

# Learning from the Nordic welfare model: what and how?

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## ABSTRACT

This paper posits that the Nordic countries were able to ensure good standards of equality for its citizens, while at the same time maintaining decent levels of economic growth. This can be attributed to the Nordic countries' more holistic approach towards social spending and their focus on uplifting the skill levels of its workforce. Thus, the notion that there must be a trade-off between economic performance and a more aggressive welfare regime should be examined more thoroughly. The debate for policy makers should perhaps be framed with regard to where the balance should be between growth and equity rather than a trade-off.

Firstly, the paper will elaborate on what exactly the "Nordic model" is, based on a broad literature review. Next, the paper will unpack the key characteristics of the Nordic model and analyse if indeed expansive welfare provided through state support erodes work ethic and impact the economic competitiveness of countries. Next, the paper will provide an explanation for how the balance between economic and social objectives is maintained, in some of the Nordic countries. Lastly, the paper discusses whether the same balance can be achieved in Singapore.

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# LEARNING FROM THE NORDIC WELFARE MODEL – WHAT AND HOW?

XIONG JIERU

## Introduction

In the February 2013 issue of *The Economist*, the model of governance adopted by the Nordic countries was lauded by the magazine as the next “supermodel”. The magazine praised the Nordic countries – Sweden, Norway, Denmark, and Finland – for having avoided the extreme inequalities which had plagued America, while concurrently circumventing the economic sclerosis which had consumed Southern Europe.<sup>1</sup> It was a model that was supposedly able to balance the economic and social needs of the society.

Meanwhile in Singapore, the scenario of polarizing income levels and increasing inequalities has become a hot button issue. The concern over increasing income inequality is understandable, given that the GINI coefficient of Singapore stood at 0.478 in 2012, before any social transfers.<sup>2</sup> Although inequality is also slowly creeping into several of the Nordic countries, the gravity of the inequality problem in the Nordic countries, as reflected by their GINI coefficient, is much less severe as compared to Singapore’s. For instance, Denmark’s GINI coefficient was 0.248 in 2011, and Sweden’s figure for the same year was 0.23.<sup>3</sup>

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<sup>1</sup> *The Economist*, “The Next Supermodel”, 2 Feb 2013. <http://www.economist.com/news/leaders/21571136-politicians-both-right-and-left-could-learn-nordic-countries-next-supermodel>. Accessed 29 July 2013.

<sup>2</sup> Department of Statistics Singapore, *Key Household Income Trends 2012* (Singapore: Department of Statistics Singapore, 2012).

<sup>3</sup> Central Intelligence Agency, “CIA World Fact Book”. <https://www.cia.gov/library/publications/the-world-factbook/geos/sw.html>. Accessed 30 July 2013.

The success of the Nordic countries in dealing with income inequality while retaining its economic competitiveness has generated considerable public interest. In an editorial column titled “What Singapore can learn from Europe” published in *The Straits Times* on 20 May 2012, Professor Tommy Koh – a distinguished diplomat and public intellectual – highlighted the various ways in which the Nordic countries had performed better than Singapore, such as having more inclusive economic growth and higher fertility rates.<sup>4</sup> Professor Koh’s article sparked off a flurry of public debate in the forum pages of *The Straits Times*.

In response to these debates, Prime Minister Lee Hsien Loong, in an event hosted by the Economic Society of Singapore (ESS) in 2012, cast doubt on Singapore going the Nordic way.<sup>5</sup> His primary concern was that implementing heavy taxation rates would be detrimental to Singapore’s economic competitiveness, given that the hallmark feature of the Nordic model is the high tax rates required to fund the expansive welfare programmes. Likewise, he also questioned the willingness of Singaporeans to accept a high tax regime.<sup>6</sup> Besides the question on taxes, official discourses have often warned that the cradle-to-grave welfare state system would undermine work ethic, and would also discourage people from seeking employment.<sup>7</sup> Given some of the negativities surrounding the Nordic-style welfare system as perceived by the Singapore government, this working paper therefore hopes to achieve two main objectives in looking at the debates on the

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<sup>4</sup> Koh, Tommy, “What Singapore can learn from Europe”, *The Straits Times*. 19 May 2012.

<sup>5</sup> Lee, Hsien Loong, Speech by Prime Minister Lee Hsien Loong at Economic Society of Singapore Annual Dinner, Prime Minister’s Office, Singapore. 2012. [http://www.pmo.gov.sg/content/pmosite/mediacentre/speechesinterviews/primeminister/2012/June/speech\\_by\\_prime\\_ministerleehsienloongateconomicsocietyofsingapor.html#.UjAM6zX2Nfo](http://www.pmo.gov.sg/content/pmosite/mediacentre/speechesinterviews/primeminister/2012/June/speech_by_prime_ministerleehsienloongateconomicsocietyofsingapor.html#.UjAM6zX2Nfo). Accessed 17 Sep 2013.

<sup>6</sup> Koh, Leslie, “Nordic Model won’t work for growth in Singapore”, *The Straits Time*. June 9 2012.

<sup>7</sup> Huber, Evelyne and John D. Stephens, “Welfare state and the economy”, in eds. Neil Smelser and Richard Swedberg, *The handbook of economic sociology* (Princeton: Princeton University Press, 2005), p.566.

links between economic competitiveness and social welfare spending. The first objective is to examine whether the Nordic model had indeed eroded the economic competitiveness of the adopting countries. The second objective is to see if any lessons can be drawn from the Nordic experience, and how a balance can be struck in Singapore's policies moving forward.

In this paper, I posit that the Nordic countries were able to ensure good standards of equality for its citizens, while at the same time ensuring decent levels of economic growth. This can be attributed to the Nordic countries' more holistic approach towards social spending and their focus on uplifting the skill levels of its workforce. Thus, the notion that must be a trade-off between economic performance and a more aggressive welfare regime should be examined more thoroughly. The debate for policy makers should perhaps be framed with regard to where the balance should be between growth and equity rather than a trade-off.

This paper will be structured in the following manner. First and foremost, the paper will elaborate on what exactly the "Nordic model" is based on a broad literature review. Next, the paper will unpack the key characteristics of the Nordic model and analyse if indeed expansive welfare provided through state support erodes work ethic and impact the economic competitiveness of countries. Next, the paper will attempt to provide an explanation for how the balance between economic and social objectives is maintained in the Nordic countries. Last but not least, the paper discusses whether the same balance can be achieved in Singapore.

