



## REACH PRE-BUDGET FEEDBACK EXERCISE

### WISH LIST FOR SINGAPORE BUDGET 2014 SUBMISSION FROM MARUAH

The FY2014 Budget Statement will be delivered on 21 February 2014. MARUAH would like to submit our wish list for the budget. This year, we have focused on 3 broad areas – education, healthcare and retirement – as we hope to advocate for better social protection for Singaporeans.

In Budget 2013, the government had taken a major step towards enhancing measures to improve social mobility and promote safety nets.

In education, the government had established the Early Childhood Development Agency to "catalyse quality improvements and benefit children in the pre-school sector", expanded the capacity of pre-schools and also brought in more "good teachers ... through increased salary grants to (AOPs) Anchor Operators, greater support in curriculum and teaching guides"<sup>1</sup>. The government had also set up a few kindergartens to develop best practices". On top of that, the government topped up the Opportunity Funds by \$72 million and extended it to polytechnics.

In healthcare, the government topped up the Medifund by \$1 billion. The government also raised the CPF contribution rates for employees earning above \$50 to \$1,500, to the full CPF contribution rates.

In 2014, MARUAH hopes that the government can expand the initiatives in these areas to allow for further opportunities for Singaporeans to receive adequate social protection.

#### **1. Education**

##### 1.1. Increasing Access to Educational Opportunities for Singaporeans

In FY2013, a total budget of \$11.6 billion was allocated to the Ministry of Education (MOE). This was an increase from the \$10.5 billion (estimated) and \$10.6 billion spent in FY2012 and FY2011, respectively.

In Budget 2012, the breakdown of the subsidies provided by the MOE to the educational institutions can be seen in Chart 1.

In addition to the subsidies provided by the MOE to the educational institutions, fees were also collected from the students. The university tuition fees collected amounted to 30% of the subsidies allocated, and for the polytechnics, this was 23%. In total, the fees collected represent only 12% or \$1.2 billion of the subsidies allocated.

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<sup>1</sup> [http://www.mof.gov.sg/budget\\_2013/key\\_initiatives/families1.html](http://www.mof.gov.sg/budget_2013/key_initiatives/families1.html)

<b>Educational Category</b>	<b>Subsidies Allocated (2012)<sup>2</sup></b>	<b>Fees Collected</b>	<b>Tuition Fees as % of Budget</b>
Autonomous Universities	\$2.6 billion	\$0.8 billion <sup>34567</sup>	30%
Polytechnics & Tertiary Arts Institutions	\$1.3 billion	\$0.3 billion <sup>8910111213</sup>	23%
ITE	\$0.5 billion	\$16 million <sup>14</sup>	3%
Primary & Secondary Schools & Junior College	\$5.3 billion	\$130 million	2%
<b>Total</b>	<b>\$10.7 billion (2013)</b>	<b>\$1.2 billion</b>	<b>12%</b>

*Chart 1: Subsidies allocated to and fees collected from educational institutions*

Additionally, \$358.4 million was set aside for preschool subsidies<sup>15</sup>. About another \$400 million<sup>16</sup> is estimated to be spent out-of-pocket by Singaporeans.

In total, Singaporeans would spend about \$1.6 billion (\$1.2 b and \$400 m) out-of-pocket for education (not including fees paid for tuition and other supplementary courses).

MARUAH believes in a rights-based approach and would like to propose to increase the government's education expenditure by about \$2 billion to around \$13.5 billion in FY2014 to subsidise more deeply for the education of Singaporeans at all levels of education.

## 1.2. Widening Access to Preschool Education for Singaporeans

In FY2013, a total budget of \$11.6 billion was allocated to the Ministry of Education (MOE). It has also been proven that early education in preschool will enable students to do better later on in school and in life. Currently, Singaporeans pay as much as \$733 million into childcare<sup>17</sup>, or a

<sup>2</sup> [http://www.mof.gov.sg/budget\\_2012/expenditure\\_overview/moe.html](http://www.mof.gov.sg/budget_2012/expenditure_overview/moe.html)

