

## Circle of trust in welfare system: Is S'pore ready?

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The Nordic welfare states have often been mooted as models that Singaporean policymakers should consider when dealing with income inequality, poverty and improving citizen well-being. It is important, when considering those models, not only to discuss the financial and policy aspects of these models, but also their social underpinnings.

At the heart of the Nordic welfare states is the concept of social risk-pooling. Support for it is high across all generations. Their citizens believe that a secure and fulfilling life is found when every individual makes sacrifices to ensure that each citizen enjoys a minimum and equitable standard of living.

This view was underlined repeatedly in various interviews with academics, journalists and union leaders conducted by the Institute of Policy Studies (IPS) in September last year.

Hence, the states' welfare measures can be accessed at all stages of life, from cradle to grave, whether through child care, education pensions or elder care.

What is this concept of social risk-pooling?

Think how all individuals run the risk of all manner of injury, illness or disability that might take them out of the workforce temporarily. Over the course of a full working life, they may be able to deal with such an event, but if it hits at inopportune moments, it may prove catastrophic.

This is not just an individual loss, but a societal one as well, both losing resources invested. By allowing a citizen to draw from society's resources, the impact of this loss may be lessened and may even be eliminated outright. To make the system work, all citizens contribute to the common pool of resources and then benefit from the peace of mind that they will not be left high and dry.

This requires an element of faith in the whole system - a belief that your fellow citizens from different generations remain committed to the system, that they intrinsically value work and that they will also be flexible enough to come to a consensus on reforms when the time to make them comes.

There has to be a shared understanding that children must be provided a good and extensive education, so business can flourish with well-trained and healthy workers, leading to greater productivity. There has to be shared understanding that older generations will use their electoral power to preserve the welfare resource pool and resist the dark urge to spend it all for their benefit or, as one Danish academic put it, "to eat the whole field".

Established about 60 years ago, the Nordic welfare systems have undergone reforms over the last two decades to improve fiscal sustainability and remain viable.

The most recent spate of reforms took place in response to major economic crises in the 1990s and 2000s, and the realisation that with ageing populations, welfare systems might not be able to pay for the retirement of the generations that built them.

These reforms have been profound, with almost every feature and benefit up for debate. But throughout the reform process, there has been no indication that support for the welfare state has waned. IPS interviews suggest that public support remains strong.

The Danes and Finns see the welfare state as a profound form of social risk mitigation - a pragmatic collective answer to the uncertainty of life.

And the proof of belief is underlined by this: Despite a very open electoral process, any political party that refuses to explicitly promise to preserve the welfare state has not been able to make significant electoral inroads in either country.

In fact, the Progress Party of Denmark, which opposes the welfare state, has seen its political support ebb away.

In Singapore, the Budget statement released on Feb 21 reflects Singapore's own evolution in social policy. Citizens have come to expect, and the state has come to a decision to deliver, structural aid to its citizens to address income inequality, social mobility and access to health care.

Low- to middle-income families will get more help with pre-school and higher education and greater subsidies for receiving specialist medical treatment at public hospitals. But some level of out-of-pocket payment is still required.

As part of the Pioneer Generation Package, around 450,000 older Singaporeans will enjoy greater subsidies for outpatient care and help with their hospital bills. In this case, however, the full cost of these measures is being funded by the 2014 Budget, with no need to tap long-term reserves or raise wealth taxes this year.

How will Singapore evolve in the years ahead? One indicator to watch out for is support for MediShield Life – the universal national health-care insurance scheme that covers one for life by pooling risks across age groups, regardless of work status or quality of health.

Its reception will show how willing Singaporeans are to commit more personal resources (pay higher premiums) to share risks with fellow citizens, and how they will feel about the unequal benefits derived, since the healthy will have lower claims than the less healthy.

So, while the Nordic states present an intriguing model for Singapore, the financial aspect of building a more comprehensive welfare state is just one concern Singaporeans should have.

What remains unclear is how far the average member of the Singapore public would invest in a system where the circle of trust and care extends to the unknown stranger on the grounds that the stranger's plight affects the common good and that the stranger's situation today might be one he or she may face one day too.

Tax increases may be necessary, and the transition may be long and bumpy.

Will Singaporeans feel that each citizen through the generations has a responsibility to ensure that everyone enjoys a minimum standard of care and well-being? Is there trust that everyone will resist the urge to take advantage of a free ride?

Changes to Singapore's social security structure will require deep public support to be sustained.

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