### **Outline of the Nordic model**

To begin with, it is imperative for us to deconstruct the Nordic model, given that the Nordic model is the core subject matter in this paper. In *Three Worlds of Welfare Capitalism* – a seminal work on welfare state development – Danish sociologist Esping-Andersen devised a typology to categorise

the various welfare regimes in Europe and North America. In his book, Esping-Andersen identified a system of welfare regime which is distinctly adopted by the Nordic countries, terming it the social-democratic welfare regime. The main feature of the social-democratic welfare regime was that the principle of universalism and de-commodification of social rights prevailed. This implies that the Nordic countries practised a particular brand of social welfare policies that strives to maintain social equality at the highest standards. In other words, the social-democratic welfare system was designed to eliminate social stratification between the working and middle class. Such aggressive advocacy for social equality is what differentiates the welfare regimes present in the Nordic countries from welfare regimes in the rest of the Western world.<sup>8</sup>

Apart from Esping-Andersen, other sociologists had also provided further insights on the feature of the Nordic model. While Rune Ervik and Stein Kuhnle had similarly highlighted that principle of universalism as an essential characteristic of the Nordic model, both of them had also emphasized that there are additional components which are equally important. Notably, they described the Nordic model as being more state-based; that the state has more vested interests in the provision and financing of social welfare and insurance services, as illustrated in **Table 1**.<sup>9</sup>

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<sup>8</sup> Esping-Andersen, Gosta, "The three political economies of the welfare state", In eds. Jon Eivind Kolberg, *The Study of Welfare State Regimes* (New York: ME Sharpe, 1992), pp.112-113.

<sup>9</sup> Ervik, Rune and Stein Kuhnle, "The Nordic Welfare Model and EU", in eds. Bent Greve, *Comparative Welfare System: The Scandinavian Model in a period of Change* (London: Macmillan Press, 1996), p.89.

**Table 1: Providers of formal social care for the elderly (1996)**

Country	Providers of home help	Providers of institutional care
<b>Denmark</b>	Mainly municipal some contracted for profit agencies	Public (73%) Contracted private agencies (27%)
<b>Finland</b>	Municipal (90%) Non-profit groups (10%)	Public (81%) Contracted non-profit (19%)
<b>Norway</b>	Mainly municipal Some profit and non-profit organisations	Mainly public. Some non- profit and for profit agencies
<b>Sweden</b>	Municipal (96%) And contracted public or private agencies	Public (84%) Private agencies (16%)
<b>France</b>	Non-profit agencies. Some municipal agencies	Public (57%) Non-profit (29%) For profit (14%)

Source: Rostgaard and J.Letho 2001.

Scholars have also turned their attention on human capital development which is distinct in the Nordic model. For instance, economists Jon Anders Dropping and others, in their research, had argued that the Nordic states had characteristically placed strong emphasis on labour activation policies resulting in a well skilled workforce. Labour activation refers to a wide range of policies targeted at people receiving government social welfare. Often, the aim is to encourage the target group to re-enter the labour market.<sup>10</sup> Additionally, Goran Hultin, the former assistant director of the International Labour Organization, had suggested that the Nordic countries' long term investment in education and workers' training had allowed the Nordic societies to adapt quickly to rapid technological changes, and become world leaders in fields such as information and communications technology (ICT).<sup>11</sup>

<sup>10</sup> Dropping, Jon Anders et al, "Activation policies in the Nordic countries", in eds. Mikko Kautto et al, *Nordic social policy: Changing welfare states* (London: Routledge, 1999), pp.134-135.

<sup>11</sup> Hultin, Goran, "learning the lessons of the Nordic experience", (Working Paper 20, European Policy Centre, 2005).

<http://www.isn.ethz.ch/Digital-Library/Publications/Detail/?ots591=0c54e3b3-1e9c->

Besides this emphasis on human capital development and strong labour activation policies, the Nordic model also entails other significant empirical characteristics. One striking characteristic would be the expansiveness of the social protection programmes. As highlighted by Esping-Anderson, the Nordics believe in the principle of universalism. As such, Nordic social programmes are often targeted at various disadvantaged groups in the Nordic society, including the unemployed. Hence, the Nordic model is highly disposed towards providing generous welfare benefits for its citizens. **Tables 2A to C** summarise the different welfare privileges enjoyed by Nordic citizens.

Inevitably, to support the various welfare policies, high taxation levels are also common in the Nordic countries. **Tables 3A and B** show the various taxation rates in the Nordic countries.

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**Table 2A: Unemployment pension schemes in Nordic countries (2011)**

	<b>Finland</b>	<b>Denmark</b>	<b>Sweden</b>	<b>Norway</b>
<b>Benefit amount</b>	€25.74 (S\$43.48) per day (For 5 days per week) + allowance which is 45% of his wage from previous employment	90% of previous earnings minus 8% social security contribution  Maximum yearly benefit is DKK199160 (S\$45082.06), and minimum is DKK163280 (S\$36960.22)	80% of his previous earnings for the first 200 days, and 70% for the next 100 days.  Maximum daily benefit is SEK680 (S\$131.25), and the minimum daily benefit is SEK320 (S\$61.76)	62.4 % of previous earnings with maximum amount per week at NOK 5704 (S\$1221.23) + NOK85 (S\$18.20) per week for those with dependent child
<b>Duration</b>	500 days	2 years	300 days	104 weeks

Source: OECD 2011.

**Table 2B: social assistance plans (2011)**

<b>Sweden</b>		<b>Norway</b>		<b>Finland</b>		<b>Denmark</b>	
<b>Family type</b>	<b>Rates per month in SEK (S\$)</b>	<b>Family type</b>	<b>Rates per month in NOK (S\$)</b>	<b>Family type</b>	<b>Rates per month in euro (S\$)</b>	<b>Family type</b>	<b>Rates per month in DKK (S\$)</b>
<i>Single</i>	2830 (S\$544.51)	<i>Single</i>	5288 (S\$1132.16)	<i>Single</i>	419.11 (S\$707.90)	<i>Family with dependent child</i>	13096 (S\$2964.42)
<i>Married couple/cohabitant</i>	5120 (S\$985.11)	<i>Married Couple</i>	8783 (S\$1880.44)	<i>Married Couple</i>	356.24 (S\$601.71)	<i>Others</i>	9857 (S\$2231.24)
<i>Child &lt; 1 year old</i>	1540 (S\$296.30)	<i>Cohabiting</i>	4392 (S\$940.33)	<i>Child below 10</i>	264.04 (S\$445.98)		
<i>Child 1-2 years old</i>	1730 (S\$332.86)	<i>Children 0-5 years old</i>	2017 (S\$431.84)	<i>Child 10–17</i>	293.38 (S\$495.53)		
<i>Child 3 years old</i>	1390 (S\$267.44)	<i>Children 6-10 years old</i>	2681 (S\$574.00)	<i>Child over 18</i>	305.95 (S\$516.77)		
<i>Child 4-6 years old</i>	1660 (S\$319.39)	<i>Children 11-17 years old</i>	3361 (S\$719.59)				
<i>Child 7-10 years old</i>	2130 (S\$409.82)						
<i>Child 11-14 years old</i>	2440 (S\$469.47)						
<i>Child 15-18 years old</i>	2740 (S\$527.19)						
<i>Child 19-20 years old</i>	2770 (S\$532.96)						