<sup>3</sup> NUS: <http://www.nus.edu.sg/annualreport/2013/>

<sup>4</sup> NTU: <http://www.ntu.edu.sg/AboutNTU/UniversityPublications/Documents/NTUAR2013.pdf>

<sup>5</sup> SMU: <http://www.smu.edu.sg/sites/default/files/smu/downloads/smuar2012.pdf>

<sup>6</sup> SUTD: [http://www.sutd.edu.sg/cmsresource/annualreport/SUTD\\_AnnualReport\\_2013.pdf](http://www.sutd.edu.sg/cmsresource/annualreport/SUTD_AnnualReport_2013.pdf)

<sup>7</sup> SIT: <http://singaporetech.edu.sg/images/stories/download/ar2013.pdf>

<sup>8</sup> NP: <http://www.np.edu.sg/annualreport/documents/index.html>

<sup>9</sup> NYP: <http://www.nyp.edu.sg/media/publications/annual-report>

<sup>10</sup> RP:

[http://www.rp.edu.sg/uploadedFiles/Contents/RP/About\\_RP/08Corporate\\_Material\\_and\\_References/Annual\\_Reports/RP\\_Annual\\_Report\\_2013.pdf](http://www.rp.edu.sg/uploadedFiles/Contents/RP/About_RP/08Corporate_Material_and_References/Annual_Reports/RP_Annual_Report_2013.pdf)

<sup>11</sup> SP: [http://www.sp.edu.sg/resources/docs/publications/annualreport/SP\\_AR\\_2012\\_2013.pdf](http://www.sp.edu.sg/resources/docs/publications/annualreport/SP_AR_2012_2013.pdf)

<sup>12</sup> TP: [http://www.tp.edu.sg/eazines/annual\\_report/2012\\_-\\_13/default.htm](http://www.tp.edu.sg/eazines/annual_report/2012_-_13/default.htm)

<sup>13</sup> NAFA: <http://www.nafa.edu.sg/PDFS/Happenings/AnnualReports/1213.pdf>

<sup>14</sup>

<https://www.ite.edu.sg/wps/wcm/connect/1f123600413604a2af8bbfb9cc0c1566/ITE+Highlights+FY2012+Final.pdf?MOD=AJPERES>

<sup>15</sup> [http://www.mof.gov.sg/budget\\_2013/expenditure\\_overview/msf.html](http://www.mof.gov.sg/budget_2013/expenditure_overview/msf.html)

<sup>16</sup> 73,852 students paid median fees of \$830 monthly, for a total of \$733 million. After deducting for the subsidies of \$358.4 million, Singaporeans would spend \$374.5 million for childcare.

[http://www.childcarelink.gov.sg/ccls/uploads/Statistics\\_on\\_child\\_care\(STENT\).pdf](http://www.childcarelink.gov.sg/ccls/uploads/Statistics_on_child_care(STENT).pdf)

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median fee of \$830 every month for childcare. This presents a heavy burden on the incomes of families, even with the \$358.4 million subsidies from the government<sup>18</sup>.

As such, we would also like to propose that the government extends full subsidies to preschool education in Singapore.

This would be a slight increase of 15% from FY2013's budget. Currently, education expenditure takes up only 3.2% of GDP. The proposed increase would bring Singapore's education expenditure to 3.9% of GDP, which would still be below the expenditure of the other high-income countries, and would continue to be cost effective for Singapore.

### 1.3. Expanding Opportunities for Special Education

It was found that "about 1,300 cases diagnosed annually (for developmental problems) for children aged from 0-6 years, (at a) disability prevalence rate for the pre-school cohort ... (of) at least 3.2%"<sup>19</sup>. It was also highlighted that a "large number of ... people with disabilities remain unreported"<sup>20</sup>.

Statistics also showed that in 2012, there were 10,000 children with special needs in mainstream schools<sup>21</sup>. Of these children, MOE had said that those with "severe special needs - who number around 500, or 5 per cent of the 10,000 - would be better served in special education schools where there is a customised curriculum and long-term specialised support". Currently, there are 20 special education schools<sup>22</sup> with a total enrolment of about 5,000, or an average of 250 students per school.

