure home is one of the biggest challenges low-income families face as the housing options made available to them are limited. Only about 6 per cent of the public housing stock from the Housing and Development Board (HDB), or about 53,000 units, are rental flats, while the remainder is sold flats (Neo, 2016). The monthly household income ceiling that qualifies one for rental housing is \$1,500, which is the type of housing most low-income households opt for if they are unable to afford to buy a HDB flat.

### **Health**

With a rise in the ageing population, healthcare costs are rising, making it harder for the needy to afford vital healthcare services and goods. Moreover, most low-income families struggle to eat healthy because healthier food alternatives are costlier compared to its substitute, such as white bread (Lee, 2017). This means that low-income families cannot afford to lead a healthy lifestyle, which could in turn make them more vulnerable to health problems. Experts say that there is also a correlation between



socio-economic factors and chronic diseases, such as diabetes (Kotwani, 2016). The National Health Survey conducted by the Health Ministry in 2010 revealed that households earning less than S\$2,000 a month had the highest prevalence of obese individuals, compared to those earning S\$6,000 or more. Depending on their needs, low-income households could also receive food rations from voluntary welfare organisations or Family Service Centres (FSCs). Regular items in food packs provided are mostly processed food, including instant noodles and canned food which are high in salt and fat content, contributing to higher risks of diabetes.

### **Education**

Despite Singapore's compulsory six-year primary education and financial schemes put in place to make education more affordable, it is apparent that a class-divide in the classroom still exists. Affluent parents have a significant advantage in investing in and strategising for their children's educational success (Ahmad, 2018). With a higher ability to afford educational resources, such as tuition and enrichment classes, children from wealthier backgrounds are given an edge to excel in school, as compared to their less-privileged counterparts. In a survey by The Straits Times and research company Nexus Link in 2015, 7 in 10 parents said that enrolled their children in enrichment classes. In an education system where tuition classes seem necessary, these statistics further prove that low-income students, without having the privilege of attending tuition classes, may fall behind in the education arms race (Teng, 2015).

Differentiated by streaming and by different types of schools, the Singaporean educational model appears to segregate students along socio-economic lines. At one end, the Integrated Programme (IP) schools offer a myriad of challenging programmes for well-performing students. At the other end, normal technical stream students are primarily channelled to vocational studies (Tan, 2017). As a result, streaming students based on their academic grades unintentionally reinforces elitism in Singapore. It isolates students from well-to-do homes and their peers from disadvantaged backgrounds from young, leading to a fractured society where the best and brightest may not have empathy for the woes of the masses (Teng, 2015). This stratification has discouraging effects which limit educational attainment for students from low-income families and reduce intergenerational mobility. Representatives can discuss the role of education in encouraging social mixing and how we can better the current system.

Tuition aside, though students from disadvantaged backgrounds may also do well in their studies, they may lack soft skills such as people skills, leadership and even self-confidence, as opposed to their wealthier counterparts (Teng, 2018). These intangible gaps can lead to a culture shock when top performers from neighbourhood schools qualify for a premier institution. Mr S. Magendiran, Raffles Institution's senior deputy principal cited that students who qualify for the school do not enrol due to worries about not being able to fit in. Greater emphasis could be placed on providing neighbourhood primary and secondary school children with soft skills through leadership courses, public speaking and social etiquette (Teng, 2015). Representatives can look into reforming the education system — by means such as equalising resources, eliminating

streaming, increasing curricular flexibility and minimising social segregation — to reduce inequality and social stratification, and foster qualities of innovation and entrepreneurship required for future economic advancements.

### **Developmental Challenges**

Children from lower-income households experience greater delays in child development and face learning difficulties (Ng, 2018). Having to independently navigate day-to-day problems from a young age, poorer children are more susceptible to anxiety, depression and impulse control disorders, as compared to their more wealthy peers. Having to deal with the complexities of poverty at such a young age, psychological problems like persistent negative thinking, may continue into adulthood and cannot be easily reversed by budgeting exercises or financial management workshops (Ng, 2018). This traps an individual in the vicious poverty cycle and limits a child's intergenerational mobility.

