# Chapter 4

# Social Protection in Singapore: Targeted Welfare and Asset-based Social Security

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March 2010

**This chapter should be cited as**
Choon, C. N. (2010), 'Social Protection in Singapore: Targeted Welfare and Asset-based Social Security', in Asher, M. G., S. Oum and F. Parulian (eds.), *Social Protection in East Asia – Current State and Challenges*. ERIA Research Project Report 2009-9, Jakarta: ERIA. pp.90-123.

CHAPTER 4

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## 1. Introduction

Singapore has pursued neo-liberal economic policies to promote export-oriented growth. This has successfully uplifted Singapore from a third world developing country to a first world developed country. However, how inclusive is this remarkable growth? Has it benefited all segments of the population? Has it lifted the top income tier more than the lower income? One observation from Singapore's recent annual government budget is that, besides using fiscal measures to strengthen existing pillars of growth and to identify new engines of growth, increasingly new initiatives are also implemented to redistribute incomes to older, lower wage workers, to make economic progress more inclusive. There is a shift towards a more embracing attitude towards using cash transfer to the less privileged in the society. Social protection is a necessary function of the government. Social protection ensures adequate standard of living during times of unemployment, disability and retirement. The target groups for social protection include low-wage workers, low income families, unemployed workers and needy elderly. With the feminization of aging, social protection also covers needy female elderly as well.

It is needful to point out that social protection in Singapore is not to be equated with state welfarism. One of the unique features of Singapore, since its independence from the British in 1959, is the absence of a welfare state (even during times of economic recession)[1]. The standard feature of the European-style or Western-style welfare system is characterized by formal institutional social assistance in the form of cash hand-outs to the unemployed, the disabled, the elderly and children. Thus from these perspectives, Singapore appears to be "a stingy nanny and that the city state stays strict with the needy" *(The Economist, February 2010*). The general perception is that, in Singapore, social expenditure is low and social assistance is limited.

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[1] For example, as pointed out in an article titled, "Welfare in Singapore: The Stingy Nanny" in *The Economist*, February 2010, "the aftershock of a deep recession, which pushed unemployment among citizens up to 4.1% in September - high for Singapore - has not altered the popular belief that the dole is bad for society."

The social protection model in Singapore fits into what can be loosely referred to as the Confucianist welfare model, with emphasis on individual and family self-reliance and on community support. This model is represented, in Figure 1, as a pyramid with "many helping hands"[2]. Individuals are at the base of this pyramid - individuals must first help themselves. This is an affirmation of the widely and frequently used quote in Singapore -"*It is better to teach them to fish than to give them fish*"-[3]. Family comes next in the pyramid. Welfare assistance is given to households and families are expected to work together. At the top of the pyramid is the government which, in partnership with community and voluntary organizations, offers help in a public-private partnership.[4]

**Figure 1. Singapore's Social Protection Pyramid**


*Source:* Ministry of Community Development Youth and Sports.

This paper examines the current state of social protection in Singapore and the challenges it faces. Besides focusing on social support for the needy and unemployed, we also examine social protection for the aged population since aging is an important

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[2] See statement by Mr Abdullah Tarmugi, then Acting Minister for Community Development at the World Summit for Social Development, Copenhagen, Denmark, 10 March 1995.

[3] This adaptation is from Lao Tzu, an ancient sage, *Give a man a fish; feed him for a day. Teach a man to fish; feed him for a lifetime*".

[4] Jones (2002) examines the partnership arrangement between the government and the various private voluntary sectors in implementing welfare programs in Singapore.

feature of the Singaporean demographic landscape. Currently, 8% of the population is aged 65 and above and this proportion is expected to increase to 19% by the year 2030 (MCYS, 2006). We will examine critically how the current policies have or have not helped in terms of the employability of older people, financial security and healthcare financing.

The paper is organized into six sections, including this introduction. In the next section, we highlight the socioeconomic performance of Singapore and the issue of income inequality. Section 3 outlines the current targeted welfare program and also Singapore's social policy of investing in education, health and housing; the way that mandatory retirement savings are linked to housing financing has led to asset-rich Singaporeans. This brings us to Section 4, in which we will examine the implications of asset-based social security on retirement financing. Section 5 looks at social protection in terms of how healthcare is financed. Finally section 6 concludes with some policy implications.

## 2. Economic Development and Income Distribution

Since independence in 1965, Singapore has progressed from the Third World to the First. In 2008, Singapore's per capita GDP in terms of purchasing power parity was US$49,288, surpassing that of the United States (US$46,716) and Switzerland (US$42,534)[5] thus, fulfilling the ruling leader's dream of being the "Switzerland of the East".

The economic management of Singapore is based on two broad principles. First, it adopts a free market system and does not restrict foreign ownership of businesses. Second, it is a highly open economy with a strong outward orientation for trade and investment. Singapore's economic success can be attributed to visionary development strategies and targeted industrial policies of "picking the winners". The development experience of Singapore, over the last four decades, seems to mirror the stages of

[5] World Bank (2009), per-capita values were obtained by dividing the PPP GDP data by population.

competitive development, as described by Porter et al. (2002). The first stage of development from 1960 to 1964 is characterized as *factor-driven* to solve the massive unemployment at that time. Following separation from Malaysia in 1965, Singapore actively pursued an export-oriented growth strategy using tax incentives to attract multinational corporations (MNCs) to Singapore. It also established national companies to harness its location advantage and potential. These include Singapore Airlines, Neptune Orient Line, Development Bank of Singapore and Sembawang Shipyard. The average growth rate during the period 1965 to 1979 was 10% and was accompanied by massive employment creation. By 1979, Singapore had attained full employment, with an unemployment rate of 3.3%. The tight labor market at that time posed new challenges and led to an economic restructuring towards higher value-added and more capital-intensive activities. Singapore entered into the *investment stage* of economic development, with emphasis on investment in capital equipment. In 1985 Singapore suffered its first economic recession. When she recovered, the development strategy was to diversify the economy towards a knowledge-based economy through technology deepening and cluster development. By the 1990s, Singapore entered into the *innovation stage.* The first National Science and Technology Plan articulated that "technological innovation and development is key to the economy's continued success". (NSTB, 1996). As Singapore entered the 21$^{st}$ century, new pillars of growth were identified in the pharmaceutical industry (with particular focus on biotechnology and biomedical science), chemicals, logistics, tourism and financial services. In the face of more intense competition from other cities, Singapore began a series of "remaking" and "reinventing" activities to become a more vibrant and livable global city. In a bid to be such a city, the government approved two casinos to operate in this island city state, hosted the first Formula One night race and will host the world's first Youth Olympic Games. In the 2010, Singapore entered into a phase of economic restructuring to increase total productivity (land, capital and labor) to achieve a more "inclusive and quality" economic growth of 3% to 5% p.a. The Budget 2010 outlines measures to incentivize employers to use labor more efficiently and to lower their reliance on foreign labor by raising the levies imposed on unskilled labor.

Tables 1 and 2 respectively present the economic and social indicators using 2006 data. The sample countries include the four Asian tigers (Hong Kong, Singapore, South

Korea and Taiwan) and six other developed countries (Australia, Canada, Japan, New Zealand, the United Kingdom and the United States). As can be gleaned from the Table 1, compared to the other Asian tigers, Singapore has higher per capita gross national income and relatively lower unemployment rate and inflation rate. Compared to the more developed countries, Singapore has lower unemployment rate. Table 2 shows that Singapore is a small country, with the second smallest population (at 4.4 million) after New Zealand (4.2 million). It is interesting to observe that all Asian tigers, including Singapore, have very low fertility rates. Another noteworthy feature is that Singapore has the highest home ownership rate (at 90%), compared to the United States (69%) and the United Kingdom (72%). Hong Kong has the lowest home ownership rate at 53%. We will discuss, in Section 4, how the unique way of allowing pre-retirement withdrawals of the retirement savings to finance housing, together with other supply-side mechanisms, has encouraged home ownership in Singapore. This has allowed the Singapore government to use an asset-based old age security, whereby several initiatives are implemented to help unlock housing assets to finance retirement.