In order for children with special needs to receive adequate support and early intervention, MARUAH would like to propose the following measures:

- As it was highlighted that a number of people with disabilities remain unreported, we advocate for an increase in the government-funded service providers for the early detection and intervention for children with special needs to other hospitals (which currently only include KKH and NUH) and specialised centres<sup>23</sup>.
- We also hope that the government would allocate more funds to subsidise the screening of all Singaporean children for special needs.
- Additionally, the government could construct at least 2 more special education schools to cater for 500 more students who require customised curriculum and long-term specialised support.
- Finally, to enhance the teaching resources, we believe that the government could provide more scholarships to teachers to further their education in the training of special needs education.

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<sup>18</sup> [http://www.mof.gov.sg/budget\\_2013/expenditure\\_overview/msf.html](http://www.mof.gov.sg/budget_2013/expenditure_overview/msf.html)

<sup>19</sup> [http://app.msf.gov.sg/Portals/0/Files/EM\\_Annex.pdf](http://app.msf.gov.sg/Portals/0/Files/EM_Annex.pdf)

<sup>20</sup> [http://app.msf.gov.sg/Portals/0/Files/EM\\_Annex.pdf](http://app.msf.gov.sg/Portals/0/Files/EM_Annex.pdf)

<sup>21</sup> <http://news.asiaone.com/News/Latest%2BNews/Singapore/Story/A1Story20121120-384631.html>

<sup>22</sup> <http://www.moe.gov.sg/education/special-education/schoollist/>

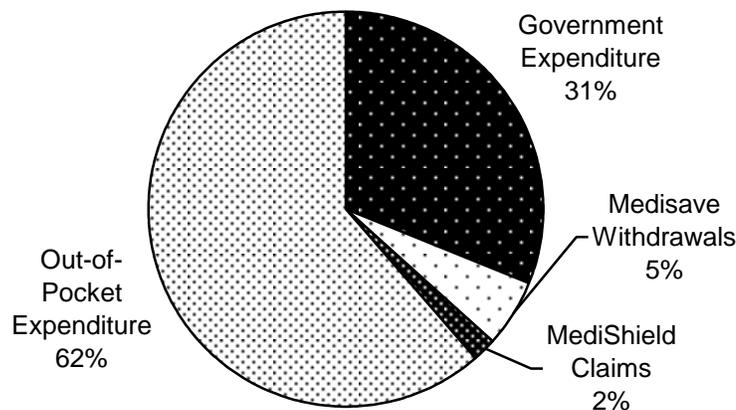
<sup>23</sup> [http://app.msf.gov.sg/Portals/0/Files/EM\\_Chapter3.pdf](http://app.msf.gov.sg/Portals/0/Files/EM_Chapter3.pdf)

## 2. Healthcare

In FY2013, a total of \$5.7 billion has been allocated to the Ministry of Health (MOH). In 2011, government subsidies accounted for 31.7% of total health expenditure while out-of-pocket expenditure accounted for 61.3%. In 2011, the government had spent \$4.1 billion, while out-of-pocket expenditure accounted for \$8.1 billion<sup>24</sup>.

In 2012, it was also reported that, “over 2,400 MediShield policyholders made co-payments of over \$10,000 each”<sup>25</sup>. \$10,000 is a hefty amount which can be a heavy burden for low-income Singaporeans. It had been estimated by the Lien Centre for Social Innovation and the Singapore Management University School of Social Sciences that there are up to 26% of Singaporeans who are living in poverty, or at an income of less than \$1,500.<sup>26</sup>

Additionally, Medisave withdrawals had accounted for 5.5% of total health expenditure and MediShield claims had accounted for 2.1%<sup>27</sup>.



We note that the Singapore government's expenditure of 31.7% as a proportion of total health expenditure, is the lowest among the high-income countries, which average at about 70%<sup>28</sup>.

