

Economist Yeoh Lam Keong proposed reforms to address poverty in Singapore: Increase WIS & SSS and introduce comprehensive national unemployment protection

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During the **inaugural Progress Singapore Party Talk held by Progress Party Singapore on 10 September**, renowned economist Yeoh Lam Keong outlined the problem of poverty in Singapore and proposed several necessary reforms that he says will help lift thousands of citizens up from absolute poverty.

Mr Yeoh, who is best known for being the former Chief Economist of GIC, explained that he had conducted an inter-ministerial study to look at poverty in Singapore back in 2007. Throughout the course of conducting this study, Mr Yeoh said, "To my shock and horror, I realised that the position of the poor in Sg was much worse and much more awful than I can imagine. So that struck me."

He explained that the findings of the study presented to several senior government officials including two Deputy Prime Ministers and several senior ministers and permanent secretaries. While the recommendations put forth were well-received, Mr Yeoh noted that government was slow in implementing some of the recommendations they had opted to take up, thus leaving many gaps till today.

The absolute poor, Mr Yeoh explained, are counted as such when their regular income does not enable them to lead a decent existence and they are unable to cover their basic needs like food, shelter, utilities, medical services, and education. Not being able to meet those needs puts you below the living wage.

"It's a painful and shameful experience and disgraceful for the rest of society," Mr Yeoh lamented.

Mr Yeoh pointed out that while Singapore has seen a gradual decrease of absolute poor over the past few years, the latest estimates are that there are around 250,000 Singaporeans who are absolute poor. That's about 100,000 to 130,000 or about 7.5-10% of households in Singapore.

Mr Yeoh then noted that one of the recommendations that weren't taken up back in 2007 was that poverty be measured properly. This is a crucial step because if we don't define a problem properly and exactly, we cannot design a solution.

Mr Yeoh went on to outline those recommendations which government can take up to adequately help lift Singaporeans out of absolute poverty.

Increase the Welfare Income Supplement (WIS)

According to his estimates, there are about 60,000 to 75,000 households in Singapore which are absolute poor, even after receiving WIS.

Mr Yeoh described WIS as a 'great scheme', noting how it started at \$150 a month and has increased to \$250-\$300 a month. Unfortunately, about 60% of that payout goes into CPF, leaving beneficiaries with only \$100-\$150 in cash each month when they actually need \$700-\$800 in cash.

"Yes they moved in the right direction, but in my humble opinion, they did very little. And one of the reasons is, I feel, they don't have a handle on how much they need to raise it because they did not measure it properly," said Mr Yeoh.

As for Comcare, Mr Yeoh said it is not enough as it only reaches about 40% of those who need it, giving only \$250-\$300 a month. This only covers about 25% of the gap, said Mr Yeoh. And even if you add in all the other schemes and programmes, that still only covers about one-third of the gap.

Mr Yeoh suggests that the WIS be increased by about \$500-\$600 in cash. This would automatically raise the median take-home income above the living wage and ensure that basic needs are covered.

Here the economist asked a pointed question of why Singapore, a country with one of the highest per capita GDP in the world, has so many working poor. The reason, he says, lies in a grave policy error on the part of the government.

"The reason is, aside from the normal international reasons like competition from third world or technology, the main reason is actually that for about 20 years, we made a big policy error in Singapore's growth. We had a goal for growth policy which let in excessive unskilled foreign workers. So we let in, for a period of 20 years, 1.2 million unskilled foreign workers – and they pushed down Singapore's labour supply and demand, dampened the wages of people right at the bottom."

Still, Mr Yeoh concedes that the government has "recognised this error". Since 2010 when policies were introduced to stem the influx of unskilled foreign labour,

real wages have been on the rise. However, Mr Yeoh asserts that it would take too long, possibly 10 years, for wages to reach back to the levels of a living wage. In the meantime, what are the poor to do?

Mr Yeoh emphasised, “I feel that because it is a policy error, it is incumbent upon the government to step in and support these people until the wages rise...and therefore support them until we reach that level where they are no longer in poverty.”

This, he says, can be done by increased the WIS payout. It will cost the government an additional \$1.7 to \$2 billion or 0.45% of GDP which Mr Yeoh insists is “eminently affordable”. He also pointed out that the cost will taper off as more people start to earn a living wage. The government “can afford to pay this on a declining rate over the next 10 years”.

Increase the Silver Support Scheme (SSS)

The conservative estimate for the number of elderly Singaporeans who are absolute poor is 20,000 to 25,000 households, and that figure is set to triple in the next few decades as baby boomers – the largest cohort – ages.

Many baby boomers are poorly educated to begin with, says Mr Yeoh, and they tend to earn low wages. Crucially, while the first half of their careers saw baby boomers earning a middle-income wage in a middle-income country, policy errors have resulted in this generation retiring in one of the most expensive first-world cities on the planet.