**Table 1. Selected Economic Indicators, 2006 – Comparison with Selected Countries/ Regions**

| | Singapore | Australia | Canada | Hong Kong | Japan | S. Korea | New Zealand | Taiwan | United Kingdom | United States |
|---|---|---|---|---|---|---|---|---|---|---|
| Real Growth in GDP (%) | 8.4 | 3.2 | 2.8 | 6.8 | 2.4 | 5.0 | 1.6 | 4.8 | 2.8 | 2.9 |
| Per Capita GNI (US$) | 30,483 | 36,651 | 38,847 | 27,105 | 35,169 | 18,481 | 24,049 | 16,532 | 40,107 | 43,617 |
| Unemployment Rate (%) | 2.7 | 5.0 | 6.3 | 4.8 | 4.1 | 3.5 | 3.5 | 3.9 | 5.5 | 4.6 |
| Lab Force Participation Rate (%) | | | | | | | | | | |
| Males | 76 | 72 | 73 | 71 | 73 | 74 | 75 | 67 | 84 | 74 |
| Females | 54 | 57 | 62 | 53 | 49 | 50 | 62 | 49 | 74 | 59 |
| Inflation Rate | 1.0 | 3.5 | 2.0 | 2.0 | 0.3 | 2.2 | 3.4 | 0.6 | 2.3 | 3.2 |

*Source:* Singapore, Department of Statistics, Singapore in Figures, 2009.

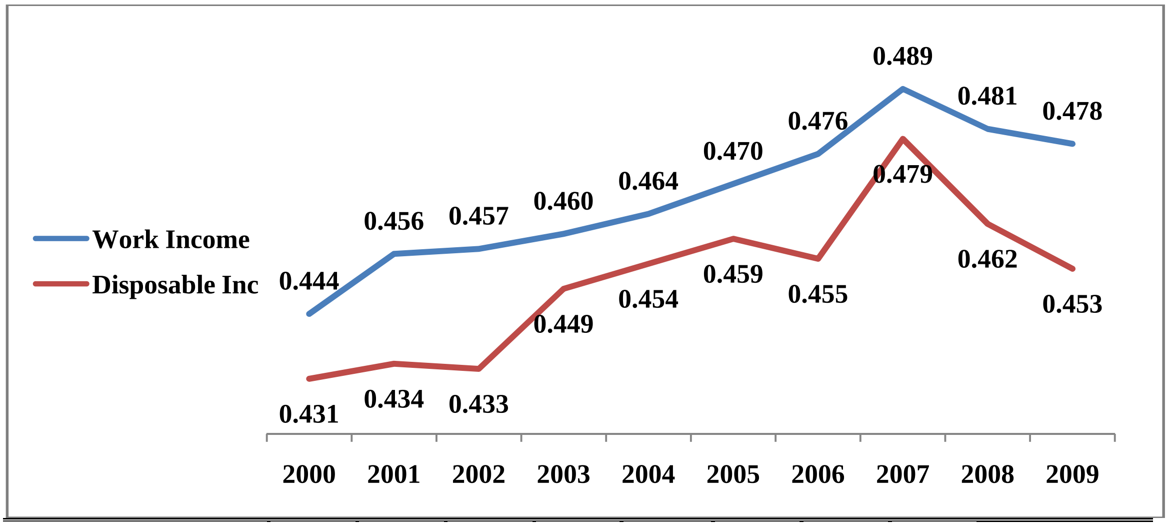
**Table 2. Selected Social Indicators, 2006 – Comparison with Selected Countries/ Regions**

| | Singapore | Australia | Canada | Hong Kong | Japan | S. Korea | New Zealand | Taiwan | United Kingdom | United States |
|---|---|---|---|---|---|---|---|---|---|---|
| Population (million) | 4.4 | 20.7 | 32.6 | 6.9 | 127.7 | 48.3 | 4.2 | 22.9 | 60.6 | 299.8 |
| Life Expectancy at Birth (yrs) | | | | | | | | | | |
| Males | 78 | 79 | 78 | 79 | 79 | 76 | 78 | 75 | 77 | 75 |
| Females | 83 | 84 | 83 | 86 | 86 | 82 | 82 | 81 | 82 | 80 |
| Infant Mortality Rate | 2.6 | 4.7 | 5.4 | 1.8 | 2.6 | 3.8 | 5.1 | 4.6 | 5 | 6.9 |
| Total Fertility Rate (per female) | 1.28 | 1.81 | 1.59 | 0.98 | 1.32 | 1.12 | 2.0 | 1.12 | 1.86 | 2.1 |
| Doctors per 10,000 population | 16 | 28 | 19 | 17 | 22 | 18 | 23 | 17 | 7 | 27 |
| Home Ownership (%) | 90 | 70 | 66 | 53 | 61 | 56 | 68 | 88 | 72 | 69 |

*Source:* Singapore, Department of Statistics, Singapore in Figures, 2009.

During most of 1990s and 2000s, Singapore registered consistent GDP growth of 6% - 7%. Although income distribution improved in the 1980s, the Gini coefficient increased from 0.436 in 1990 to 0.467 in 1999. It continues to trend up, reaching a peak of 0.489 in 2007. See Figure 1. It improves somewhat in 2008 and 2009 due to more targeted redistributive packages to lower-income households. This will be discussed in greater detail in Section 3 of the paper. The ratio, in terms of average income, of the top 20% to the lowest 20% of employed households has also increased steadily. In 2008, the average income of the top 10% is about 13 times that of the bottom 20%. Income skewness is also apparent when we look at the mean income ($6830) and median income ($4870)[6]. More than half of the people earn only two thirds of the average income.

**Figure 1. Gini Coefficient among Employed Households**




| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Ratio of average income of top 20% to lowest 20% | 10.1 | 11.1 | 11.3 | 11.5 | 11.7 | 12.3 | 12.4 | 13.2 | 13.0 | 12.7 |

*Source:* Singapore, Department of Statistics (2009), *Key Household Income Trends,* 2008.
*Notes:*
1. Work income refers to household income from work per household member.
2. Disposable income is based on household income from work per household member, after accounting for the government's transfer payments and taxes.
3. Figures for the year 2009 are obtained from the Department of Statistics, *Yearbook of Statistics, Singapore 2010.*

[6] All dollars are in Singapore Dollars (US$1 approximates S$1.4).

## 3. Current State of Social Protection in Singapore – Targeted Welfare System

Social protection programs aim to alleviate poverty, redistribute income, smooth lifetime consumption and provide insurance against longevity risk. How are these achieved in Singapore? The Singapore government adopts a neo-conservative approach towards social welfare, that is, with limited involvement in welfare provision. Social assistance is not an entitlement; and discretionary short term support is rendered to the unemployed, the ill, disabled and poor aged. Social assistance is ad hoc, as poverty is viewed as a short term problem due to special circumstances. There was an aversion towards welfarism as it was feared that this may lead to a "crutch mentality". Singaporeans are often exhorted to steer clear of a welfare mentality[7]. Welfare programs, though modest, are targeted at merit goods. The government prefers to "tilt the playing field in favor of low-income groups" by offering education and housing grants and wage subsidies rather than handing out doles[8]. As pointed out by Asher and Rajan (2008), Singaporean policymakers have consistently emphasized that the best way to develop social security for workers is to pursue economic and human resource policies which provide continuous high employment. Given that the Singapore government has been accumulating budget surplus, the absence of social welfare schemes is not due to a lack of fiscal strength but rather because of ideology[9]. The Singapore government favors the workfare approach and has a firm belief that what is best for the unemployed people is not offering financial support but helping them to advance their own skills and promoting job-matching to help them get re-employed through work support programs.