### **Existing Solutions**

As part of the United Nations Sustainable Goals of reducing inequality within countries, the Government and several Non-government Organisations (NGOs) have introduced several policies and schemes, providing financial and non-financial assistance to low-income households include, but not limited to:

#### **Housing Assistance**

While Singapore does not have an official poverty line, there are a myriad of social assistance schemes introduced. For instance, the Housing Development Board (HDB)

introduced a Public Rental Scheme to cater to Singapore Citizen (SC) households who have no other housing options. Furthermore, HDB provides rental assistance to low-income households, where they have the option to pay rent by instalments within a certain time period, alleviating the financial strain of having to pay a huge sum of money for rent at once.

### **Healthcare Assistance**

The healthcare assistance schemes for low-income families include MediShield Life premium subsidies, where they can receive subsidies of up to 50% of their premiums. They are also eligible for Intermediate and Long-Term Care (ILTC) subsidies if they require further care and treatment after being discharged from an acute hospital, or needs supervision and assistance to manage daily life.

A separate healthcare assistance scheme is the Community Health Assist Scheme (CHAS) that enables Singapore Citizens from lower- to-middle income households, as well as all Pioneers, to receive subsidies for medical care at participating General Practitioner (GP) and dental clinics.

### **Educational Assistance**

The Ministry of Education's (MOE) Financial Assistance Scheme (FAS), provides students with a waiver of school fees and miscellaneous fees, free textbooks and attires, bursaries and transport, all depending on the student's educational level.

Students are eligible for FAS if their Gross Household Income does not exceed \$2,750 per month, or they have a Per Capita Income of \$690 per month (Teng, 2018).

To increase diversity in top independent schools, a revised Independent School Bursary has been introduced where school fees will be further cut by more than half for children from low and middle-income families. For instance, Raffles Institution charges \$355 a month for school fees, but students from households with a per capita income of between \$691 and \$1,000 will from April 2019, pay the same \$25 fee as at government schools (Ang, 2018). As of December 2018, MOE will also be introducing an UPLIFT (Uplifting Pupils in Life and Inspiring Families Task force) scholarship for independent school students from low-income families. Students with a gross-household income of up to \$2,750 or per capita income of up to \$690 will be eligible for this scholarship even if they already have their independent school fees fully subsidised. The UPLIFT scholarship will provide a cash award of \$800 per year to assist low-income students with out-of-pocket educational expenses.

Apart from Government assistance, there are also active efforts from NGOs to aid low-income students. The Four Self-Help Groups: the Chinese Development Assistance Council (CDAC), The Eurasian Association, Singapore (EA), Singapore Indian Development Association (SINDA) and Yayasan MENDAKI (MENDAKI) are NGOs that also play a significant part in providing affordable tuition organised by the various centres for low-income students. Deemed “critical and irreplaceable” by Education

Minister, Ong Ye Kung, the academic and social support these self-help groups provide aids social mobility (Abdullah, 2018).

## **Government Efforts to Lessen the Impacts of Income Inequality**

Higher levels of residential segregation within a metropolitan region are strongly correlated with significantly reduced levels of intergenerational upward mobility for all residents of that area (Powell, 2014). Segregation by income, particularly the isolation of low-income households, also correlates with significantly reduced levels of upward mobility. As part of efforts to lessen the impacts of income inequality and eliminate residential segregation by income, the Government built blocks of rental flats alongside blocks of purchased units in various HDB towns since 2008. With such social mixing, families of different socio-economic statuses reside in the same neighbourhood and the residents share the same common areas and facilities, and by extension, cultivate mutual understanding and social integration.

However, despite the benefits that such forced social mixing reap, there are still mixed views on building rental flats alongside purchased ones. From interviews of 20 residents of mixed rental and non-rental flats conducted by The Straits Times in October 2018, some were against such integration, citing reasons such as uneasiness. Representatives should discuss if social mixing is the best way to integrate people of different socio-economic backgrounds or should other methods be introduced to mitigate frictions on the ground and to lessen the impacts of residential segregation brought about by income inequality,

## Tensions and Trade-Offs

Singapore's approach to financing expenditure is to keep taxes low, while targeting assistance at those who need it the most. In comparison, the Scandinavian model system of high taxes and comprehensive welfare benefits comes at a huge cost for its citizens. With a general increase in budget allocation towards Education, Social & Family Services as well as Special Transfers (Table 3), has the government done enough to help these families, or should more assistance be provided?

