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S'pore's social policies: New normal or still an exceptional system?

As circumstances change, the key lies in crafting new policies that combine the left's social empathy with the right's ethic of personal responsibility

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For The Straits Times

While the highly redistributive Nordic model of universal social welfare may be a step too far for Singapore, one possibility is the provision of a "social dividend" for Singaporeans from the state's investment income, says the writer. ST FILE PHOTO

Public policy announcements are always in the news – a new scheme here, an enhancement there. Few, however, pause to reflect on what these add up to. Occasionally, the Government may string together a narrative for a major speech such as during the Budget debate or Committee of Supply, but the message is often lost among the policy details.

As a director at the Ministry of Finance from 2010 to 2016, I felt that there was a story worth telling about how Singapore has quietly but systematically overhauled its socio-economic system since the turn of the century.

We started off with a system that was a significant outlier in terms of social protection. In 2004, National University of Singapore professor M. Ramesh described Singapore as "a special case in the region because of its tenacity in resisting the expansion of state provision of income protection, and because of the extent to which it has gone to encourage and/or compel individuals to meet contingencies on their own".

American political scientist Ron Haskins, following a visit here in 2011, put a more positive spin on this, extolling Singapore as a "crucible of individual responsibility" that has created "one of the best educated, most disciplined and most self-reliant populations in the world".

The Singapore system is founded on self-reliance or individual responsibility towards self, family and community, also described as "reward for work, and work for reward". Through their Central Provident Fund (CPF) savings, Singaporeans provide for their own housing, healthcare and retirement needs, supplemented by government subsidies.

To encourage work and enterprise, taxes are kept low and fiscal redistribution limited. The unemployed are required to tap personal savings, along with family and community help, before turning to the state for financial support as a last recourse. At the same time, the state invests heavily in education and skills for a competitive workforce and self-reliant citizenry.

The Singapore system worked remarkably well, as decades of strong economic growth lifted incomes and improved the lives of most Singaporeans. Rising living standards in turn buttressed public support for policies that promoted long-term economic growth.

RISING COSTS AND INEQUALITY

The system was, however, bound to run up against the same challenges confronting other advanced economies, notably slowing economic growth, rising costs and growing inequality.

Global competition and technological advances have upended traditional business models, putting jobs at risk even as Singaporeans' career and income aspirations have risen. Singapore is also among the world's most rapidly ageing societies, with healthcare costs rising steeply and workforce growth tapering off after years of expansion.

While globalisation has brought outsized benefits to those with skills in demand, it has also pegged back wages in jobs where the supply of skills is abundant, whether due to the influx of foreign workers into Singapore or competition from abroad in exportable sectors.

The concentration of talent and wealth in Singapore confers on the nation a location premium, enabling higher incomes than Singaporeans would otherwise command based on their skills.

However, this has also widened inequality and driven up the cost of living. Maintaining social mobility will become ever more difficult as Singapore society stratifies, with the affluent passing on accumulated wealth and economic advantages to their offspring.

Entering the 21st century, these challenges have necessitated a rebalancing between self-reliance or personal effort, and public or collective support.

Structural transfers to the less well-off, notably the Workfare Income Supplement, the Silver Support Scheme, and the Goods and Services Tax Voucher, have been introduced and enhanced. Social risk pooling, through the introduction of CPF Life, MediShield Life and CareShield Life, has taken on a critical role in healthcare and retirement provision, alongside mandatory savings. Housing and healthcare subsidies have been stepped up, particularly through the Enhanced CPF Housing Grant and the Pioneer and Merdeka Generation packages.

Cumulatively, these moves have taken Singapore a long way since the early 2000s. Singapore now has a more comprehensive social security system, with many of the social programmes found in other advanced economies.

While the absence of a minimum wage and unemployment insurance still stands out, changes are on the way. The Government has indicated that the Progressive Wage Model, a system of sectoral minimum wages with prescribed wage ladders and upgrading pathways, will be extended to more sectors and eventually the whole economy. The National Trades Union Congress, meanwhile, is exploring the design of an unemployment insurance scheme.