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7 There seems to be a shift in such ideology. In his National Day Rally Speech in August 2001, the then Prime Minister Goh Chok Tong warned against building up a "crutch mentality" and Singaporeans are exhorted to steer clear of the welfare mentality (See Goh, 2001). However in 2005 during the launch of ComCare, Prime Minster Mr. Lee Hsien Loong said this "With economic restructuring, a small but growing minority of Singaporeans will face hardship. The breadwinner may lose his job, a family member may fall ill or the children may have problems meeting school expenses. ComCare will provide a safety net for this small group" (See Lee, 2005). ComCare (see Appendix 1 for details) is an integrated approach to address poverty and hardship for this group of Singaporeans.

8 See Speech by Prime Minister Lee Hsien Loong in Parliament, November 2005.

9 See Jones (2002), Asher and Rajan (2008), and Mendes (2009).

### 3.1. Low Social Expenditure

One outstanding feature of Singapore's government is that it is 'small and lean'. Total government expenditures averaged around 22% of GDP from 2003 to 2008. Table 3 shows that it is trending upward. The figures for most Asian countries range from 15% to 30%. The Organization for Economic Co-operation and Development (OECD) countries, on the other hand, tend to have a higher ratio (30% to 55%), due mainly to higher expenditure on social security.

**Table 3. Government Expenditure, 2003 to 2008**

| | 1998 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|
| GDP | 137,902 | 162,382 | 185,365 | 201,313 | 221,143 | 251,610 | 257,419 |
| Development Expend | 10,557 | 7,953 | 8,482 | 8,107 | 6,412 | 6,983 | 8,880 |
| Operating Expend | 14,236 | 19,236 | 19,936 | 20,675 | 23,463 | 24,352 | 28,590 |
| Total Expend | 24,794 | 27,189 | 28,418 | 28,781 | 29,875 | 31,334 | 37,470 |
| Total Expend as % of GDP | 18.0 | 19.7 | 20.6 | 20.9 | 21.7 | 22.7 | 27.2 |
| Social Expend as % of GDP | 7.3 | 7.6 | 7.0 | 5.9 | 5.3 | 5.5 | 6.0 |

*Source:* Computed from Singapore, Department of Statistics, *Yearbook of Statistics Singapore*, various years.

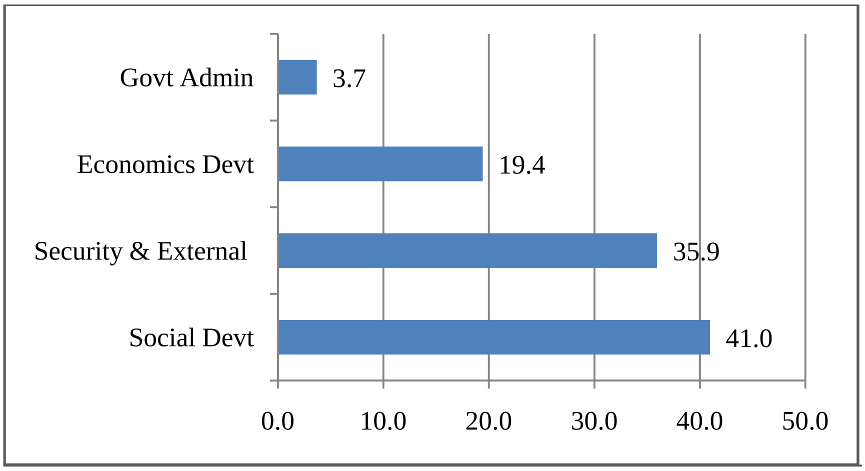
Average social expenditure as a percentage of GDP is around 6% in Singapore. This is very low when compared to other more advanced countries. However, as pointed out by Mendes (2009), this low level of spending can be misleading since Singapore government acts more as a regulator rather than a direct provider and funder of welfare services. The government administers welfare programs through the Ministry of Community Youth and Sport (MCYS), which in turn partners with communities (for example, the Community Development Councils (CDCs)), voluntary welfare organizations (VWOs) and religious organizations. Other government agencies involved in social protection include the Ministry of Manpower (MOM) which addresses labor issues and the Central Provident Fund (CPF) which helps to facilitate income transfers schemes.

Government expenditures are classified into four major categories - social development, economic development, security and external relations and government administration. As can be seen from Figure 2, social development enjoys the biggest share of the budget at 41%. Figure 3 shows a further breakdown of social expenditure.

As can be gleaned from the Figure 3, education expenditure forms more than half of all social expenditure. This is not surprising because in meritocratic Singapore, education spending is regarded as the best form of social protection; and helping to facilitate social mobility. The next largest share goes to healthcare (17.3%), to ensure that Singaporeans have access to good and, affordable medical care. Expenditure on housing (12.3%) highlights an asset-based provision of social security, through subsidized public housing. Singapore is now a home-owning society, and Singaporeans are asset-rich.10 The average home equity among public housing dwellers is about S$154,000, which is three times their annual household income (Chia and Tsui, 2009).

Spending on education, healthcare and housing constituted part of the targeted "welfare" program. The MCYS, which administers the government welfare programs directly to the needy, has a smaller share at 9.2%. Appendix 1 summarizes some of the social protection programmes overseen by the MCYS. With the absence of a formal welfare system, financial assistance schemes are provided on an ad hoc basis. They are mostly interim provisions and have strict eligibility criteria with means testing.

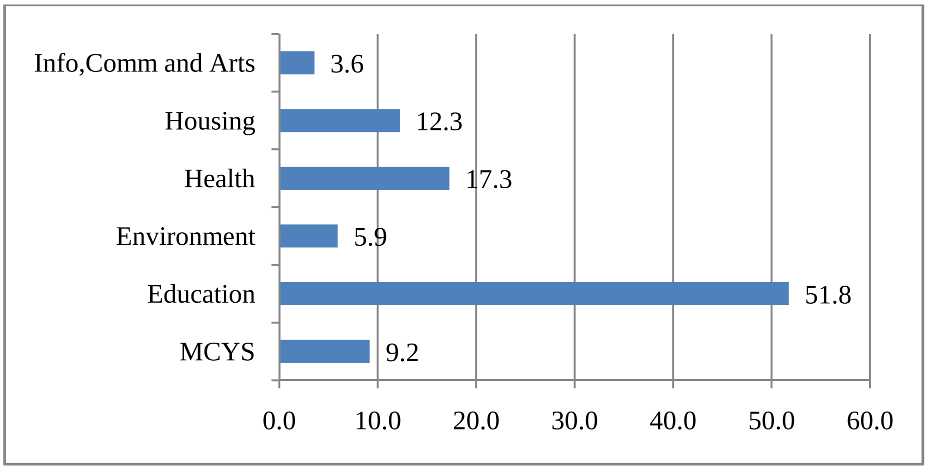
**Figure 2. Percentage Share of Total Government Expenditure (Operating and Development Expenditure), 2008**




*Source:* Computed from Singapore, Ministry of Finance, *Budget Statement*, 2009.

[10] Recently, Prime Minister Lee again reiterated that "home, an appreciating asset in Singapore, is a nest-egg .... It's for you to live in, it's for you as an investment and it's for you for your old age." Straits Times, 21 February 2010.

**Figure 3. Percentage Share of Social Expenditures, 2008**




*Source:* Computed from Singapore, Ministry of Finance, *Budget Statement*, 2009.

### 3.2. Workfare, Work Income Supplement as Fourth Pillar of the Singapore Social Security for Older Low-wage Workers

The development and growth strategy of Singapore focuses more on enlarging the economic pie and less on its distribution. However, not everyone has benefited proportionally from the robust economic growth, particularly for older low-wage workers (with less than $1500 work income per month). With global competition, these wage workers are affected by wage stagnation and structural unemployment. Low-wage formal (full-time employed) workers made up 20% of the total employed workers (MOM, 2007). To help these workers stuck in a low-income trap, an unprecedented cash payout called "workfare bonus" was introduced in 2006. Previously, most transfers are top-ups of the mandatory savings accounts, or are shares. The cash payout marks a milestone in the history of social assistance to low-income Singaporeans. For example, a policy observer at the Singapore Civil Service College, Poh (2007), articulated that "when it was announced, it came as a surprise to some Singaporeans weaned on a diet of strict anti-entitlement and anti-dependency rhetoric."

