

# Silver Support enhancements welcome but consider indexing payouts to inflation

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For The Straits Times

In 2016, the Government introduced the Silver Support Scheme, the first permanent entitlement-based scheme for old-age support in Singapore.

Silver Support significantly strengthened social protection by filling a crucial gap for the needy elderly who did not apply, or qualify, for public assistance.

Budget 2020 further strengthens Silver Support by significantly raising payouts by 20 per cent for current recipients – to a maximum of \$900 per quarter – and by expanding eligibility. All in, nearly 250,000 Singaporeans aged 65 and above will benefit once the enhancements are rolled out.

The enhancements to Silver Support are timely because the purchasing power of payouts – which have remained at 2016 levels – has fallen over time. From 2016 to last year, the lowest-income households in Singapore faced a 4.5 per cent increase in the cost of living – as measured by the consumer price index (CPI) minus housing costs.

Some of our policies recognise that costs of living often go up. The Central Provident Fund's Basic Retirement Sum and Basic Healthcare Sum rise every year to accommodate increases in the expected costs of retirement. Public transport fares are revised annually, and generally rise because operating costs have gone up. The allowable income tax deduction for per diem expenses overseas is revised annually.

While payments are quick to be adjusted, when it comes to payouts, policy appears much less nimble.

Our social protection policies such as Workfare Income Supplement, Silver Support and ComCare assistance schemes do not have their payouts adjusted



Seniors at a void deck singing session in Ang Mo Kio last December. The Budget 2020 enhancements to Silver Support – a scheme which significantly strengthened social protection for the needy elderly – are timely because the purchasing power of payouts has fallen over time, says the writer. ST PHOTO: LIM YAOHUI

annually. Instead, payouts and qualifying criteria change only when policy reviews take place.

This periodic policy cycle creates a structural gap between benefits and needs, where the effective strength of social protection in Singapore is the greatest immediately following a policy review, and weakens gradually over time.

Of course, periodic and systematic policy reviews have their place, and have resulted in notable improvements in social protection.

Budget 2020's enhancements to Silver Support have gone

significantly beyond just adjusting for inflation, and changes to other social protection policies over the years have likewise resulted in increased coverage in real terms.

The policy solution is straightforward.

Social protection benefits and qualifying criteria can be indexed to official measures of changes in costs of living, standards of living and wages. An independent policy body can be created to manage the indexation method and to determine the changes, if any, to benefits and eligibility.

The Public Transport Council already performs a similar function by referencing the fare formula when determining annual public transport fare adjustments.

Indexation of benefits is also widespread outside Singapore.

For example, since 1975, social security benefits in the United States have been adjusted annually based on changes in the CPI.

Indexation, moreover, does not preclude periodic systematic reviews of social protection policy, any more than the fare formula prevents changes to the formula

when the structure of operating costs changes.

However, indexation of benefits will have political costs. A politician must not only deliver, but be seen to have delivered. A minister who delivers a significant increase in social protection payouts is more likely to be remembered by voters than one whose ministry simply administers automatic increases in indexed benefits.

But politics aside, indexation clearly provides a more consistent level of social protection to needy Singaporeans. So there is a policy

solution, but no simple political solution, to the structural policy gap in social protection.

The Government must be willing to forgo some political benefit to implement changes in social protection that, if successful, may be unremembered and hence harm its own electability in the future.

The electorate, likewise, must understand that – as Chinese Taoist philosopher Lao Zi noted – a good government should be that which looks as though it governs the least.

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