Source: OECD 2011.

**Table 2C: Family assistance scheme (2011)**

Sweden		Finland		Denmark		Norway	
Criteria	Rates per month per child in SEK (S\$)	Criteria	Rates per month per child in euro (S\$)	Criteria	Rates per month per child in DKK (S\$)	Criteria	Rates per month per child in NOK (S\$)
<i>First child</i>	1050(S\$202.03)	<i>First child</i>	100.40 (S\$169.58)	<i>0-2 years old</i>	4248 (S\$961.58)	<i>First and subsequent child</i>	11640 (S\$2492.12)
<i>Second child</i>	1800(S\$346.33)	<i>Second child</i>	110.94 (S\$187.38)	<i>3-6 years old</i>	3363 (S\$761.25)		
<i>Third Child</i>	5448 (S\$1048.22)	<i>Third Child</i>	141.56 (S\$239.10)	<i>7-14 years old</i>	2646 (S\$598.95)		
<i>Fourth Child</i>	12120 (S\$2331.95)	<i>Fourth Child</i>	162.15 (S\$273.88)	<i>15-17 years old</i>	882 (S\$199.65)		
<i>Fifth &amp; subsequent child</i>	15000 (S\$2886.08)	<i>Fifth and subsequent child</i>	182.73 (S\$308.64)				

Source: OECD 2011.

**Table 3A: Income tax (2012)**

Singapore		Finland		Norway		Sweden		Denmark	
Income (S\$)	Rate	Income In euro (S\$)	Rate	Income In NOK (S\$)	Rate	Income In SEK (S\$)	Rate	Income in DKK (S\$)	Rate
0 to 20000	0%	Below 16100 (S\$27192)	0%	Flat rate for all income levels	28%	0 -50000 (S\$9620)	11.4 %	0 - 42900 (S\$9711)	8%
20001 to 30000	2%	16100 (S\$27192) to 23900 (S\$40366)	6.5%	Additional surtax for income up till 490000 (S\$104909)	0%	100000 (S\$19240)- 150000 (S\$28860)	22%	42901 (S\$9719) - 389900 (S\$88258)	40.6 %
3001 to 40000	3.5%	23901 (S\$40368) to 39100 (S\$66038)	17.5%	Surtax for income 490001 (S\$104909) - 796400 (S\$170509)	9%	200000 (S\$38481) -250000 (S\$48101)	24.4 %	389901 (S\$88334) and above	54.4 %
40011 to 80000	7%	39101 (S\$66040) to 70300 (S\$118734)	21.5%	Surtax for income 796401 (S\$170509) and above	12%	500000 (S\$96202) and above	35.3 %		
80011 to 120000	11.5 %	70301 (S\$118736) and above	29.75 %						
120001 to 160000	15%								
160001 to 200000	17%								
200001 to 30000	18%								
320001 and above	20%								

Source: Nordisk etax 2013; Swedish Tax Agency 2012; KPMG 2012, IRAS 2013.

**Table 3B: Other types of taxes (2012)**

	Finland	Sweden	Denmark	Norway	Singapore
<b>Value added-tax</b>	24%	25%	25%	25%	7%
<b>Corporate tax</b>	24.5%	26.3%	25%	28%	17%

Source: KPMG 2012.

By using Singapore as a benchmark, it is evident that tax rates in the Nordic countries are generally set at a much higher level. In Denmark for instance, income tax can rise up to 54.4%. Across the four Nordic countries, taxation on consumption is between 24-25%, which likewise is higher than Singapore's 7%. The same applies for corporate taxation rate. Critics had argued that welfare regimes are not conducive for business activities due to high taxes. The issue of sustainability of the welfare regimes with changing demographics in particular with ageing population is often raised in discussions when considering social distribution policies.

In essence, for us to gain a better understanding of the Nordic model, and how it can sustain economic competitiveness despite the high taxes, we should therefore look at the Nordic welfare model beyond the usual paradigms of tax rate versus social expenditure. The Nordic welfare model is not a simplistic social system whereby the state sets higher levels of taxation, in exchange for more generous provisions of social welfare for its citizens. In fact, it is a highly complex eco-system which encompasses several dimensions such as labour activation policies, concentration on investments in education and family, and the public sector as a major provider of various social services. **Table 4** captures the different aspects of the Nordic system.

**Table 4: Key indicators of the Nordic system**

	<b>Finland</b>	<b>Sweden</b>	<b>Norway</b>	<b>Denmark</b>	<b>OECD average</b>
<b>Social expenditure in % of GDP (2012)</b>	29	25	22.1	30.5	21.7
<b>Public spending on family benefits in cash, services and tax measures, in % GDP (2009)</b>	3.29	3.75	3.34	3.90	2.61
<b>Out of pocket health expenditure as a % of total expenditure on health (2011)</b>	18.6	16.3	-	13.2	19.8
<b>Expenditure on childcare and pre-primary education as % of GDP (2009)</b>	1.1	1.4	1.2	1.4	0.7
<b>Public healthcare expenditure per capita, in USD PPP, (2009)</b>	2410	3033	4501	3698	2354
<b>Maternity leave entitlement in weeks (2011)</b>	17.5	10	9	18	18.9
<b>Paternity leave in weeks (2011)</b>	7	10	14	2	4.8

Sources: OECD 2012.