Unlike the European-or Western-style unemployment welfare dole, *Workfare* rewards regular and productive work with a cash bonus. It thus incentivizes work and encourages low- wage workers to take on jobs, upgrade their skills and stay employed. Low-wage Singaporeans who earn $1,500 or less per month through regular work will receive Workfare bonuses ranging from $400 to $1,200 in two portions, depending on the average monthly income. See Table below for details. Some 340,000 Singaporeans benefited from the scheme in 2006.

**Table 4. Workfare Bonus to Reward Low-wage Workers for Work**

| Average Monthly Income | Bonus to be paid on 1st May, 2006 and 2007* |
|---|---|
| $400 and below | 1.5 months salary, or $75, whichever is higher |
| Above $400 to $900 | $600 |
| Above $900 to $1,200 | $400 |
| Above $1,200 to $1,500 | $200 |

*Source:* Singapore, Ministry of Finance, *Budget Statement*, various years.

*Note* : Bonus was paid in 2006 for working at least 6 continuous months in 2005 and second installment was paid in 2007 for working at least 6 continuous months in 2006.

After the first trial of the workfare bonus scheme, the government institutionalized the Workfare Income Supplement (WIS) scheme in 2007, as a long term feature of social assistance for older low-wage workers. Workfare provides social assistance to low-wage workers while not eroding the “work ethic which was the bedrock of Singapore’s success”.[11] As the fourth pillar, WIS will complement the other three pillars of the Central Provident Fund (CPF) in delivering social security in the form of housing (to achieve high home ownership), healthcare (to provide good and affordable healthcare), retirement (mandatory defined contribution scheme for retirement financing) and income equity (to supplement income for low-wage workers). WIS helps to augment the income for low-wage workers from the 15$^{th}$ income percentile (earning $1000 per month) up to the 30$^{th}$ percentile (earning $1500 per month). WIS is targeted at older low-wage workers (45 years and above) who will enjoy higher income transfer than younger low-wage workers (between 35 and 45 years old)[12].

Along with the introduction of WIS, CPF contribution rates for older low-wage workers were also re-structured. Employees' contribution rates for these workers were lowered to boost their take-home pay. While the contribution rate by employers for other workers was increased in 2007, the hike was not extended to these low-wage

[11] See Ng (2007).

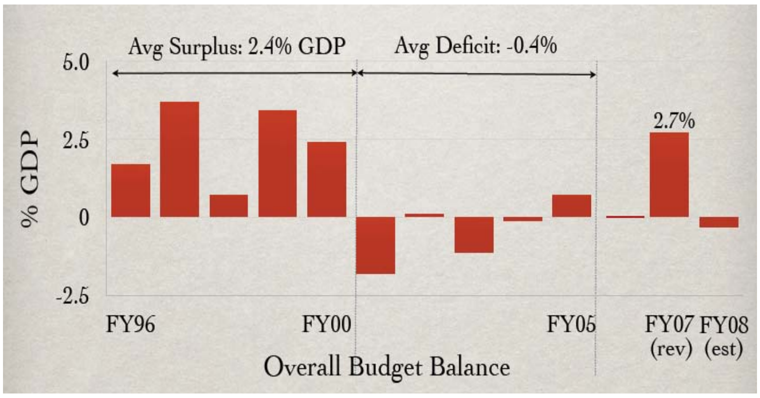
[12] Income transfer to older workers was $1200 per year in 2007; while that to younger workers aged between 35 and 45 was lower at $900 per year.

workers. Lower employer contribution rate lowers employers' hiring costs and helps to increase the employability of these workers. This will impact the accumulation of retirement savings for low-wage workers. To help improve their retirement adequacy, part of the income supplement under WIS is credited into their CPF accounts instead of payments being made only in cash. The allotment is at a cash-to-CPF ratio of 1:2.5. Furthermore, in order to minimize disincentive to work, to be eligible for Workfare, workers must work for at least three months in any six-month period in the calendar year (for half the payouts); or at least six months in the calendar year (for full payout). Self-employed and informal workers who are eligible for Workfare will receive the payouts only if they contribute to their medical savings accounts.

### 3.3. Other Income Transfer Schemes

The Singapore government adopts a very prudent budget and runs a "small and lean" budget. Thus, with the exception of 2001, 2003 and 2004, for most years, the government enjoys net budget surplus. Figure 4 shows the surpluses and deficits as percentages of GDP from FY 1996 to 2008. Between FY1996 and FY2000, the average budget surplus amounted to 2.4% of GDP. Thereafter, between FY2000 to FY2005, periods of budget deficits alternated with surpluses, though the size of deficits was much greater in magnitude. The average budget deficit was -0.4% over this period. A reversal of the unfavorable budget position was the exception of the large budget surplus of 2.7% of GDP enjoyed in FY2007, to which the exceptional high level of stamp duties collected from the buoyant property market contributed greatly.

**Figure 4. Budget Surpluses/ Deficits, 1996 – 2008**




*Source:* Singapore, Ministry of Finance, *Budget Statement*, various years.

Another feature in the budgetary process that has emerged since 2000 is the government's sharing of its surpluses with Singaporeans, in various forms. In 2001, the government distributed New Singapore Shares (NSS) to every citizen. In 2003, Economic Restructuring Shares (ERS) were given to partly offset the increase in goods and services tax (GST). Both the NSS and ERS are in the form of shares on which recipients can earn dividends over time if they did not encash them. However, despite the attractive interest rates, many needy people turn their shares into cash immediately instead of waiting for dividends. The government also tops up the CPF accounts to help the elderly meet their retirement and healthcare needs.

In 2006, a new surplus sharing initiative was introduced - Progress Packages. This is the first ever consolidated surplus sharing scheme for Singaporeans. According to the United Nations, the package represents a paradigm shift in policy objective, structure and delivery with budget surpluses distributed to all Singaporeans, with more for elderly and poorer Singaporeans. Unlike earlier surplus sharing schemes, Progress packages are given in cash[13]. The amount of growth dividends received depends on income and assets (which is based on the annual value of the property) as shown in Table 5 below. Annual value is the estimated annual rent that the property can fetch. It is based on market rentals for similar properties in the vicinity, regardless of whether it is rented out, owner-occupied or vacant.

**Table 5. Structure of Growth Dividend**

| | Annual Value of Home $6,000 or less | Annual Value of Home more than $6,000 and up to $10,000 | Annual Value of Home more than $10,000 |
|---|---|---|---|
| Annual Assessable Income $24,000 or less | $800 | $600 | $200 |
| Annual Assessable Income more than $24,000 | $600 | $400 | $200 |

*Source:* Singapore, Ministry of Finance, *Budget Statement*, various years.

[13] The United Nations has conferred the 2007 UN Public Service Award on the Singapore agencies responsible for delivering the Progress Package. The Ministry of Finance (MOF), the Ministry of Manpower (MOM), the Central Provident Fund Board (CPFB) and other partner agencies were recognized for delivering the Progress Package. Singapore is one of the seven winners worldwide, and one of only two in Asia.

At this juncture, it is appropriate to point out that 85% of Singaporeans live in public housing, developed and managed by the Housing Development Board (HDB). The HDB flats vary by room-types. A 3-room HDB is an apartment with 1 living room and 2 bedrooms. Table 6 shows the average annual surplus sharing disbursement to resident households by housing types. Housing types are closely correlated to the economic status of the households. In many income transfer programs, housing types are used as targeting guide, with HDB dwellers living in smaller flats getting bigger transfer than those in larger flats. Surplus sharing has lifted the annual household incomes for poorer households more than the better off households. Figure 1 shows that income distribution has improved with income supplements. (See Figure 1). In 2009, the Gini coefficient improved from 0.478 to 0.453 when government benefits and taxes are included.