“These are people that built modern Singapore with their hands and their blood and sweat and tears. If we cannot find it in ourselves to see that this is a great social injustice that these people should retire in poverty, absolute poverty, there is something deeply wrong with this society,” chided Mr Yeoh.

For the elderly, the government introduced the SSS in 2011 which is a non-contributory pension. In the beginning, the payouts were \$200 per month, now it’s about \$250 a month. Again, Mr Yeoh says it’s “excellent” that the scheme was introduced but is “way too little”.

Even with the Personal Assistance (PA) scheme and Comcare, about two-thirds of the problem is not being addressed.

Mr Yeoh concedes that SSS is a good scheme and that all we need to do is put in more money. He suggested increasing SSS by about \$500 to \$600 a month and having PA and Comcare be means-tested for special needs after the SSS payout.

This would raise the income of the retired poor to above \$800 per capita per month, thus covering basic needs. This would still only be about two-thirds of the estimated basic income suggested by the [Lee Kuan Yew School of Public Policy \(LKYSPP\) at National University of Singapore in May](#) of \$1,379 a month.

For this, the government would have to spend an extra \$800 million to \$1 billion a year or 0.2% of the GDP. But as the number of retirees triple, the cost would also triple to about \$5.6 billion or 0.6% of the GDP by 2050. This, Mr Yeoh says, is also still “eminently affordable”.

Introduce a comprehensive unemployment protection system

For the third category of poor, Mr Yeoh says there are about 25,000 to 35,000 households that make up the unemployed poor.

The economist cautioned that the future will likely see much higher technological unemployment as AI and info-comms technology make more and more professionals and unskilled workers redundant. He also explained that the gig economy also means there will be an increased number of unemployed poor due to global trends, as people jump from contract to contract, leaving people without an income.

He warned, “We are not future-ready for these trends because Singapore is alone is not having any unemployment insurance among EOC countries”.

Mr Yeoh explained that Singapore needs a “national comprehensive unemployment protection system” that will either insure the unemployed for three month’s wages to give them a chance to secure employment or at the very least allow people to borrow from their own CPF while they are unemployed which they can later pay back once they have a job.

He added, “In absence of an unemployment insurance scheme, surely this is your money, you should have access to it when you are unemployed and need it.”

Singapore needs a comprehensive national unemployment protection system, Mr Yeoh asserted. “We need it because the future is coming at us very fast.”

The additional cost to the government would be, according to Mr Yeoh’s estimates, about 0.3% to 0.4% of the GDP or about \$1.6 billion per year. Again, it’s “not much”.

Eliminating the bandwidth problem and other supporting reforms

He also crucially pointed out that these schemes should be automatically given without people having to apply or reapply for assistance. “The fate of our poor is to fall into the chasm”, said Mr Yeoh but making the assistance automatic will prevent that from happening.

It will also eliminate the bandwidth problem – where the poor do not have the focus or concentration to apply for all these schemes when they’re too busy trying to figure out how to get their next meal. He also suggested the elimination of family-based means-testing which he says is a “terrible thing”.

Making these schemes automatic also eliminates the politicisation of welfare, which Mr Yeoh commends the government for taking steps to reform. However, he noted that he doesn’t think the Community Development Council should be administrators and dispensers of welfare. Instead, the onus should be on the ministries. Attaching the dispensation of welfare benefits to a political party is a “slippery slope”, he warned.

“You are hostage to political fortunes and you should not be. It should be based on needs.”

In total, all three reforms would cost the government about \$4.5 billion today or about 1% of the GDP. While this might increase by 0.5% of the GDP as more of the population ages, it will also decrease as the working poor become better off. Mr Yeoh then pointed out that Singapore has a structural budget surplus of about 5% of the GDP or about \$20 billion.

He then said, “So we have \$20 billion to spare but we cannot spend \$4.5 billion or \$5 billion on our absolute poor?”

Apart from these three major reforms, Mr Yeoh also noted other necessary supplemental and supportive reforms that can be done from creating more decent and affordable subsidised rental flats, having adequate infrastructure and subsidies for universally affordable out of pocket chronic primary healthcare and long-term care, subsidies on educational out of pocket costs, subsidies on public transport for the poor, and leasehold reform.

The government should do the heavy lifting

Wrapping up his presentation, Mr Yeoh said: “The core of absolute poverty – to me, the most painful and shameful form of poverty – can largely be eliminated easily, affordably but needs a few key government reforms.”

“It’s simple. It will make a huge difference to a quarter-million citizens right at the bottom. It will increase social mobility and equal opportunity to these people,” he added.

He then noted that the heavy lifting of eliminating poverty should be done by the government as they have the resources to do so. This will then free up Volunteer Welfare Organisations (VWO) to do the “valued-added” work that involves the human touch of restoring the dignity of the poor.

“Eradicating absolute poverty is a public good, therefore, like building, roads, like building hospitals, like buildings schools. The government needs to do the heavy lifting financially and organisationally. So what are we waiting for?”

<https://www.youtube.com/watch?v=EeGLsHRgqGo&feature=youtu.be>