END OF EXCEPTIONALISM?

Does this, then, signal the end of Singapore exceptionalism in social policy?

Certainly, a case can be made that Singapore has bowed to the same pressures faced by many other advanced economies and maturing societies. In designing social policy changes, however, the Government has hewed to its principle of upholding individual responsibility and personal effort.

For instance, Workfare rewards work; social insurance premiums are often paid for by one's own CPF savings. In lieu of a statutory minimum wage, the Government is expanding the coverage of progressive wages which are tied to productivity and skills upgrading, and hence more in keeping with the spirit of "work for reward".

Upstream intervention continues to be prioritised – public investment in education and skills has been enhanced, brought forward to early childhood, and extended through life. Tax incentives encourage community giving, while welfare benefits remain residual rather than universal. Social support is provided in a way that is consistent with the Government's socio-economic principles, but the principles themselves are being interpreted more broadly to accommodate new forms of support.

Singapore also retains unique strengths compared with other systems, including high savings and home ownership rates, and investment returns on state reserves which have become the largest source of government revenue, ahead of even corporate income tax.

Notwithstanding the suite of policies already introduced to shore up social protection, the question is what more is needed to sustain the social compact in the face of economic volatility and the relentless upward pressure on inequality.

With Covid-19 and climate change adding to the structural and demographic driving forces reshaping Singapore's economy and society, it is timely to reflect on this.

The Government can continue to increase the coverage and support rates of schemes such as Workfare and Silver Support. To strengthen support for displaced workers, employment facilitation could be complemented by unemployment insurance or a precautionary savings scheme (perhaps riding on CPF), supplemented by government top-ups for the less well-off. It is also important to get more self-employed persons into the CPF system so that they can accumulate savings for their medical needs and retirement.

While shifting to the highly redistributive Nordic model of universal social welfare may be a step too far for Singapore, one possibility is for the Government to provide a "social dividend" from the state's investment income. This could be framed as supporting national solidarity rather than as a form of residual support for the less well-off.

Unlike Workfare, Silver Support or the GST Voucher, the dividend would be given to all Singaporeans but may have to be tiered according to wealth or cumulative income in order to keep the fiscal cost manageable. If tied to some measure of economic performance, it could engender support for policies that promote growth and keep the economy open, while helping to offset the cost of living in a global city.

Together with other forms of social support with which it could potentially be rationalised, a regular social dividend (in contrast to ad hoc sharing of Budget surpluses) could give Singaporeans greater peace of mind to ride out the vicissitudes of economic cycles, especially for those whose jobs and incomes have been threatened by economic restructuring or the impact of Covid-19.

To sustain social mobility and keep inequality at bay, upstream investment in education and skills remains a priority. Concurrent downstream efforts, such as imposing more progressive taxes on incomes and particularly wealth, may also be necessary to preserve fairness and social cohesion, so that inherited advantage does not undercut the principle of "work for reward".

Further reducing reliance on lower-skilled foreign workers is a must to drive productivity and raise local wages across the economy, while recognising that Singapore cannot divest the bulk of the foreign workforce without shrinking the breadth of its economic activity. As for higher-skilled foreigners, the balance must be found between assuring Singaporeans of fair opportunities for jobs and career development, and keeping Singapore open to reap the considerable advantages that come with being a global city.

Finally, public agencies must be zealous in managing expenditure – not tightfisted when money ought to be spent, but constantly checking the tendency towards excess. In the provision of public services and amenities, it is important to offer lower-cost options to Singaporeans.

There must also be strong effort to develop and sustain common spaces, which are crucial in forging a shared national identity.

The Singapore system would require, as Senior Minister Tharman Shanmugaratnam has suggested, the "social empathy and solidarity" advanced by the left, together with the "ethic of personal responsibility and effort" espoused by the right – personal effort with collective support, in short. This may be the ticket to Singapore's continued exceptionalism in the new normal.

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