**Table 6. Average Annual Surplus Sharing Disbursement to Resident Households (on per household member basis) by House Type, 2008 (in Dollars)**

| | 1-&2-HDB | 3-room HDB | 4-room Or larger HDB | Private Flats, Private Houses | Total |
|---|---|---|---|---|---|
| Average annual value of public housing (HDB) | 2100-3300 | 4200 | 5400-6300 | n. a | |
| Annual Household Income from work per household member, 2008 | 6290 | 16950 | 22290 | 55460 | 26130 |
| Surplus Sharing Package, 2008[2] | 1670 | 1320 | 980 | 720 | 1030 |
| Surplus Sharing Package, 2009[2] | 2457 | 1596 | 1168 | 927 | 1273 |
| Surplus sharing package as % of annual household income, 2008 | 26.5 | 7.8 | 4.4 | 1.3 | 3.9 |
| Surplus sharing package as % of annual household income, 2009 | 41.4 | 9.6 | 5.3 | 1.7 | 5.0 |

*Source:* Singapore, DOS (2009) Key Household Income Trends, 2008 and IRAS website.
*Note :* 2. The Surplus Sharing Package includes growth dividends, top-ups to Post – Secondary Education Accounts and CPF Medisave Accounts, rebates on utilities, rental and Service and Conservancy Charges, income tax rebates and property tax rebates. The Surplus Sharing Package also includes Workfare Income Supplements and GST Credits and Senior Citizens' Bonus disbursed.

## 4. Income Security for Retirement: Asset-based Social Security

As highlighted in the introduction, housing policy in Singapore has created asset-rich Singaporeans. Housing policy was initiated in 1960. It begins with the setting up of the Housing Development Board (HDB) to build "emergency" public housing on state-owned land to solve the housing shortage at that time by providing affordable rental housing. In February 1964, in line with the strategy of using home ownership as investment in the stake of the country, the Home Ownership Scheme was introduced to encourage existing tenants to buy their flats. Subsided mortgage loans with very attractive repayment schemes were used. Despite this, after two years of implementation, the home-ownership rate remained low. This was mainly due to low purchasing power at that time. To make housing more affordable and to ease financing difficulties, the government allowed pre-retirement withdrawals from the mandatory individual retirement savings accounts under the Central Provident Fund (CPF). Savings can be used to pay for the down-payment, stamp duties, mortgage payments and interest incurred for the purchase.

This scheme marked the beginning of a series of schemes in which mandatory savings under the CPF can be used to finance housing. The CPF was instituted in 1955, originally as a retirement savings scheme. It is a fully-funded system with Defined Contribution (DC). It is mandatory for both employee and employer to contribute a stipulated proportion of the worker's monthly wage directly into his personal account[14]. Contributions to the CPF are tax exempt. Savings are apportioned to three different amounts – the ordinary, Medisave and special accounts. The ordinary account can be used for housing, investment and education, the special account for old age or contingencies, and the Medisave account, for hospitalization expenses and approved insurance premiums.

To encourage home ownership, the HDB also implemented other supply-side regulations and subsidized housing loans. The option to rent was made unattractive or

[14] In 1955, the total contribution rate was only 10%. Since 1968, the rate has increased, rising to a peak of 50% in 1984. Since then, the rate has been kept at around 33% The rates currently are graduated according to age, with an average rate of 36%. See Chia and Tsui (2003) for the institutional details regarding the CPF.

effectively unavailable for the majority due to strict eligibility criteria set out by the HDB. Furthermore, the HDB was able to price public housing affordably as it receives loans from the government at subsidized interest rates. These subsidized loans help the HDB to fund its operations and to finance subsidized mortgage loans given to HDB buyers. See Chia and Tsui (2009).

No doubt, such asset enhancement policy makes housing the most important non-financial assets for Singaporeans. Singapore has the highest ratio of household residential property assets to total assets (at 51%). It also has the highest ratio of housing assets to personal disposable income and GDP[15]. In the National Survey of Senior Citizens (1995), 63.1% of elderly aged 60 and above reported housing among their assets and 48.4% cited their own house as their most important asset.

Since the provision of pre-retirement withdrawal from CPF savings has diluted its original intent as a retirement savings scheme, can this asset-based social security provide for retirement? Being a DC social security, the CPF avoids the sustainability issue in a Defined Benefit (DB) system. But the inherent features of a DC system together with pre-retirement withdrawals in the CPF system have led to adequacy problems. How adequately CPF savings can finance retirement will depend on both the accumulation and decumulation phases. Accumulation of savings depends on employment profiles, unemployment episodes, business cycles and returns to savings. Chia and Tsui (2003) showed that CPF mandatory savings are inadequate to meet retirement needs because of late-life medical costs and inflation. The government has designed several instruments to help CPF members decumulate their savings through an advanced life deferred annuity product, known as the CPF-LIFE scheme. Furthermore, there are also instruments available for house owners to unlock their housing equity to help supplement their retirement incomes. These decumulation instruments available include Reverse Mortgage (RM), subletting, downsizing and Lease Buyback Scheme (LBS).

[15] See Singapore, Department of Statistics (2005).

### 4.1. Monetizing Options[16]

#### a. Lease Buyback Scheme (LBS)

The LBS, implemented in February 2009, provided an avenue for lower income elderly in 2-room and 3-room flats to unlock housing equity. They must occupy the flat for at least 5 years and have outstanding housing loans of less than $5,000. The HDB will buy back the tail-end of the lease, leaving a shorter 30-year lease for the elderly to continue living in their flats. The longer the remaining lease, the more housing equity will be unlocked. The unlocked value must be used to buy an annuity product under the CPF Life scheme. The Life scheme is a new feature of the CPF to ensure lifelong incomes for retirees. It operates like a deferred life annuity with a refund feature, which helps to address CPF's absence of mandatory annuitization.

#### b. Subletting

The elderly also have the option to age-in-place by subletting room(s). They can also sublet their entire flat by moving in with their married children. The diagonal entries in Table 7 indicate that most elderly (74%) prefer to age-in-place. Since October 2003, all HDB flats can be sublet, provided that owners meet the minimum occupancy requirement. We compute the average rental incomes from subletting a room under different rental market environments over the remaining life cycle of the elderly.

**Table 7. Housing Preference**

| Housing Type Content with | 1-Room | 2-Room | 3-Room | 4-Room | 5-Room |
|---|---|---|---|---|---|
| 1-Room | **89.3** | 14.7 | 2.7 | 1.1 | 2.5 |
| 2-Room | 5.4 | **70.6** | 2.9 | 2.9 | 0 |
| 3-Room | 3.5 | 7.8 | **77.3** | 13.1 | 11.7 |
| 4-Room | 0.9 | 2.5 | 9.9 | **71.3** | 1.5 |
| 5-Room | 0.4 | 2.1 | 3.1 | 0.9 | **71.4** |

*Source:* HDB(2005).

#### c. Downsizing

The elderly can monetize their housing asset by selling it and downgrading to smaller flats or to HDB Studio Apartments (SA). Table 8 shows that on average,

[16] This section draws heavily from Chia and Tsui (2009).

$79,000 or $132,000 can be cashed out by downgrading from 4-room to 3-room or 2-room flats respectively (based on current market values). More will be cashed out if they downgrade to smaller units. Table 8 presents the monthly draw downs from the annuity generated from unlocked housing equities.