### 2.1. High 3M Surplus and Large Hospital Bills

It is calculated that from 2001 to 2010, there was a MediShield surplus of \$850 million<sup>29</sup>, of which \$282 million in claims were made, or 33%. Also, in 2012, there was a total Medisave balance of \$60 billion, of which \$768 million was withdrawn for direct medical expenses which would represent 1.3% of the total Medisave amount<sup>30</sup>. For Medifund, there was a capital sum of \$3

<sup>24</sup> [http://www.moh.gov.sg/content/moh\\_web/home/pressRoom/Parliamentary\\_QA/2013/healthcare-financing-sources0.html](http://www.moh.gov.sg/content/moh_web/home/pressRoom/Parliamentary_QA/2013/healthcare-financing-sources0.html)

<sup>25</sup> <http://wp.sg/2013/11/easing-the-cost-of-healthcare-for-singaporeans-ncmp-gerald-giam/>

<sup>26</sup> [https://centres.smu.edu.sg/lien/files/2013/11/SocialSpace2013-2014\\_SanushkaMudaliar.pdf](https://centres.smu.edu.sg/lien/files/2013/11/SocialSpace2013-2014_SanushkaMudaliar.pdf)

<sup>27</sup> [http://www.moh.gov.sg/content/moh\\_web/home/pressRoom/Parliamentary\\_QA/2013/healthcare-financing-sources0.html](http://www.moh.gov.sg/content/moh_web/home/pressRoom/Parliamentary_QA/2013/healthcare-financing-sources0.html)

<sup>28</sup> <http://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199238828.001.0001/oxfordhb-9780199238828-e-3>

<sup>29</sup> [http://sprs.parl.gov.sg/search/topic.jsp?currentTopicID=00076647-WA&currentPubID=00076180-WA&topicKey=00076180-WA.00076647-WA\\_7%2BhansardContent43a675dd-5000-42da-9fd5-40978d79310f%2B](http://sprs.parl.gov.sg/search/topic.jsp?currentTopicID=00076647-WA&currentPubID=00076180-WA&topicKey=00076180-WA.00076647-WA_7%2BhansardContent43a675dd-5000-42da-9fd5-40978d79310f%2B)

<sup>30</sup>

[http://www.moh.gov.sg/content/moh\\_web/home/statistics/Health\\_Facts\\_Singapore/Healthcare\\_Financing.html](http://www.moh.gov.sg/content/moh_web/home/statistics/Health_Facts_Singapore/Healthcare_Financing.html)

billion<sup>31</sup>, of which \$98.2 million was disbursed, which made up 3.2% of the capital sum. In total, out of the total 3M amount available, only 1.8% was used. Therefore MARUAH is deeply concerned over the support for costs when Singaporeans are already paying for much of their expenses out-of-pocket (62%). MARUAH notes that more schemes need to be funded from these funds that the Government already has access to, to offset the high costs of medical expenses.

We are heartened by Prime Minister Lee Hsien Loong's announcement that the new MediShield Life will be universal and give "better protection for very large hospital bills". PM Lee had also said that, "patients will pay less out-of-pocket or out of their Medisave"<sup>32</sup>.

## 2.2. Increasing Government Subsidy and 3M Expenditure

We note that the MOH had announced that the government "will in fact take on a greater share of national spending, from the current one-third to about 40 percent and possibly even further"<sup>33</sup>. We hope that the government can bring forward its plan and also increase the national spending to 70%, which is closer to that of average spent by the other high-income countries<sup>34</sup>.

We also hope that the government can increase the expenditure from the 3M by about 5 times more, from the current 1.8% to 10% of the total 3M amount. This will still leave 90% of the 3M amount in surplus. This will ensure that Singaporeans would be able to receive adequate access to healthcare.

We expect this increased expenditure to be at around \$4 billion, or an increase by about two-thirds more than the current expenditure. In FY2012, there was about a 15% increase in health expenditure, followed by a 20% increase in FY2013. We believe that it is timely for a larger increase, in view of Singapore's ageing population, increase in co-morbidities and the increasing cost of living in Singapore.

## 2.3. Investing More Resources to Enhance Decentralised Healthcare

We are also heartened to note that in view of the bed crunch at the hospitals, Minister for Health Gan Kim Yong had said that the government had, in preparation for this, "already planned for new hospitals, community hospitals and nursing homes a few years ago"<sup>35</sup>.

