REWARDING WORK

Workfare: A new pillar of support

MR G. Muthukumarasamy spends his time helping low-wage workers, as general secretary of the Amalga- 
mated Union of Public Daily Rated Workers.

His verdict on the new Workfare Income Supplement 
scheme?

"The Government is being very generous to low- 
income Singaporeans, and I'm very proud that this is a 
government that cares for the less fortunate."

Another union leader, Mr Nithiah Nandan, vice-pres- 
ident of the National Trades Union Congress and execu- 
tive secretary of the Union of Power and Gas Employ- 
ees, also welcomed the Workfare scheme, which Sec- 
cord Finance Minister Tharman Shanmugaratnam said 
on Thursday will become a permanent part of the social 
safety net.

"By making it a permanent feature, two messages 
are sent: You care for such workers, and you incentiv- 
te them to work.

"This is a very welcome move. They need not worry 
whether every year there will be a Workfare bonus. It's 
a brave move by the Government," said Mr Nithiah.

Economists, MPs and unionists interviewed yester- 
day hailed the Government's move to make Workfare 
permanent, saying it will help provide a safety net for 
low-wage earners without eroding the work ethic.

Workfare supplements incomes of those aged above 
35, who earn $1,500 and below. Older workers above 
45 will get more money, equal to 10 to 20 per cent of 
their wages.

About 70 per cent of the Workfare money will go in- 
to workers' Central Provident Fund accounts, and the 
rest as cash.

The idea is that Workfare will help top up the CPF 
of low-wage workers, as the CPF rates of this group 
will be reduced so employers find it cheaper to hire 
them.

The scheme is loosely modelled on the United 
States' Earned Income Tax Credit System, introduced in 
1975 and revamped in 1996 to raise the incentive for 
work, after criticism that the previous scheme bred de- 
pendence on welfare.

According to an article in The Economist in July last 
year, the number of welfare cases fell from five million 
to two million families over a decade. Single mothers' 
employment rate leapt from 44 per cent in 1993 to 66 
per cent in 2000.

In Britain, the Working Families' Tax Credit scheme 
was introduced in 1999. By 2000, some reports suggest- 
ed it did encourage single mums to go to work, raising 
labour force participation rate 2.2 per cent, but not for 
mother's children.

Of Singapore's Workfare, labour economist Chew 
Soon Beng said: "It's a very good move. You allow so 
many foreign workers to come in and they don't have 
Housing Board flats, or children who go to school here, 
so their reservation wage or the wage at which they are 
ready to work, is much lower.

"You bring them in, this pulls down wages of local 
workers. Workfare is an effective way to address this."

Even the opposition Workers' Party supports the 
Workfare philosophy. Party chairman Sylvia Lim, who 
is a Non- Constituency MP, said: "We do support the 
principle of Workfare as a recognition that even people 
who try to be self-reliant may not be able to cope in the 
new economy."

While applauding the move to make income support 
permanent, several analysts said the new Workfare 
scheme did not represent a fundamental shift in the 
anti-welfare philosophy of the People's Action Party 
Government.

Unlike unemployment or welfare benefits else- 
where, for example, Workfare is contingent on work, 
tied to age and assets criteria.

Economist Hoon Hian Teck from the Singapore Man- 
gement University (SMU) sees Workfare as an impor- 
tant policy initiative of the Government, but not as a 
fundamental shift, as it remains "anchored to the basic 
philosophy that you must preserve incentives to work."

The impetus behind Workfare springs from the Gov- 
ernment's basic commitment to globalisation, he noted.

"Singapore's growth is anchored to the world econo-
my. Globalisation is not new to Singapore, ever since 
Albert Winsemius advised Singapore to sell to the 
world. Singapore remains committed to globalisation,
but recognising the nature of globalisation in today's 
times, has come up with an income supplement scheme 
to ameliorate the effects," he said.

SMU economist Pang Eng Fong added that supple- 
menting incomes makes more economic sense than hav- 
ing a minimum wage which distorts the labour market.

"Workfare does not change employers' costs, and is 
simply a system to transfer resources to the most vulner-
able members of society, and is therefore much more 
targeted than a minimum wage scheme."

Associate Professor Hoon, who champions a propos- 
al by his former teacher, Nobel Prize-winning econo-
mist Edmund Phelps, for wage subsidies to be paid to 
employers - not directly to workers - pointed out that 
the new Workfare scheme lowers employers' wage bill 
for hiring low-wage workers.

This is because employers need pay less CPF to this 
group of workers than before. By topping up their CPF 
with Workfare, the Government is effectively taking 
over part of the employers' wage burden for this group 
of workers, he noted.

Lowering the cost of hiring low-wage workers 
should raise demand for such workers, he argued. Hav- 
ing Workfare that supplements workers' income, as 
well as reducing the wage bill of employers, is a clever 
move, he said, "like using twin blades of the scissors".

Even as Workfare helps today's low-wage workers, 
economist Ho Kong Weng said the next generation 
must also be helped too:

"Focus on the educational opportunities given to 
children from poorer families and that will increase the 
upward mobility of these children."

CHUA MUI HOONG