Workfare: The Fourth Pillar of Social Security in Singapore

Singapore’s latest labour policy is more than a wage supplement scheme—it is a bold new addition to the social safety net in today’s volatile economic environment.

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DATE POSTED
1 Oct 2007

ISSUE
Issue 3, 14 Oct 2007

TOPICS
Social
Economics
What is Workfare? Workfare is often thought to refer to the income supplement that will be given to low-income workers from January 2008.

It is more than that. Workfare in Singapore refers to the philosophy that work is the best form of social assistance. Anyone who is able to work should be helped to find a job and earn a salary that is enough to support himself and his family. Manifested in concrete policies, Workfare reinforces the work ethic of Singaporeans and makes it worthwhile for anyone at the margin to offer up his labour to the economy.

The development of Workfare marks a milestone in the history of social assistance to low-income Singaporeans. When it was announced, it came as a surprise to some Singaporeans weaned on a diet of strict anti-entitlement and anti-dependency rhetoric. As late as 2005, the nation’s founding father Lee Kuan Yew was reiterating the reasons why after a short-lived Fabian phase in the 1950s, the Government departed from the idea of creating a welfare state: “I soon realised that before distributing the pie I had first to bake it. So I departed from welfarism because it sapped a people’s self-reliance and their desire to excel and succeed.”

However, in spite of its generous trappings, Workfare is not a radical departure from the nation’s fundamental values. It reinforces the values of hard work and self-reliance that had long existed in Singapore society. Workfare is firstly a pragmatic response to the effect of globalisation and technology on wage dispersion. Second, it is a creative way of boosting what you get for doing something.

**HOLISTIC FRAMEWORK**

Although Workfare is often associated with its income supplementation component, it is actually a framework around which six major initiatives work in concert to ensure the well-being of low-wage and vulnerable but work-capable Singaporeans (Figure 1).

Workfare has to address not only the needs of the low-wage worker, but also those of his family; not only his ability to earn a living wage but his incentive to upgrade as well. If families suffer extended periods of unemployment, uncertainty and low wages, there is a danger that the negative attitudes and mindsets of discouraged
workers could be transmitted to their children, doing irreparable harm to the work ethic and attitude of the next generation. Short-term assistance can easily drift into long-term dependency. By discouraging families from asking for help until they are at a crisis point, we are not solving problems that might benefit from early intervention.

Workfare aims to incentivise work and increase opportunities for low-wage workers to support themselves, build assets and facilitate social mobility.

**FIGURE 1. SUPPORTING THE LOW-WAGE WORKER**

The first thrust, “Rewarding Work”, is targeted at encouraging inactive low-skilled Singaporeans to enter and stay in the workforce by making work financially worthwhile through the Workfare Bonus and later the Workfare Income Supplement (see box story). It is also focused on helping low-wage workers to build up assets for the future, with additional housing subsidies for first-time buyers of Housing and Development Board (HDB) flats. The grant was recently expanded in August 2007 to an eligibility ceiling of S$4,000 and a maximum quantum of S$30,000.

The second and complementary move provides “Social Support to Enable Work” through the Self-Reliance Programme and the Work Assistance Programme. Assistance includes measures such as intensive case management to help low-income households with financial planning, and employment facilitation for the
unemployed. Child care and student care subsidies were raised to reduce impediments to work. In line with the experience of Wisconsin, USA, sanctions such as blackout periods or disqualification are imposed on households who fail to cooperate in carrying out their employability plans, or reject jobs on offer.

The third key element ensures that Workfare recipients develop higher skills for better jobs. Many Workfare regimes elsewhere had emphasised inducements to work at the expense of training and upgrading programmes. Criticisms were rife that Workfare was pushing people to ‘get a job, any job’, condemning them to a life of drudgery in various low-paying McJobs; Singapore, on the other hand, had the opposite bias, one towards the primacy of training over monetary benefits. Although the proportion of students progressing to post-secondary education has been rising with each cohort, a significant number still leave the system without post-secondary qualifications. Efforts have been made to ensure that children who are less academically inclined are still work-ready and equipped with employable skills, especially in the service sectors.

Since Workfare can only be effective if job seekers can find work, the fourth prong involves “job re-creation” efforts to redesign and scale up existing low-paying jobs such as cleaning and healthcare into higher-paying, higher productivity jobs for Singaporeans.

The last permanent initiative is to create “Hope for the Future”. Most low-income households regard their children as a ticket to greater social mobility. It is critical for the nation’s future to allow these children to progress educationally so that they would not be locked in a permanent underclass. It is important also to make quality preschool education available to all, to re-enthuse those in danger of dropping out of school, and to support the development of children from vulnerable households that face multiple challenges such as job loss, divorce and abuse.

The integrated case management approach that has been adopted departs from the looser many-helping-hands approach of conventional community support. While more intensive and more expensive, it should be capable of delivering more lasting outcomes.
CONCLUSION

Workfare is a multifaceted approach to a global problem, customised to Singapore’s unique social conditions and institutions. It is also a creative attempt to combine elements of wage supplementation and subsidy models. Nevertheless, these are early days yet for the scheme and the jury is still out on its success in raising take-home pay, increasing labour supply and providing some income mobility. These trends will be monitored carefully over the next three years.

WHY WORKFARE?

Over the years, the primacy of economic growth has been coupled with a strong focus on almost free high-quality education and asset accumulation via the provision of subsidised housing for over 80% of Singaporeans. The former investment gave Singaporeans the wings to elevate their lot, and the latter gave them the roots to stay.

WAGE SUPPLEMENTATION

Negative income taxes and a wide range of other programmes have existed for some time in which governments provide income support to workers based on their wages. Economic theory suggests that as long as the demand for labour is not inelastic, wage supplementation will help increase the incomes of workers as well as encourage more people to enter or remain in the workforce.
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