## Do Nordic countries lack competitiveness?

At the outset, the neo-classical economic theory predicts that the espousal of a generous social welfare system and the pursuit of economic development are both incongruent objectives. The neo-classical school of thought believes in the primacy of self-regulatory market mechanisms to ensure optimal and efficient allocation of resources and rewards.<sup>12</sup> In terms of recommendations for social policies, it clearly advocates a laissez faire approach. So, any political attempts to disrupt the market mechanism, for instance the de-commodification of social rights which is advocated in the Nordic countries, would be deemed as being ill-advised.<sup>13</sup> With the Nordic welfare states in mind, I will examine if a more aggressive disbursement of welfare benefits have negative consequences on their economic performance.

In the 2012-13 edition of The Global Competitiveness Report released by the World Economic Forum (WEF), the Nordic countries generally scored well. First and foremost, the competitiveness of an economy is measured by its productivity levels in the WEF report. Countries which are economically more competitive generate higher rates of return on investments due to higher productivity standards. In turn, productivity is determined by factors such as health and education standards, infrastructure, macro-economic environment, technological readiness, innovation, and so on.<sup>14</sup>

<sup>12</sup> Korpi, Walter, "Does the Welfare state harm economic growth? Sweden as a strategic case study", in eds. Olli Kangas and Joakim Palme, *Social policy and economic development in Nordic countries* (New York: Palgrave Macmillan, 2005), p.88.

<sup>13</sup> Huber, Evelyne and John D. Stephens, "Welfare state and the economy", in eds. Neil Smelser and Richard Swedberg, *The handbook of economic sociology*, pp.565-6.

<sup>14</sup> Schwab, Klaus and Xavier Sala-i-Martin, *The global competitiveness report 2012-2013* (Geneva: World Economic Forum, 2012), pp.3-8.

**Table 5: World Economic Forum Global Competitiveness Report 2012-2013**

Country	Ranking (out of 144 countries)	Score (1-7)
Switzerland	1	5.72
Singapore	2	5.67
Finland	3	5.55
Sweden	4	5.53
Netherlands	5	5.50
Germany	6	5.48
United States	7	5.47
Denmark	12	5.29
Norway	15	5.27
Belgium	17	5.21
France	21	5.11
Malaysia	25	5.06

Source: World Economic Forum 2012.

Looking at **Table 5**, Nordic countries such as Finland and Sweden are placed in the 3<sup>rd</sup> and 4<sup>th</sup> spot, whereas Denmark and Norway are placed 12<sup>th</sup> and 15<sup>th</sup> respectively. Importantly, the Nordic countries generally scored higher than several other developed countries. In particular, Finland and Sweden were ranked even higher than Germany – traditionally the economic powerhouse in Europe. Although Singapore at second place was ranked higher than the Nordic countries, it was only marginally better than Finland and Sweden. While this paper will not use the WEF report solely as evidence to support the argument, the report nevertheless raised question on the commonly held belief that countries which provide a more expansive system of welfare benefits for its citizens cannot be economically competitive.

**Table 6: Key economic indicators**

	<b>Finland</b>	<b>Denmark</b>	<b>Sweden</b>	<b>Norway</b>	<b>Singapore</b>
<b>GINI coefficient</b>	0.268 (2008)	0.248 (2011)	0.23 (2005)	0.25 (2008)	0.478 (2012)
<b>Gross national income per capita (2011, computed using the Atlas method)</b>	US\$47,760	US\$60,160	US\$53,170	US\$88,870	US\$42,930
<b>% increase in GDP year on year (2008 – 2012 average)</b>	2.7	1.1	3.9	1.4	4.9
<b>Labour productivity (US\$)</b>	48.6	51.4	54.5	74.9	43.8
<b>Unemployment in % (male, 2008-2012 average)</b>	8.3	7.7	7.6	3.4	2.6
<b>Unemployment in % (female, 2008-2012 average )</b>	7.1	7.5	7.5	3.1	3.2
<b>Long term unemployment (% of total unemployment, 2008-2012 average) *</b>	22.4	24.4	15.8	11.1	20.1

Sources: CIA 2013; World Bank 2013; The Conference Board 2013.

\* Defined as people in a continuous period of unemployment extending to a year or longer.

When we further analyse the statistics in **Table 6**, it is difficult to justify the claims that adopting a more expansive welfare programme comes at the cost of economic competitiveness. Although Singapore's GDP growth rate was generally higher than the Nordic countries, nonetheless the Nordic countries still managed to experience positive economic growth rates. Other indicators which will debunk the economic in-competitiveness myth would be labour productivity and unemployment rate figures. Labour productivity in the Nordic countries remains higher than in Singapore despite the disbursement of generous welfare benefits which were often regarded in official discourse here as potentially damaging on work ethic. Although unemployment rate for both males and females in the Nordic countries were more severe than in Singapore, long-term unemployment figures were relatively commensurable. Singapore's long-term unemployment rate at 20.1% was only marginally lower than Finland and Denmark. In fact, the long-term unemployment of Sweden and Norway was even lower than Singapore's. From the figures for long-term unemployment, we can infer that perceptions that robust welfare regimes inadvertently encourage citizens to remain outside employment by living off the state coffers were exaggerated. At least in the Nordic countries, such social problems did not seem to be pervasive.

When we weigh all the different statistics, we can arrive at the following conclusion: By using GDP growth rate as a measurement, the Nordic countries admittedly did not manage to outperform Singapore. However, Singapore's GDP growth rate was not much higher than the Nordic countries. Additionally, the dogma that welfare state regimes would lead to certain social ills such as poor work ethic was also not substantiated, if we look at the labour productivity and long-term unemployment figures of the various Nordic countries. However, one area which the Nordic countries clearly outperform Singapore is social equality. Singapore's GINI coefficient at 0.478 in 2012 was much higher than the Nordic countries', which hovered around the region of 0.25. On the whole, Nordic countries were able to ensure a

reasonable level of economic growth while concurrently maintaining high standards of social equality. Singapore may have performed marginally better than the Nordic countries in terms of economic growth, but had to contend with higher levels of social disparities. Therefore, a case can be made that Nordic countries are able to achieve high standard of social equity while at the same time maintaining a decent level of economic vibrancy. What were the reasons behind these enviable achievements?