However we note too that at 63.9 nursing and midwifery personnel per 10,000 population, Singapore has one of the lowest ratios among the high-income countries<sup>36</sup>. We believe that there is an urgent need for the government to begin investing more heavily in the training and education of Singaporeans to take on nursing jobs, especially in light of the preparation for the new community hospitals and nursing homes to meet the demands of an ageing population. In addition wages remain low for a job that is demanding - an enrolled/assistant nurse would currently earn a median wage of \$1,620, which is only a quarter of what a doctor earns at \$6,157<sup>37</sup>.

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<sup>31</sup> [http://www.moh.gov.sg/content/moh\\_web/home/costs\\_and\\_financing/schemes\\_subsidies/Medifund.html](http://www.moh.gov.sg/content/moh_web/home/costs_and_financing/schemes_subsidies/Medifund.html)

<sup>32</sup>

<http://www.pmo.gov.sg/content/pmosite/mediacentre/speechesinterviews/primeminister/2013/August/prime-minister-lee-hsien-loong-s-national-day-rally-2013--speech.html#.UtOyQNIW3eM>

<sup>33</sup>

[http://www.moh.gov.sg/content/moh\\_web/home/pressRoom/speeches\\_d/2013/MOH2013COSMinSpeechBetterHealthforAllPart2of2.html](http://www.moh.gov.sg/content/moh_web/home/pressRoom/speeches_d/2013/MOH2013COSMinSpeechBetterHealthforAllPart2of2.html)

<sup>34</sup> <http://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199238828.001.0001/oxfordhb-9780199238828-e-3>

<sup>35</sup> <http://www.channelnewsasia.com/news/singapore/healthcare-sector-takes/947266.html>

<sup>36</sup> [http://apps.who.int/iris/bitstream/10665/81965/1/9789241564588\\_eng.pdf?ua=1](http://apps.who.int/iris/bitstream/10665/81965/1/9789241564588_eng.pdf?ua=1)

<sup>37</sup> [http://www.mom.gov.sg/Documents/statistics-publications/wages2011/mrsd\\_2011ROW.pdf](http://www.mom.gov.sg/Documents/statistics-publications/wages2011/mrsd_2011ROW.pdf)

Additionally, patients at nursing homes would have to pay between \$300 and \$1,800 a month<sup>38</sup>, which can still be costly for an unemployed, elderly person or a person with many dependents.

In light of these factors, MARUAH believes that it would be timely for the government to:

- Increase the wages for nurses to make the profession more attractive.
- Increase the intake for para-medical and para-therapy services so that as we continue to increase the step-down facilities for older persons, we will have better ratios between personnel and residents.
- Provide even more subsidies for nursing homes, so that patients would be able to afford and be more willing to move into nursing homes.

### 3. CPF

At 36%, Singaporeans currently pay the highest contribution to social security in the world<sup>39</sup>. The interest rates of 2.5% on the Ordinary Account and 4% on the Special and Medisave Accounts are also comparatively lower than in Hong Kong<sup>40</sup>, Malaysia<sup>41</sup>, India<sup>42</sup> and other high-income countries<sup>43</sup>.

It is known that the CPF monies are borrowed by the government, and invested in the reserves<sup>44</sup>, which are managed by GIC Pte Ltd and Temasek Holdings<sup>45</sup>. However, compared to the CPF, GIC Pte Ltd has earned an “annualised 20-year return at 6.5% in USD”<sup>46</sup> and Temasek Holdings has earned 16% since inception<sup>47</sup>.

At its widest, Temasek earns an interest of 13.5% higher than the 2.5% that Singaporeans earn on the CPF Ordinary Account.

International surveys have placed Singapore as having one of the lowest replacement rates<sup>48</sup> and being one of the least adequate for retirement needs<sup>49</sup>. On top of that, the cost of living in Singapore has gone up from being the 6<sup>th</sup> costliest city in the world in 2012<sup>50</sup> to 5<sup>th</sup> in 2013<sup>51</sup>, making Singapore one of the most expensive places to live in the world.

