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Timely for Singapore to explore new ways of investing in citizens

Helping Singaporeans build wealth remains key to building a fair and inclusive society. The challenge is in determining how best to do so.

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"We want not only to help people to tide through difficulty, but also to boost their sense of drive and purpose, and strengthen their sense of agency and ownership over their own circumstances."

Speaking at the debate on the President's Address on Monday, Deputy Prime Minister Lawrence Wong highlighted Singapore's focus on social empowerment. He also touched on how home ownership remained a key plank of this approach where lower-income families receive support to purchase Housing and Development Board (HDB) flats through programmes like the Fresh Start Housing Scheme.

This housing-as-asset strategy, facilitated by Central Provident Fund (CPF) savings, has over time led to a nation of home owners with substantial housing wealth. Significant government grants for the purchase of HDB flats, along with capital gains over time, continue to anchor Singapore's asset-based social policy.

CONSIDER DIVERSIFYING SOCIAL INVESTMENTS BEYOND HOUSING

A criticism of this approach, however, is that many Singaporeans have become asset-rich but cash-poor.

Efforts to help home owners monetise their assets – through the Lease Buyback Scheme enabling the sale of remaining leases on HDB flats to the Government and the Silver Housing Bonus which provides a cash bonus for seniors to downsize or "right size" their homes – have met with only modest success.

A second challenge is the tension between flat price appreciation and housing affordability. Some have urged a greater focus on keeping homes affordable rather than viewing them as an appreciating asset.

Others say renting property may be more appropriate for those unable to rely on continuous full-time employment to service home mortgages. There are also suggestions that renting would help couples settle down earlier and boost the fertility rate.

Still, the benefits of home ownership – for the individual, the psychological assurance of having a roof over one's head; and for the state, giving citizens a stake in the nation's progress – remain compelling and relevant.

Rather, we should ask to what extent housing will remain an effective vehicle for growing wealth as population growth slows and leases run out on flats built in earlier decades, and explore whether support can be channelled through other asset types.

SINGAPORE'S EVOLUTION AS A 'SOCIAL INVESTMENT STATE'

Singapore has long been the quintessential social investment state, with social policy geared towards building up citizens' human capital, savings and assets, in contrast to welfare states that focus on income redistribution and universal social transfers.

The Government has invested heavily in education and public housing since the nation's independence. While housing endows citizens with a physical asset intended to appreciate in tandem with national growth, education equips Singaporeans with skills to earn a good living in the workforce.

Mandatory savings through CPF contributions grow the wealth of residents, providing for their housing, medical and retirement needs along with government support.

These investments have paid off handsomely, as reflected in the rise in median incomes and high rates of home ownership.

Rising affluence, however, has stoked concerns over inequality and social mobility. Giving Singaporeans greater assurance amid the rising cost of living and the vicissitudes of economic and labour market cycles has also become a key policy priority.

Hence, the social investment strategy has been complemented, since the mid-2000s, by new, structural social transfers including the Workfare Income Supplement, a wage supplement for lower-income workers, Silver Support for less well-off retirees and the Goods and Services Tax (GST) Voucher, which helps offset the cost of GST for lower- to middle-income households.

The Government also provides further ad hoc support in the form of cash payouts and vouchers, calibrated according to needs and resources, through the national Budget each year.

Meanwhile, social risk pooling has taken off with the introduction of healthcare, longevity and long-term care insurance (MediShield Life, CPF Life and CareShield Life respectively).

With re-employment support also in the works, Singapore's system of social support will be further strengthened and made more comprehensive.

TACKLING SOCIAL STRATIFICATION

Still, Singapore must double down on efforts to mitigate inequality and sustain social mobility, given the risk of social stratification. As the country matures, Singaporeans who have done well can pass on significant advantages to their children, both in terms of wealth as well as access to education and career resources.

Much effort has focused on providing fair opportunities through stronger support for education, skills and income. Public investment in education has in recent years been broadened to include early childhood education and lifelong learning, with particular focus on helping students from disadvantaged backgrounds and vulnerable workers.

A parallel effort has been pursued to raise wages and redesign jobs. Efforts since 2020 to expand mandatory progressive wages will lift the incomes of over eight in 10 lower-wage workers, while recommendations to strengthen work protection and retirement adequacy of online platform workers will help to address precarity among this group of gig workers.

While such interventions will make returns to human capital more equitable, this is only half the picture. There is also a need to address returns to assets and capital, which are growing in importance relative to employment income.

The debate on the President's Address this week saw Members of Parliament suggesting ways to mitigate wealth inequality through more progressive or new forms of wealth taxes.

On the other side of the ledger, it is worth contemplating what more can be done to help citizens accumulate assets, whether through housing, CPF or other forms of asset transfers and dividends.

BOOST SAVINGS AND OTHER INCOME-GENERATING ASSETS

Advocates of asset-based welfare, such as American social work professor Michael Sherraden, suggest that policies to facilitate asset-building can help individuals better pursue life goals and enhance their long-term economic security.

An example is Child Development Accounts, which have been introduced in several countries to help children build assets over time with contributions from the government and family members.

In Singapore, the Child Development, Edusave and Post-Secondary Education Accounts perform this role, with the Government continuing to top up these accounts in recent years.

In years past, the Government shared Budget surpluses with citizens in various ways. These included the New Singapore Shares in 2001 and the Economic Restructuring Shares in 2003, both of which paid dividends over a period of time for shareholders who did not encash them. Older Singaporeans may also recall that Singapore Telecoms shares were sold in the 1990s to the public at discounted prices as part of an initiative to develop a share-owning society.

There may be merit in revisiting such schemes as a means of equipping Singaporeans with assets that can generate a flow of income over time. Rules or incentives could be put in place to bar or discourage immediate encashment of these assets.

While some recipients would no doubt prefer immediate cash in hand, allowing dividends from these assets to be eventually spent would make this more attractive than a CPF top-up. Supplementing employment income with asset income will give recipients an added buffer against labour market shocks, contributing to a greater sense of assurance.

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Giving citizens a 'social dividend'

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Another possibility is some form of "social dividend" directly distributed to citizens from the income earned on the country's stock of productive assets or financial reserves. Although part of the returns on our reserves already funds programmes that benefit citizens, a social dividend can give citizens a tangible stake in the nation's progress, particularly if there is a variable component tied to national growth or investment returns on the reserves.

Distributing assets or dividends would not contradict the Government's tenet of "Reward for Work; Work for Reward" any more than cash support, or for that matter, the inheritance of wealth. Like other forms of support, asset-based policies could be designed such that everyone receives something, but the less well-off receive more, in a way that is fiscally prudent and sustainable.

REINFORCING SINGAPORE'S ASSET-BASED SOCIAL POLICY APPROACH

At the opening of Parliament last week, President Halimah Yacob highlighted the need for Singapore to strengthen its social fabric. "Every Singaporean must feel that they have a stake in our country. The fruits of our progress must be shared fairly, and no one should feel left behind," she said.

The Government plans to expand opportunities throughout life for every citizen, regardless of their starting points and to strengthen social safety nets. These priorities reflect key aims of Singapore's social policy: fairness and assurance.

While social transfers and safety nets have become increasingly prominent in Singapore's expanded social policy, social investments should continue to underpin efforts to build a fairer and more inclusive society.

With some creative thinking and innovation, Singapore's asset-based social policy can be enhanced to complement income redistribution and other social safety nets, along with investment in education, skills and opportunities, in the panoply of support for greater peace of mind in a more inclusive society.

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