### Recipe for their success

From the various statistics available, one could assume that the Nordic countries are able to successfully maintain social equality without forfeiting its economic competitiveness. The next step for us is to dig deeper and try and explain the recipe for its success. Here, I contend that such competency found in the Nordic model can be explained by several factors. One key factor which I had identified would be the considerable focus on labour activation policies by the Nordic countries. The purpose of labour activation policies is to maximise employment in the labour market. Put simply, such policies are implemented to help job seekers re-enter the job market. Usually, labour activation polices are carried out through developing technical skills and qualification of the workers, boosting their theoretical knowledge, and enhancing their socialisation skills.<sup>15</sup>

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<sup>15</sup> Dropping, Jon Anders et al, "Activation policies in the Nordic countries", in eds. Mikko Kautto et al, *Nordic social policy: Changing welfare states* (London: Routledge, 1999), p.134.

**Table 7: Active labour market spending as % of GDP**

Country	2003	2007	2012
Norway	0.8	0.6	-
Denmark	1.8	1.3	1.9
Sweden	1.1	1.0	1.1
Finland	0.9	0.9	1.0
Germany	1.2	0.7	0.9
Czech Republic	0.2	0.3	0.3
Australia	0.4	0.3	0.3
Italy	-	0.5	0.5
Japan	0.2	0.2	0.3
Korea	0.1	0.1	0.4

Source: OECD 2013.

Using the OECD countries as a gauge (see **Table 7**), we can observe that active labour market spending in the Nordic countries is generally higher. Admittedly, Norway's spending is slightly lower. However, it still exceeds spending recorded by the Asian countries.

In order to further substantiate my argument that activation programmes are significant in the labour policies of the Nordic countries, I will highlight cases from Denmark and Sweden. Firstly in Denmark, active labour programmes are regarded as one of the core components in its flexicurity labour market strategy. To improve its efficiency, the responsibility of administering these activation programmes is often delegated to the municipal governments.<sup>16</sup> An example of an activation programme that had been instituted was the New Chance Project initiated nationwide on 1<sup>st</sup> July 2006. The participants of this project are those who are receiving unemployment benefit. Additionally, the Danish government has set three objectives for the project:

<sup>16</sup> Hendeliowitz, Jan, *Danish employment policy: Target setting, regional performance management and local delivery* (Copenhagen: Danish labour market authority, 2008), p.12.

1) 25% of the target group should have a job or started an education by 1 July 2008;

2) The members of the target group should support themselves at least 15% of the time during the 2 year period;

3) The target group should be active at least 40% of the time during the 2 year period.

The project was conducted in 3 phases. In the first phase, participants would go through skills upgrading, and attend language courses to improve their socialisation skills. The second phase would see the participants go through an internship at a local company. In the third phase, the participants would be matched to a job in a designated company.<sup>17</sup>

Next in Sweden, the origins of their active labour market programme can be traced to the 1950s as a way to combat unemployment specifically in the low-productivity sectors of the economy. It was intended as a policy option to help boost labour mobility at a time when Sweden was undergoing economic restructuring.<sup>18</sup> The labour activation programme became a feature in the Swedish labour policy framework only during the 1990s, where it was used extensively by the Swedish government to combat a bout of economic recession which had engulfed Sweden during early 1990s. Similar to Denmark, vocation training is central to Sweden's activation programme. For instance, from the beginning of the 1990s, computer activity centres were established nationwide. A national computer literacy programme known as SWIT was also launched.<sup>19</sup> All these public projects aimed at improving the

<sup>17</sup> Local Government Denmark, "Active labour market policy", [http://www.kl.dk/ImageVault/Images/id\\_41698/scope\\_0/ImageVaultHandler.aspx](http://www.kl.dk/ImageVault/Images/id_41698/scope_0/ImageVaultHandler.aspx). Accessed 19 July 2013.

<sup>18</sup> Calmfors, Lars et al, "The effects of active labour market policy in Sweden: what is the evidence?", in eds. Jonas Agell et al, *Labour market institutions and public regulations* (Massachusetts: Massachusetts Institute of technology, 2004), p.3.

<sup>19</sup> Ibid., p.4.

computer literacy of the Swedish workforce were undertaken to take advantage of the information and communications technology boom which was taking place during the late 1990s.

Apart from implementing such labour activation policies, the Nordic countries had also placed heavy emphasis on education.

**Table 8: Education expenditure**

	Expenditure per student, tertiary, (% of GDP per capita), 2009	Expenditure per student, secondary, (% of GDP per capita), 2009
<b>Finland</b>	38.9	36.9
<b>Denmark</b>	56.9	33
<b>Sweden</b>	44.9	33
<b>Norway</b>	49.1	29.2
<b>Japan</b>	21.1 (2008)	22.4(2008)
<b>Australia</b>	20.7	18.8
<b>UK</b>	20.5	31.0
<b>Singapore</b>	27.5	18.8

Source: World Bank 2013.

As seen from **Table 8**, expenditure per student in the Nordic countries clearly exceeds other developed countries. Such high levels in education spending had been rewarding for the Nordic countries. Finland in particular, has often been praised for its excellent education system. Internationally, the Programme for International Student Assessment (PISA) score had been used to evaluate the academic performance of students worldwide. In the 2009 PISA rankings, Finland was ranked first in science and second in Mathematics.<sup>20</sup> In fact, Finland's score of 554 for science was significantly higher than the OECD average of 501.

Additionally, education in the Nordic countries are not only restricted to the usual paradigms of

primary, secondary and tertiary education. We should also not neglect the learning undertaken by the working adults. In Denmark for instance, life-long learning has featured prominently as a core government's strategy to meet the challenges of globalisation and technological developments. Notably, the Strategy for Life-long Learning, which was published in August 2007, serves as a framework for the Danish government to realise its objectives of keeping in touch with an increasingly globalised and technologically advanced World.<sup>21</sup>

The 2007 lifelong learning strategy has several key initiatives. One of it is to provide adult education at all levels. For workers who are less educated, there are basic adult education and vocational training programmes catered for them. For workers who had received higher education, they would be encouraged to participate in courses offered by professional schools and centres of higher education, or continue their Masters or Doctoral programmes in the universities.<sup>22</sup> In order to accomplish the goals of the project, the Danish government had set aside a total sum of DKK 2 billion (or approximately S\$457 million) for the project.<sup>23</sup>

The Nordic countries' focus on activation policies and education investments probably account for the sharpening of their economic competitiveness. While there might be genuine concern that a country which had put in place an expansive welfare system ran the risk of eroding the work ethics among its citizens, the experiences of the Nordic countries showed that they were able to mitigate these problems by implementing the correct remedies. Primarily, the Nordic countries encouraged skill formation among their workforce by introducing labour activation policies and investing heavily on education. The effect of these policies was that of a well skilled workforce that enhanced the economic advantage of these Nordic countries.