There is a discrepancy in that even though Singaporeans pay the highest social security contribution in the world, as the returns are also the lowest; the CPF does not adequately meet the retirement needs of Singaporeans. It was reported that 65% of Singaporeans had thought that they would not be able to retire comfortably<sup>52</sup> and that, “the top three fears about retirement cited by Singaporeans were poor health, financial hardship and not having enough money to provide

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<sup>38</sup> <http://www.healthxchange.com.sg/News/Pages/Ministry-of-Health-guidelines-on-nursing-homes.aspx>

<sup>39</sup> <http://www.ssa.gov/policy/docs/progdsc/ssptw/>

<sup>40</sup> [http://www.mpfa.org.hk/eng/information\\_centre/publications/research\\_reports/files/10\\_year\\_performance\\_English.pdf](http://www.mpfa.org.hk/eng/information_centre/publications/research_reports/files/10_year_performance_English.pdf)

<sup>41</sup> <http://www.kwsp.gov.my/portal/about-epf/investment-highlights/dividend-rates/dividend-rates>

<sup>42</sup> [http://www.epfindia.gov.in/sites/pdf/InterestRate\\_OnPFAccumulationsSince1952.pdf](http://www.epfindia.gov.in/sites/pdf/InterestRate_OnPFAccumulationsSince1952.pdf)

<sup>43</sup> [http://www.jekomilev.com/davis\\_investment\\_pension\\_fund.pdf](http://www.jekomilev.com/davis_investment_pension_fund.pdf)

<sup>44</sup> <http://app.mof.gov.sg/data/cmsresource/Public%20Debt%20Report%202013.pdf>

<sup>45</sup> [http://app.mof.gov.sg/reserves\\_sectionone.aspx](http://app.mof.gov.sg/reserves_sectionone.aspx)

<sup>46</sup> [http://app.mof.gov.sg/reserves\\_sectionone.aspx](http://app.mof.gov.sg/reserves_sectionone.aspx)

<sup>47</sup> <http://www.temasekreview.com.sg/#overview-fromOurChairman>

<sup>48</sup> <http://www.adbi.org/files/2012.04.26.wp358.dev.asia.pension.systems.pdf>

<sup>49</sup> <http://globalpensionindex.com/2013/melbourne-mercero-global-pension-index-2013-report.pdf>

<sup>50</sup> <http://www.mercer.com/articles/cost-of-living-2012>

<sup>51</sup> <http://finance.yahoo.com/news/the-world-s-most-expensive-places-to-live-2012.html>

<sup>52</sup> <http://news.asiaone.com/News/Latest+News/Singapore/Story/A1Story20121007-376116.html>

for good healthcare”<sup>53</sup>. It was also found that the annual household income required to lead a “comfortable” retired life in Singapore had risen by 68% since 2011 to be at \$48,773 per annum, in 2013.

In 2012, the CPF Board stated that, “35,182 active CPF members turned 55, of which 48.7% were able to set aside their full Minimum Sum, either fully in cash, or partly in cash and partly via a property pledge.” This means that the CPF members who were able to meet the Minimum Sum in cash would be even lower. As such, less than half of Singaporeans would be able to withdraw their CPF and would not be able to retire at the legal retirement age.

### 3.1. Increasing CPF Interest Rates and Minimum Payout

MARUAH would like to propose that the government launch a study to find out the minimum income required by Singaporeans for retirement and increase the interest rates on the Ordinary Account, Special and Medisave Accounts to meet the basic retirement needs of Singaporeans.

We would also like to recommend that the government increase the minimum payout for CPF LIFE by at least twice the current \$350, to at least \$700. In addition, Singaporeans who are not able to meet the Minimum Sum should be given the option to leave aside a lesser amount of money in their CPF and to withdraw a higher amount out from their CPF.

We would also like to advocate for the CPF to be inclusive of vulnerable communities, such as homemakers and Singaporeans with disabilities, through a shared contributory savings scheme between family and the government.

## **CONCLUSION**

MARUAH has made reference to these three areas for 2014 as we believe that these are three areas which would enable Singaporeans to be more socially mobile (via education) moving upwards, and where if social safety nets are expanded (in healthcare and retirement), would allow Singaporeans to receive more adequate social protection.

We urge the government to look into these three areas which are crucial and fundamental and we look forward to the budget statement to be released, which would cater more strongly to meet the socio-economic needs of Singaporeans, enhancing their dignity.