<b>Singapore Budget 2018 Allocation</b>	<b>FY 2018 (in billions)</b>	<b>Percentage Change from FY 2017</b>
<b>Education</b>	\$12.8	+1.3%
<b>Healthcare</b>	\$10.2	-2.4%
<b>Social &amp; Family</b>	\$3.1	+16.6%
<b>Special Transfers</b>	\$9.1	+46.2%

**Table 3: 2018 Singapore Budget Allocation**

### **Arguments that the Government should do more to help low-income families:**

The Government should actively intervene in the affairs of low-income families because having a higher spending welfare state promotes the Government's social legitimacy by

stimulating in people the idea that it is doing a good job at enhancing welfare and happiness levels of all its citizens (Geiger, 2012).

In addition, there is an increase in the cost-of-living pressures low-income families face (Yuen-C, 2018) as they spend a higher proportion of their income on necessities as compared to relatively wealthier Singaporeans. By providing extensive and direct assistance to low-income families, there is a likelihood of greater equality of opportunity, “levelling the playing field” and boost intergenerational mobility. If the needy are left in the lurch, the class and social divide between the rich and poor will increase, further deepening social stratification. Moreover, Singapore has billions of dollars in its national reserves (Chia, 2017), and the Government can tap on them in order to extensively fund financial schemes for the needy.

**Arguments that the Government should not do more to help low-income families:**

Having a welfare state with the provision of too many Government handouts is against Singapore’s principles of meritocracy and hard work. Such long-term assistance results in negative moral consequence (e.g. making people lazy and overly-dependent on the Government) and negative economic consequence (e.g. strain on Government’s resources) (Geiger, 2012). The Government would need to prioritise its spending on other important areas. An increase in government spending on resources for low-income families would likely result in higher taxes for the rest of the population in order to finance such increases, which will be further elaborated in the guide. Arguably, other stakeholders, such as NGOs, corporations, charitable and religious organisations



should also play a bigger role in assisting low-income families, instead of merely relying on the government's assistance.

Singapore's policies are seen as providing a 'trampoline' for the needy to propel themselves and move up the social ladder in the long run, rather than a 'safety net' to depend on. However, Singaporeans are seen as overly dependent on the Government. This dependency attitude can be traced back to the Government's success in doing so much for the people that it has bred the mindset that "the Government takes care of me from the cradle to the grave" (Yong, 2016). For example, while America provides very generous welfare benefits for its citizens, many argue that America's safety net can sometimes entangle people in soul-crushing dependency. The welfare state would breed a society with a sense of entitlement, and people who take their successes for granted (Smalding, 2012). Even though such poverty programs do rescue many people, it backfires, as the program introduced to tackle poverty perpetuates it.

When developing a sense of self-reliance amongst individuals, a viable option would be the provision of non-financial assistance from both the Government and other stakeholders. For example, a focus on education, intergenerational mobility (which can be boosted by education) and having common experiences through forced social mixing (to enhance social integration), are crucial non-economic tools to bridge inequality and promote social mobility.

Moreover, many people in need fail to qualify for various assistance due to the strict criteria of policies, leaving many low-income individuals and families without assistance. This brings up the issue of intersectionality, the complexity of determining who is eligible for assistance and how much aid they get. As Singapore becomes more socially diverse, there are further complications to government policies and exactly who is eligible for assistance (Mathews, 2018). So, when designing a one-size-fits-all policy for low-income single mothers, minority-race families or PR families, it may be challenging since their experiences differ based on their intersectionalities. While it is inevitable that designs of policies require group boundaries to be demarcated so that entitlements can be variably given, current policies should be allowed to be less rigid.