<sup>20</sup> OECD, *PISA 2009 key findings: what students know and can do* (Paris: Organization for Economic cooperation and development, 2009).

<http://www.oecd.org/pisa/46643496.pdf>. Accessed 25 July 2013.

<sup>21</sup> CEDEFOP, *Country report on the action plan on adult learning: Denmark* (Thessaloniki: European Centre for the Development of Vocational Training, 2011), p.6.

<sup>22</sup> *Ibid.*, pp.10-12.

<sup>23</sup> *Ibid.*, p.13.

Referring to the WEF Global Competitiveness 2012 report again, the report stated that Nordic countries such as Finland performed well because of its emphasis on higher education and training as a pillar of the economy.<sup>24</sup> Making such emphasis has readied the Finnish workforce for high levels of technological adoption, and has maintained high innovation standards for the country. Other than Finland, Denmark has also been able to carve out a niche area for itself in the booming high-tech ICT industrial sector. For instance during the 1990s, Denmark attempted to develop its ICT industry by earmarking the University of Aalborg as the research centre for the Aalborg telecommunications cluster. Doing so successfully facilitated the rapid growth of the Aalborg telecommunications cluster.<sup>25</sup> The success of the Aalborg telecommunications cluster even attracted prominent multinational corporations specialising in telecommunications technology – such as Nokia and Ericsson – to set up research and development facilities in Aalborg. From the 2000s onwards, the Aalborg cluster expanded further to become the leading research cluster in Bluetooth technology.<sup>26</sup> Other than the ICT sector, Denmark's advantage in technology and innovation has also allowed it to be the leader in the clean technology sector.<sup>27</sup> The main takeaway is that the economic competitiveness of a country can be still maintained even when expansive social welfare structures are in place. The focus on human capital development and on capacitating fairness seemed to be right policy approaches that have served the Nordic societies well.

<sup>24</sup> Schwab and Sala-i-Martin, *The global competitiveness report 2012-2013* (Geneva: World Economic Forum, 2012), pp.3-8.

<sup>25</sup> Ornston, Darius, *When small states make big leap: institutional innovation and high-tech competition in Western Europe* (London: Cornell University Press, 2012), pp.114-115.

<sup>26</sup> *Ibid.*, p.118.

<sup>27</sup> Rishi VK, "How Denmark is the World's most clean-tech country", *The Economic Times*. October 27 2010. [http://articles.economictimes.indiatimes.com/2010-10-27/news/27627112\\_1\\_wind-power-sustainable-development-alternative-energy](http://articles.economictimes.indiatimes.com/2010-10-27/news/27627112_1_wind-power-sustainable-development-alternative-energy). Accessed 30 July 2013.

## Surveying Singapore's social policy landscape

Since attaining self-government from the United Kingdom in 1959, Singapore has been governed by the People's Action Party (PAP). Long concerned about the economic vulnerability and survival of a small city state, the PAP's public policy decisions have been driven by strong economic imperatives. In relation to this preoccupation with Singapore's economic survival and competitiveness, the PAP views the adoption of generous social welfare as damaging for Singapore's economic prospects, for varying reasons. The PAP strongly believed that such policies will have negative impact on Singapore's economic competitiveness. On top of that, the PAP was also concerned about the difficulties in sustaining high social welfare spending. It is because welfare expenditures are primarily funded through taxes. Sustaining it in the long run would require the government to continuously raise taxation rates until they reach inordinate levels.

Prime Minister Lee Hsien Loong had himself raised these very concerns during his speech at the Economic Society of Singapore, alluded to earlier; he said that "Singapore could face problems seen in parts of Europe, where citizens resisted high taxes but want to keep high welfare levels. He also warned that "we must still proceed carefully, because benefits once given can never be taken away".<sup>28</sup> This latter concern of the Prime Minister relates to the government's fear of what is commonly termed the "slippery slope" phenomenon. In a parliamentary speech in 2006, Lee said:

Don't over extend subsidies to people who are not poor. Once we've made a mistake, unwinding is impossible, because once people have been given welfare benefits, it becomes an entitlement, it's permanent, there'll be budget deficits, taxes will have to keep on going

<sup>28</sup> Koh, "Nordic Model won't work for growth in Singapore", *The Straits Time*. 9 June 2012.

up and we'll be in a *Scandinavian situation* [emphasis added].<sup>29</sup>

Therefore, unlike the Nordic countries which have high social expenditure, Singapore spends much less on social programmes. Whereas the Nordic countries generally spend 25% to 30.5% of their GDP on social welfare, Singapore spends only a paltry 3.5%.<sup>30</sup> Undoubtedly, there are welfare programmes implemented to assist the poor and disadvantaged in Singapore. For instance, the Workfare Income Supplement Scheme was introduced in 2007 to supplement the wages of older low-wage workers and encourage them to remain employed. However, welfare policies in Singapore are neither as aggressive nor as comprehensive as those adopted by the Nordic countries. They are supposedly more targeted aiming at those who need it because they have no other recourse, and not universal. Significantly, Singapore does not have any unemployment pension plans in place. Moreover, recent efforts to introduce a minimum wage policy were also rebuffed by the PAP government. The most significant feature in the Singapore social welfare landscape is perhaps the Central Provident Fund (CPF) scheme, although it is more apt to describe the CPF as a mandatory savings programme. This will be discussed further in the next section.

In April 2013, Finance Minister Tharman Shanmugaratnam said in a widely reported interview that the Cabinet has now shifted more "left-of-centre" in its thinking on social policy. He said that the current Cabinet is "focused on upgrading the lives and improving the lives of lower-income Singaporeans and older folk too [...] Those are two very important social objectives and we're going to succeed. We're going to do something to improve life for these two very important groups of Singaporeans".<sup>31</sup> In response

<sup>29</sup> Parliamentary Hansards, Singapore, 13 Nov 2006.

<sup>30</sup> ADB, *The social protection index: Assessing results for Asia and the Pacific* (Manila: Asian Development Bank, 2013), p.13.