**Table 8. Monthly Draw-Downs**

| | | **Downsizing from 3-room ($236,000) to:** | | | |
|---|---|---|---|---|---|
| **Amount** | 3-Room | 2-Room | 1-Room | SA(45m$^2$) | SA(35m$^2$) |
| **Unlocked** | .. | 53,000 | 88,000 | 121,000 | 156,000 |
| Male | .. | 337-352 | 560-586 | 770-806 | 992-1038 |
| Female | .. | 302-316 | 501-526 | 688-723 | 931-886 |
| | | **Downsizing from 4-room ($325,000) to:** | | | |
| **Amount** | 3-Room | 2-Room | 1-Room | SA(45m$^2$) | SA(35m$^2$) |
| **Unlocked** | 79,000 | 132,000 | 167,000 | 200,000 | 235,000 |
| Male | 502-526 | 840-878 | 1062-1110 | 1272-1330 | 1494-1564 |
| Female | 450-472 | 751-788 | 950-997 | 1137-1194 | 1330-1403 |

*Note:* The range in the monthly draw-downs corresponds to different interest rates (3.75% and 4.24%). These were used by HDB in LBS calculations.

### d. Reverse Mortgaging

RM products issued in Singapore lack the "non-recourse" feature and are similar to collaterised loans. When the accumulated payouts reach 70% of the property value, monthly payments stop and loans must be re-paid. There were two major RM providers: NTUC-Income and OCBC Bank. NTUC-Income launched its first term-RM (maximum tenure of 20 years) for private properties in 1998, and extended to HDB flats in 2006. Since inception, NTUC-Income issued 500 such loans, but only 134 remain active. OCBC Bank offered term-based and annuity-linked RMs. However, since 2008, both providers have ceased issuing RM loans.

## 4.2. Monetization HDB Flats

Monetization options available depend on the type of flat. About 40% of the elderly are in 3-room flats, 33% in 4-room, and less than 20% in smaller flats. (HDB, 2005). Table 9 shows that 3-roomers can access all options. Monetization options are not available for 1-roomers.

**Table 9: Monetizing options available**

| | Reverse Mortgage | Lease Buyback | Downsizing | Subletting |
|---|---|---|---|---|
| 1-Room | X | x | .. | x |
| 2-Room | X | y | y | x |
| 3-Room | Y | y | y | y |
| 4-Room | Y | y | y | y |

*Notes:* ‘x’ means not available; ‘y’ means available

The expected present value of income stream generated by RM, LBS, downsizing and subletting and the corresponding average monthly draw-downs are reported in Table 10. For females, the LBS generates the highest monthly payout ($635). Subletting a room yields the lowest ($504) payouts but the elderly retain the housing asset. Monthly payouts from downsizing ($607) and RM ($560) 3-room flats are smaller, compared to the LBS.

All monetization options, except RM, involve some kinds of government subsidies. However, the elderly in Singapore have exhibited strong preference for ageing-in-place. Survey results conducted on the social aspects of the elderly (HDB, 2005) indicate that about three quarters of the elderly prefer to age-in-place, and that alternatives such as retirement villages and old folks' homes are not popular. As such, subletting, LBS and RM are viable options as they allow the elderly to age-in-place and generate a steady stream of monthly drawdown.

**Table 10. Average Monthly Draw-downs**

| Flat types | Monetization Options | Average Income Stream | Average Monthly Draw-down | |
|---|---|---|---|---|
| | | | Male | Female |
| 2-Room | LBS | 79,200 | 515 | 462 |
| 3-Room | LBS | 109,000 | 709 | 635 |
| | Downsizing | 104,500 | 676 | 607 |
| | Subletting one room | 86,576 | 562 | 504 |
| | RM* | 165,200 | 581 | 560 |
| 4-Room | Downsizing | 157,000 | 783 | 770 |
| | Subletting one room | 86,576 | 432 | 423 |
| | RM* | 227,500 | 804 | 766 |

*Note:* * including 30% as loading.

Subletting releases only part of the housing equity, making it possible for the elderly to leave housing wealth as a bequest. However, for the LBS, the bequest motive can be fulfilled if sellers choose a CPF-Life scheme, with lower monthly payouts, and postpones the annuity drawdown to a later age. This may affect retirement adequacy. Similarly, RM allows the elderly to age-in-place. Possibility of bequest depends on the property values net of the accumulated loans at time of death.

Thus, monetizing housing asset helps the Singaporean elderly to supplement their retirement income. It allows the elderly to choose an option that balances their preference for retirement adequacy, ageing in place and leaving a bequest.

### 4.3. Pitfalls and Challenges

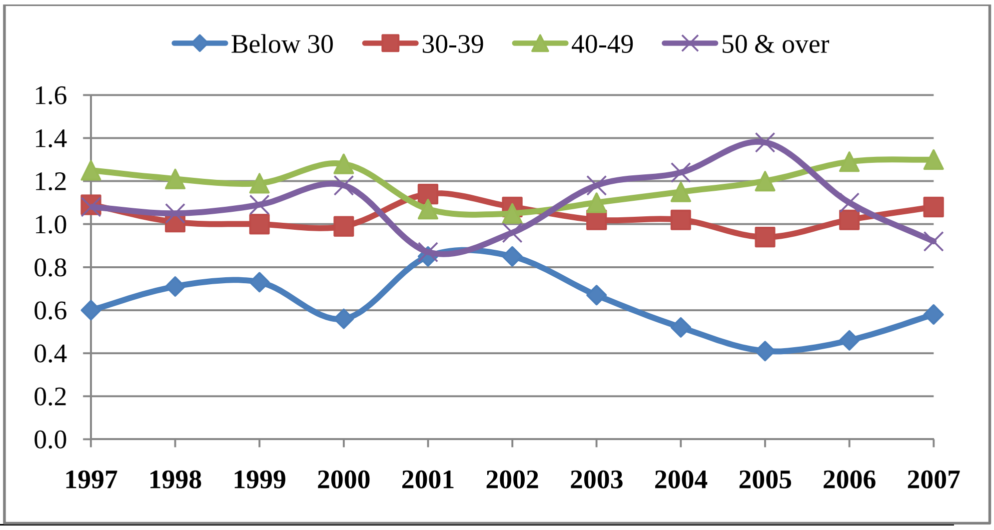
The existing CPF schemes, with their pre-retirement withdrawal feature, have serious limitations in addressing income maintenance, poverty at old age and healthcare financing (this will be discussed in Section 5). Under the current arrangement, the accumulation of savings depends on the economic well-being of CPF members in terms of their ability to work and employability. It also depends on the overall investment health of the CPF Board and its ability to pay higher rates of return. Although monetizing instruments are available to help unlock housing assets, other issues remain.

First, the issue of inadequacy is more pressing for elderly people in smaller rental housing. Other vulnerable groups with inadequate savings include workers in the formal sector, homemakers, older female elderly and those who are not in the labor force because of illness. It is necessary for the government to consider a more systematic first-tier system to provide social protection for these people.

Second, in the absence of a social safety network, a longer continuing period of employment will help slow down the spending of accumulated savings. A major issue is the blatant practice of employers who dismiss older employees and hire new workers at lower salaries. Figure 5 shows that older workers (aged 50 and above) are more vulnerable to retrenchment. Furthermore, re-employment also declined with age. Currently, legislation has been introduced to guard against workplace age discrimination. The current minimum age of retirement is 62 years. The Retirement Act stipulates that employees who are below the prescribed retirement age cannot be dismissed by their employers because of their age. The Retirement Act allows employers to cut the wages of employees by up to 10%, once they reach the age of 60, to help ease the cost burden of retaining these employees.

In 2012, retirement age will be raised to 65. In tandem with this, a new legislation – The Re-employment Act will be introduced in 2012. This legislation serves as a clear government stance against workplace age discrimination and ensures the employability of older workers so that they can work longer to secure financial and retirement security. Under re-employment, when the worker reaches retirement age, both parties can make changes to the existing job arrangement. For example, workers may wish to work part-time or to take on less responsibility. Employers may re-deploy workers to different job functions or adjust their seniority-based wages. This flexibility will allow the company to remain competitive and keep workers employable. There are also various schemes to help re-train, develop and upgrade the skills of older workers to enhance their employability.