## **Trade-Offs Made in Providing Greater Welfare**

### **Cost of Raising Taxes**

The announcement of the future 2% raise in Goods & Services Tax (GST) during Budget 2018 was highly criticised for increasing the costs of living in Singapore. This GST raise was justified with the expected increase on Government's spending on healthcare, infrastructure and security.

Different taxes come with its drawbacks; Higher corporate taxes would put a dent in Singapore's economic competitiveness and the country's ability to attract foreign investment, wealth taxes could affect Singapore's status as a major wealth

management and financial hub, and higher GST would affect lower-income households disproportionately and could also weigh on consumer sentiment and economic growth.

The GST Voucher (GSTV) is a permanent scheme introduced by the Government in 2012 to help lower-income Singaporeans with their GST expenses. The GSTV comprises three components – Cash, MediSave and U-Save, where MediSave is a national savings scheme which helps CPF members save for future medical expenses, especially after retirement while the U-Save rebate helps HDB households to offset part of their utilities bills, and serves to lower overall household expenses. Ultimately, taxpayers are financing such schemes to aid low-income families.

### **Other Forms of Governmental Expenditure**

When the government increases its spending on areas of healthcare and social spending, it will have to lower its budget allocation on other areas that are, debatably, equally as important, such as its defence expenditure and on education.

### **The Role of Other Stakeholders**

Alternative solutions to lessen the burden on governmental resources when providing low-income families assistance would be to work with individuals of higher socio-economic statuses or with Non-governmental Organisations (NGOs). In fact, based on an estimate of Singapore's wealth by Credit Suisse in 2015, 73% of Singapore's wealth

is owned by the wealthiest 20% (Koh, 2016). This highlights the capacity of the wealthy to help the poor.

### **Non-Governmental Organisations**

Currently, there are various NGOs, religious and charitable organisations, such as the Four Self-help Groups, that provide assistance to low-income families through the means of

- a. Enrichment programmes and life-skill workshops
- b. Reading programmes and tuition classes
- c. Scholarship opportunities for low-income students
- d. Medical funding for people of low-income households
- e. Guidance services for low-income families for healthcare and housing

### **Labour Unions**

The National Trade Union Congress, Singapore's sole national trade union center, established the NTUC-U Care Fund to consolidate the Labour Movement's fundraising efforts to better the welfare of low-income union members and their families. Key U Care programmes include the U Stretch Voucher that provides a \$2.50 discount off every \$5 purchase at the participating NTUC Social Enterprises, as well as the U Care Back to School Vouchers that help eligible union members defray the cost of their children's school expenses for the new school year.

## **Corporate Foundations**

There is an increasing number of private corporations in Singapore who work in partnership with local communities or set up corporate foundations on the basis of corporate social responsibility (CSR). CSR aims to ensure companies conduct their business in a way that is ethical. This means taking into account their social, economic and environmental impact. For instance, the Lee Foundation, founded by philanthropist and businessman Lee Kong Chian, is Singapore's largest private charitable foundation and is active in providing financial assistance to low-income families in Singapore.

## **Conclusion**

Over the years, there has been many policies and schemes implemented by the Government to aid low-income families cope with their basic, changing needs and to push for upward social mobility. The help provided by NGOs, Self-Help Groups and charitable organisations complement the role of the Government. Despite new policies being implemented and old policies revised to meet the ever-changing needs of low-income families, there is still a large gap between the rich and the poor. Hence, the issue of inequality remains a relevant and pressing issue in Singapore today. During discussions, representatives should bear in mind the trade-offs made in providing greater welfare and seek to balance security and self-reliance. Beyond that, the representatives should also consider past measures and policies implemented with regards to assistance for low-income families. They are expected to examine the strengths and shortcomings of such policies and to think of ways to further improve them.

## **Questions for Discussion**

1. What are some of the most significant problems faced by the poor in Singapore?
2. To what extent is the Government responsible for providing social assistance to low-income households?
3. What more can stakeholders, such as NGOs, Labour Unions and Private Corporations do when assisting the low-income to alleviate the economic strain on the government?

4. How can the Government better determine who deserves assistance and how much assistance they require?
5. How best can the issue of intersectionality be addressed?

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