<sup>31</sup> Low, Aaron, "Cabinet: More left-of-centre now, helping the lower income", *The Straits Times*, 19 Apr 2013.

however, sociologist Tan Ern Ser said that the shift has not been radical, as the core fundamentals of governance remain the same.<sup>32</sup>

### **Singapore's social security challenge: increasing income disparity**

The origins of Singapore's increasing income disparity can be traced to its first economic restructuring exercise that took place in the 1980s. During the post-independence years, the PAP's economic blueprint was to develop Singapore as a low-cost, low-skilled manufacturing hub. However, by the 1980s, the government embarked on a programme to transform Singapore into a knowledge based economy with high value added manufacturing and services – for instance, in pharmaceuticals, life sciences and financial services.<sup>33</sup> Amid massive economic restructuring which was on-going during the period, a segment of the population was left behind, such as unskilled workers and those whose skills were irrelevant to the high value-added industries present in a knowledge economy. The restructuring process propelled Singapore's economic development to what we see today – a vibrant global economic hub – but at the same time created a dual-income economy. On one end of the economy is an internationally competitive, well-educated, and well-paid workforce; on the other end of the economy is an older, low-skilled, and low-paid workforce which was unable to keep pace with the economic transformation.<sup>34</sup> The economic plight of this lowly educated underclass was further validated by a report published by the Ministry of

<http://www.straitstimes.com/breaking-news/singapore/story/cabinet-more-left-centre-now-helping-the-lower-income-20130419>. Accessed 13 Sep 2013.

<sup>32</sup> Ibid.

<sup>33</sup> Ho, Kwon Ping, "Towards a more equal self-reliant society", in eds. Soon Hock Kang and Chan Hoong Leong, *Singapore perspectives 2012: Singapore inclusive bridging divides* (Singapore: World Scientific, 2013), p.104.

<sup>34</sup> Ibid., pp.104-5.

Manpower in 2010. According to the report, the annual income growth rate of Singaporeans with tertiary education was 5.9%. For those with post-secondary education, the figure stood at 5.2%. Whereas for secondary or lower secondary education, it was even lower at 4.1%.<sup>35</sup>

The difficulties faced by this underclass are further compounded by the evident gaps in Singapore's welfare system. A notable gap is that Singapore's welfare policies do not adequately protect workers who are at the lowest end of the wage spectrum. Without unemployment insurance, or any sort of unemployment assistance or benefits, and with relative ease for employers to import foreign workers from poorer countries around Singapore, many of these low skilled workers were left to fend for themselves. It was only in 2007 that the government provided some relief with the Workfare Income Supplement (WIS) scheme, now a key pillar of Singapore's social welfare master-plan.

**Table 9: Workfare payment**

Income per month (S\$)	Total payments inclusive of cash and CPF contributions (S\$, 2013)			
	Age			
	35-44	45-54	55-59	60 & above
200	400	571	629	700
400	800	1143	1257	1400
600	1200	1714	1886	2100
800	1400	2033	2400	2800
1000	1400	2100	2800	3500
1400	875	1313	1750	2188
1600	525	788	1050	1313
1800	175	263	350	438

Source: Central Provident Board Singapore 2013.

<sup>35</sup> Hui, Weng Tat, "Macro-economic trends and labour welfare: A focus on retirement adequacy", in eds. Soon Hock Kang and Chan Hoong Leong, *Singapore perspectives 2012: Singapore inclusive bridging divides* (Singapore: World Scientific, 2013), p.47.

As shown in **Table 9**, a worker who earns \$200 to \$400 per month receives in total \$629 (55-59 years) only. In contrast, someone who earns \$1000 per month (55-59 years) ironically receives \$2800. Furthermore, the Workfare Scheme is mainly targeted at supporting low wage workers who are still employed. In other words, workers who are involuntary unemployed are neglected by the Workfare Scheme. The unwillingness to put in place a scheme to help the unemployed seemed to draw on the long-standing belief by policy makers that this may lead to erosion of work ethic. In the absence of unemployment insurances, job matching services have featured more prominently as a government strategy to assist the unemployed. Careers fairs are frequently organized throughout the year by the Workforce Development Agency (WDA) – a government agency established with the objective of improving the employability of the local workforce. Apart from organizing career fairs, the WDA had also made use of the cyber-world to help the unemployed find jobs. For instance, the JobsNet internet portal was set up in 2005 to provide a one-stop online job matching service for potential job seekers.<sup>36</sup>

Additionally, Singapore's social security system still relies primarily on the principle of self-reliance and family support. This has been justified by the government as a reflection of Singapore's culture of communitarianism and of "Asian values", but its core ideology has little differences with the fiscal conservatism of conservative governments in Europe – for instance, the current British conservative government's flagship policy idea of the "Big Society". As an example, Singapore's public social expenditure is only 3.5% of its GDP as compared to the OECD average of 21.7%. Another key pillar in Singapore's social security system is the Central Provident Fund (CPF) scheme. However, the CPF scheme is predominantly a mandatory savings programme for all Singaporeans. Every month, a Singaporean worker will contribute

<sup>36</sup> Workforce Development Agency, "JobsNet: Enhancing employability and competitiveness of our workforce for a vibrant Singapore economy", <https://pes.wda.gov.sg/jbs/Logon/index.aspx>. Accessed 22 August 2013.

roughly 20% (up to 55 years old) of his wages into his CPF account, matched by between 10-12% from his employers and the amount can only be withdrawn at the age of 55 so as to serve its purpose as a retirement pension.

The flaw of the CPF scheme relates to its lack of robustness as a social security policy, since it relies mainly on the worker's own accumulated savings. Furthermore, the requirement that it can only be withdrawn at the age of 55 makes it difficult for workers to deal with contingencies such as loss of earnings due to illness, or retrenchment. Also, it is more apt to describe the CPF as a mandatory savings programme, rather than a true pension fund. CPF savings earn a minimum interest of only 2.5% guaranteed by the Singapore government, while Special, Medisave and Retirement Account savings will earn a guaranteed minimum 4% interest until December 2013. Given that annual inflation rate in the past two years in Singapore has hovered around 4.2% to 5.2% as reported by the Department of Statistics,<sup>37</sup> this means that the real value of mandatory savings locked up in CPF accounts is in a downward trajectory.

Due to the absence of robust social security policies to assist this vulnerable underclass which lacks income mobility, it is thus important that Singapore looks at ways to strengthen its social safety nets. For instance, unemployment pension is an integral component in the Nordic social security system as mentioned earlier. It assures that even those who are unemployed are given substantial amount of assistance during their unemployment phase. This of course is matched by the activation policy to get the unemployed back to the labour market as soon as possible. Therefore, one way in which Singapore can augment its social welfare system is to examine the kind of support that can be given to the unemployed and see how these dual strategies can be adapted to our society. Apart from providing some form of unemployment pension, there are

<sup>37</sup> Department of Statistics, Singapore, "Time series on CPI and inflation rate, 1980-2012".