**Figure 5. Vulnerability to Retrenchment by Age Group, 1997 to 2007**




| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Below 30** | 0.60 | 0.71 | 0.73 | 0.56 | 0.85 | 0.85 | 0.67 | 0.52 | 0.41 | 0.46 | 0.58 |
| **30-39** | 1.09 | 1.01 | 1.00 | 0.99 | 1.14 | 1.08 | 1.02 | 1.02 | 0.94 | 1.02 | 1.08 |
| **40-49** | 1.25 | 1.21 | 1.19 | 1.28 | 1.07 | 1.05 | 1.10 | 1.15 | 1.20 | 1.29 | 1.30 |
| **50 & over** | 1.08 | 1.05 | 1.09 | 1.18 | 0.87 | 0.96 | 1.18 | 1.24 | 1.38 | 1.10 | 0.92 |

*Source:* Singapore, Ministry of Manpower (2008), p. 8.

Finally, the adequacy of retirement savings to finance the needs of the elderly depends also on the growth in medical inflation and general price inflation. This implies that the rate of returns of compulsory savings must compensate inflation rates, particularly medical inflation. Other policy implications include the need to contain medical costs, designing health care financing schemes to address medical inflation and long term medical care.

## 5. Social Protection for the Sick

Singapore does not have a comprehensive health insurance system. Social protection for the sick is mainly in the form of government subsidies for the masses and risk pooling for catastrophic illnesses. As in other aspects of social protection in Singapore, social protection for the sick also emphasizes individual responsibility together with family responsibility and community support. Healthcare financing is an integrated system of a compulsory medical savings account (Medisave), a catastrophic medical insurance scheme (Medishield) and a means-tested medical expense assistance scheme (Medifund). For details, see Chia and Tsui (2005a). To deliver more targeted social protection for the disabled, the Eldershield was implemented as a disability insurance scheme. The Eldershield is currently the only scheme that covers a portion of long-term care costs.

### 5.1. Medical Financing Schemes – The 3 Ms and Other Aged-care Provisions

Some details of these financing mechanisms are highlighted below:

#### a. Medisave

Medisave, introduced in 1984, is administered by the CPF Board. Part of the monthly contribution to the CPF is apportioned to the medical savings account (MSA). Savings are to be used for hospitalization and some approved out-patient medical expenses. They can also be used to pay for premiums for some CPF-approved medical insurance. To minimize moral hazard and adverse selection, Medisave incorporates a system of co-payments and deductibles; and withdrawal limits. Since 2005, medical savings can be used for out-patient expenses for with some chronic illnesses (e.g., stroke, hypertension, high cholesterol). Children are allowed to use their personal Medisave accounts to pay for their elderly parents' medical expenses.

**b. Medishield**

As Medisave is a compulsory self-insurance scheme, it does not allow for risk pooling across individuals, Medishield, a catastrophic health insurance scheme, was implemented in 1990 to insure Singaporeans against very large hospital bills. It covers catastrophic illnesses and certain outpatient treatments like kidney dialysis, chemotherapy and radiotherapy for cancer. The age limit for coverage is 85. Again, Medishield has a system of co-payments and deductibles to address issues relating to third party payments.

**c. Medifund**

Medifund is a government endowment fund set up in April 1993. Medifund was set up with an initial capital of $200 million and capital injections are made whenever there are available budget surpluses. Only the interest income from the capital sum can be used. Medifund acts as a last resort for parents who cannot pay for their medical expenses despite Medisave and Medishield. Its use is subject to means-testing. In 2001, this scheme was extended to VWO-run residential step-down care facilities. In 2002, about 5% of Medifund assistance was used to aid those in such step-down care facilities. In 2006, a total of $40 million was spent to help 290,000 applications, of which about one third of these applicants are elderly. It is expected that demand for Medifund for the elderly will grow as the population ages. There is a proposal to set aside a "Medifund for the Elderly".[17]

**d. Aged Care-Provision**

Besides the above 3Ms healthcare financing, there are other aged-care provisionssuch as, Eldershield, an Interim Disability Assistance Programme, and Eldercare Fund. Eldershield is a private disability insurance scheme which was introduced in June 2002. All CPF members who reach the age of 40 are automatically

[17] Singapore Parliamentary Budget Debate 2007.

covered by Eldershield and the premiums can be paid out of their Medisave accounts. Eldershield provides basic financial protection for the severely disabled, which is defined as one who is unable to perform at least 3 out of the 6 ADLs. The ADLs include washing, dressing, feeding, toileting, mobility and transferring. As a private long term healthcare insurance scheme, Eldershield complements Medishield, which pays only hospitalization expenses. Eldershield provides monthly cash payouts of $300 to $400, for up to a maximum of 60 to 72 months. These cash payouts are not tied to reimbursement of institutional care and thus policyholders have the flexibility to use the cash to pay for the specific care they require whether it is informal care, home nursing services, day rehabilitation or in-patient nursing home care. Eldershield aims to help defray out-of-pocket expenses and reduce the financial burden in the event of LTC being needed.

Elderly females have greater need for long-term care (LTC). Chia et al. (2008) estimated the LTC costs for Singaporean female elderly with arthritis and osteoporosis who are dependent on care to carry out the basic Activities of Daily Lives (ADL). The costs are calibrated for different care arrangements - nursing homes, community homes and informal/home-based care with domestic helper. They show that only when the government subsidises 75% of the LTC costs will ElderShield be adequate. In the absence of subsidy, ElderShield can cover 25% to 40% of the costs.

### 5.2. Challenges

The integrated system of using savings (Medisave) together with catastrophic insurance (Medishield), offers flexibility in healthcare financing while limiting moral hazard and allowing risk pooling. A compelling concern is whether the current model of MSAs is adequate to finance the healthcare needs of Singaporeans. Chia and Tsui (2005a) evaluated the adequacy of MSAs in financing healthcare over the post-retirement period for elderly in different HDB flat types. They take into consideration the gender differences in medical consumption, medical inflation and interest rates. They found that using a discount rate at 4% and setting medical growth rates ranging from 4 to 7%, the decreed minimum balance in the MSA ($25,000 in 2004) is inadequate for the female elderly to meet health-care expenditure; although it is adequate for the male elderly.

The current entry age for Eldershield is age 40 and is an opt-out system. To extend the benefit period and the benefit level, it may be necessary to allow earlier enrollment. The problem with this is that there is cognitive bias, in that individuals tend to undervalue the benefits that they can expect from enrollment in LTC. Furthermore, if individuals are time-inconsistent, they will tend to procrastinate in preparing for old age needs. As long as the system is not compulsory, more are expected to opt out. It may therefore be necessary to have mandatory enrollment to avoid adverse selection. Premiums can vary for different age groups since the younger cohorts are likely to make a claim. LTC premiums can also be means-tested and those with low income, as well as widows, pay lower premiums.

However, there is always a poor segment of the population who need social assistance to support a basic subsistence living and healthcare. Medisave being an unfunded self-insurance scheme means that the persistently unemployed will not have accumulated enough savings. Table 11 presents the profile of the economically inactive residents by age group, gender and educational attainment. Excluding residents aged 15 to 25, the number of economically inactive residents is about a third of the total resident labor force. As long as these people are not employed, under a DC system, there is implication on the accumulation of savings for retirement and to finance healthcare.