[http://www.singstat.gov.sg/statistics/browse\\_by\\_theme/economy/time\\_series/cpi\\_1980.xls](http://www.singstat.gov.sg/statistics/browse_by_theme/economy/time_series/cpi_1980.xls). Accessed 13 Sep 2013.

also other ways of strengthening Singapore's social security system, for instance by providing more subsidies in housing, healthcare, and childcare, some of which the government is rolling out. Ultimately, doing so will have its benefits in building a more inclusive and resilience society.

From 2001 to 2010, the household income for the bottom 10% had declined by an estimated 5%.<sup>38</sup> The situation is doubly bad when one considers the annual inflation rates of 4.2% to 5.2% in the past two years, as cited earlier. Besides these problems, this underclass has to contend with the forces of globalisation and an influx of low-wage foreign labour into Singapore.<sup>39</sup> Therefore, firming up Singapore's social security system to alleviate the economic hardships of the underclass would contribute to a fairer society. While at the same time, it will also ease social tensions which may emerge due to a growing income gap.

### Lessons for Singapore

There will be concerns that raising the level of social welfare benefits will erode Singapore's economic competitiveness. However, the experience of the Nordic model in balancing both economic and social objectives suggests that Singapore can afford to raise its level of social welfare programs. To clarify at the outset, I am not making the argument that Singapore should make a great leap by raising its level of social welfare spending to be on par with the Nordic countries. Rather, I am suggesting that there is more space for Singapore to boost its level of social welfare spending. After all, the same factors such as emphasis on education and training which had

<sup>38</sup> Cheung, Paul, "Income growth and redistribution in Singapore: issues and challenges", in eds. Soon Hock Kang and Chan Hoong Leong, *Singapore perspectives 2012: Singapore inclusive bridging divides* (Singapore: World Scientific, 2013), p.16.

<sup>39</sup> Bhaskaran, Manu et al, "Inequality and the need for a new social compact", (paper presented at Singapore perspectives 2012: Singapore inclusive bridging divides, Singapore 16 January 2012)

allowed the Nordic countries to sharpen its economic competitiveness amid an expansive social welfare framework are also present in Singapore, and these programmes should be further strengthened and enhanced at the same time drawing the following lessons from the Nordic model.

Firstly, from various indicators in the earlier section of this paper, one notes that the competitiveness of the Nordic countries has been enhanced by a highly educated workforce. Similarly, Singapore also possesses a highly educated workforce. The evidence is that Singapore students likewise perform well in the PISA score. In the 2009 PISA score, Singaporean students scored 562 for mathematics (as compared to OECD average of 496), and 542 for science (as compared to the OECD average of 501). If the Nordic countries are able to maintain their competitiveness by focusing on developing a highly educated workforce, Singapore should be able to do the same given that the future Singaporean workforce will be highly educated as well.

Secondly, the Nordic countries have managed to enhance their labour productivity through implementing active labour market policies and emphasizing on adult learning. Correspondingly, Singapore is focusing attention now on life-long learning and re-training. Raising workers' productivity standards and ensuring maximum employment has also been one of the core aims in the yearly government budget. For instance in Budget 2010, the government pledged to commit S\$1.1 billion over the next five years to increase workers' productivity standards. Moreover, a National Productivity and Continuing Education Council, headed by the Deputy Prime Minister, was set up to coordinate such efforts. On top of the S\$1.1 billion, the government set aside a further S\$2.5 billion on Continuing Education and Training programme (CET).<sup>40</sup> The CET programme is

<sup>40</sup> Ministry of Finance, Singapore, "Singapore Budget 2010: Raising productivity, skills, innovation and economic restructuring", [http://www.mof.gov.sg/budget\\_2010/key\\_initiatives/raising\\_productivity.html](http://www.mof.gov.sg/budget_2010/key_initiatives/raising_productivity.html). Accessed 30 July 2013.

designed to raise the education standard among the workforce and help Singapore maintain a competitive advantage in the region. One ambitious aim of the CET programme is to equip 50% of the workforce with diploma qualifications by 2020, compared to 36% in 2007.<sup>41</sup> Additionally, the labour unions have also taken the initiative to enhance the skills and productivity of the workers. An example would be the establishment of the National Trade Union Congress E-learning hub in 2004, with the objective of providing computer literacy, soft skills, manufacturing skills for the workers.<sup>42</sup> Overall, it is evident that there is a concerted effort at the national level to raise skills and productivity standards in Singapore. Based on the Nordic experience, embarking on this path will create the capacity for Singapore to strengthen its level of social spending without incurring too much cost on its economic dynamism.

## Conclusion

This paper makes the argument that the distribution of more expansive social welfare benefits does not necessarily come at a cost of eroding economic competitiveness or work ethic. After all, the Nordic countries have demonstrated adequately that sustaining economic competitiveness and providing more social welfare are not objectives which are mutually exclusive. As I had suggested in this paper, focusing on human capital development is central to the Nordic success in achieving this delicate balance. The Nordic model offers valuable insights for Singapore to ensure a more inclusive growth. Income inequality has become a worrying social issue in Singapore. Despite Singapore experiencing strong

<sup>41</sup> Ministry of Manpower, Singapore, "Continuing education and training".

<http://www.mom.gov.sg/skills-training-and-development/adult-and-continuing-education/cet-masterplan/Pages/default.aspx>. Accessed 30 July 2013.

<sup>42</sup> National Trades Union Congress, "Corporate profile of NTUC E-Learning Hub".

<http://www.ntuclearninghub.sg/web/guest/corporate-profile>. Accessed 25 July 2013.

economic growth rates throughout the decades, a segment of low-income Singaporeans has been unable to enjoy the fruits of Singapore's economic success. When it comes to the issue of assisting this group of low-income Singaporeans, more could be done. The Nordic model has shown that raising the level of social welfare does not inevitably lead to the loss of economic competitiveness. As Singapore focused its efforts on human capital development, it needs to review all policies that can contribute to such

development including in the social sphere. After all, increasing income inequalities and long term structural unemployment have potential to lead to breakdown of social fabric and need to be addressed. Policy makers therefore need to review some of their age-old bias with regards to social welfare spending and come out with better balance of social and economic objectives to achieve the inclusive growth that the government has said should be its priority moving forward.

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