**Table 11. Profile of Economically Inactive Persons by Gender and Age, June 2008**

| Characteristic | Total | | | Males | | | Females | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Share (%) | Incidence (%) | Number | Share (%) | Incidence (%) | Number | Share (%) | Incidence (%) |
| TOTAL | 1,010,500 | 100.0 | 34.4 | 344,000 | 100.0 | 23.9 | 665,500 | 100.0 | 44.4 |
| **AGE GROUP (YEARS)** | | | | | | | | | |
| 15-24 | 306,600 | 30.3 | 62.9 | 158,100 | 46.0 | 62.5 | 148,400 | 22.3 | 63.3 |
| 25-29 | 26,700 | 2.6 | 11.3 | 7,500 | 2.2 | 6.7 | 19,100 | 2.9 | 15.5 |
| 30-39 | 75,600 | 7.5 | 13.0 | 5,700 | 1.7 | 2.1 | 69,900 | 10.5 | 22.7 |
| 40-49 | 106,600 | 10.5 | 16.9 | 9,300 | 2.7 | 3.0 | 97,300 | 14.6 | 30.7 |
| 50-59 | 141,300 | 14.0 | 27.3 | 27,500 | 8.0 | 10.6 | 113,800 | 17.1 | 44.1 |
| 60 & Over | 353,700 | 35.0 | 73.1 | 135,800 | 39.5 | 60.8 | 218,000 | 32.7 | 83.6 |
| **EDUCATIONAL ATTAINMENT** | | | | | | | | | |
| Primary & Below | 353,900 | 35.0 | 57.5 | 95,500 | 27.7 | 37.9 | 258,500 | 38.8 | 70.9 |
| Lower & Secondary | 195,300 | 19.3 | 48.8 | 80,000 | 23.3 | 37.9 | 115,300 | 17.3 | 60.9 |
| Secondary | 261,500 | 25.9 | 36.5 | 95,200 | 27.7 | 28.7 | 166,200 | 24.9 | 43.4 |
| Upper Secondary | 97,900 | 9.7 | 26.4 | 38,200 | 11.1 | 20.1 | 59,700 | 9.0 | 32.9 |
| Polytechnic Diploma | 40,400 | 4.0 | 14.6 | 19,800 | 5.8 | 12.3 | 20,700 | 3.1 | 17.7 |
| Degree | 61,500 | 6.1 | 11.0 | 15,400 | 4.5 | 5.3 | 46,100 | 6.9 | 17.3 |

*Source:* Ministry of Manpower (2009), *Report on Labour Force in Singapore*, 2008, Table 11, p. 51.

As expected, the economically inactive are at the two extreme ends of the age spectrum-73% of those aged 60 and over and 63% of those aged 15 to 24. The economic inactivity rate falls with educational attainment, reflecting the greater employability of better-educated residents and their higher opportunity cost of staying outside the labor force. Consequently, eight in ten economically inactive residents had secondary (26%) or lower (54%) qualifications.

The majority of the economically inactive residents in the prime and older age groups are females. Females are more likely to be outside the labor force than males in the same age group. In June 2008, 88% of economically inactive residents aged 25 to 54 and 112,700 or 71% of those aged 55 to 64 were females. Reflecting their traditional role as the primary homemaker and care-giver, close to nine in ten (88%) economically inactive women aged 25 to 54 and 70% of those aged 55 to 64 were neither working nor looking for work, mainly because of family responsibilities (housework, childcare or care of elderly or sick relatives). Other reasons for economic inactivity among older females aged 55 to 64 include poor health, disability or old age (14%) and retirement

(13%)[18]. A social safety net or other mechanism must be put in place for these groups of economically inactive females.

To enable "increased savings" for women, policies that provide social and financial protection for women serving as home-makers or care-givers need to be put in place to supplement the CPF structure. Perhaps a mandatory specified percentage of the CPF contribution of husbands can be deposited into the CPF accounts of their wives who are homemakers. This helps to grow the homemakers' Medisave balance when they leave the workforce to care for the family. Greater tax relief is given to incentivize tax payers to top-up Medisave accounts for their family members CPF. Since 2009, the rules for top-ups using CPF savings have been progressively liberalized as part of the government's efforts to facilitate family support through CPF. For example the list of recipients for CPF top-ups has been expanded to include parents and grandparents below the age of 55 and to all close family members, and not limited to spouses only. Furthermore, the age limit for recipients has also been raised. Incentives are also given to employers to top-up their workers' CPF over and above the stipulated contribution. This clearly underlines the government's philosophy of "many helping hands", instead of introducing a first-tier social safety net.

## 6. Conclusion

Singapore has registered very impressive economic progress within a relatively short history of four decades. She has progressed from a third world to first, from surplus labor supply to reliance on foreign labor to meet its labor demand; from housing shortage to asset-rich Singaporeans. The population landscape has also evolved from one with low to one with high dependency ratio; from baby boom to low total fertility rate; the median age of the population has also shifted, indicating an ageing population. However, the ideology to run a small and lean government remains and has been slow to change. Government social expenditures are on enhancing human capital and social capital. Targeted welfare and spending on merit goods to increase the quality of the human resources through education and affordable healthcare remain the key characteristics of the social protection model in Singapore. In the midst of the recent

[18] MOM (2009), Table 11, p. 51.

economic recession in Singapore, the government's policies still steer away from welfarism and towards workfare. The role of the CPF as the center of social security will continue and intensify. It will continue to support the four pillars of social security in housing, healthcare, retirement and support for older low-wage workers. Based on the history of countries which have provided a first tier social safety network, it seems like the ruling party will stay out of this. An asset-based social security for retirement will be here, as the Prime Minister puts it "*home, an appreciating asset in Singapore, is a nest egg… It's for you to live in, it's for your investment, it's for you for your old age*. "(Straits Times, 21 February 2010).

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**Appendix 1. Social Protection Provision by MCYS**

**1. Social Assistance and Support**

**a. Public Assistance Scheme**

Public assistance is administered by the Community Development Council (CDC), which is responsible for the constituency in which the applicants reside. The program offers financial aid on a long term basis. A person is entitled to this assistance as long as he/ she proves to be unable to work (because of old age, illness and disability) and therefore unable to generate any income. Furthermore, he/she does not receive any other subsistence scheme and obtain hardly any support from his or her family member. Assistance comes in three forms: monthly cash grants to provide for basic necessities, medical assistance which offers free treatment in public clinics and hospitals, and education assistance which eases the financial burden of children's schooling expenses. Cash relief is distributed on a per household basis with rates varying from $200 to a $200 to a maximum of $570 per month per household.

**b. Interim Financial Assistance**

Interim (short term) financial assistance is under the governance of the Community Development Council (CDC). The eligibility criteria of the scheme may vary according to the individual CDC. It provides temporary assistance in terms of cash grants or food vouchers. Being an interim assistance, it only lasts for 3 months. Recipients can re-apply to be reviewed for renewal; however, they may only obtain this assistance for a maximum period of a year. The amount of cash grant individuals or households attain each month ranges from $140 to $600.

**c. Rent and Utilities Assistance Scheme**

This program is administered by the National Council of Social Service. It is meant for poor families who are still indebted in areas of rent, utility expenses or conservancy charges. The eligibility criteria includes family members suffering from old age, illness or disability, family's breadwinner being detained or imprisoned and some other adverse situations that are justifiable for assistance. The monthly amount a household can retain ranges from $240 to a maximum of $710.

**d. Work-Support Program**

The Work support program provides aid to people who are jobless in the short term. This program, lasting from 6 to 12 months, is means tested. It is for low household income worker (less than $1500 per month) without any other support. In addition, the unemployed should show his/ her determination to become financially independent. The work-support program also offers grants for selected training courses so that individuals may have a better chance to secure a job.

**2. ComCare – An Integrated Care System**

MCYS also administers an integrated program under the ComCare Fund, which was launched in 2005 as an endowment fund from the government budget. As in other endowment fund scheme, the government will top up the fund when there is a budget surplus.

The three programmes under ComCare target at the unemployed, the needed children and the elderly and disabled. *ComCare Self-Reliance* provides a safety net for the needy and serves as a springboard for them to become self-reliant and to "bounce back". The *ComCare Grow* is targeted at children from needy families to help them break out of the poverty cycle. The *ComCare EnAble* assists those who need long term assistance (such as the needy elderly and people with disabilities) to integrate into the community.

Generally social mobility is one of the objectives of social protection in Singapore. By providing integrated help, lower income and vulnerable groups are given opportunities so that they will not be left behind as Singapore progresses. For example, in the 2006 Budget, the government focuses on the children from the lower income group to "create hope for the future" to ensure that the children do better than their parents and can help lift their parents out of poverty instead of inheriting their problems. The government thus invests more in education of children from low-income families, to help them become school-ready and work-ready.