



# SINGAPORE-ON-THAMES

## What the UK can learn from the Lion City

By Dr Bryan Chean

BRIEFING PAPER

### EXECUTIVE SUMMARY

- Singapore has had one of the most rapidly growing economies in the world in recent decades, making it one of the ‘four Asian tigers’. The ‘Lion City’ presents important lessons for policymakers in the United Kingdom.
- Singapore has prospered with minimal state intervention in the economy. Singapore spends and taxes far less as a percentage of national income compared to the United Kingdom and other major Western economies.
- Singapore spends £3,500 less per person per year on social spending compared to the United Kingdom yet achieves better outcomes.
- Singapore’s public services are carefully designed to emphasise individual responsibility and use market principles — while providing extremely high quality outcomes and equitable access.
- The central plank of Singapore’s welfare and health systems is the Central Provident Fund (CPF) accounts, which is a mandatory social security savings scheme funded by contributions from employers and employees. CPF can be used for retirement, healthcare and housing. The Singaporean government supplements the savings of lower wage workers through Workfare and top-ups to MediSave.
- By encouraging saving with appropriate taxpayer-funded top-ups, Singapore’s welfare system promotes personal responsibility and local community organising that is both well-targeted to those in need and limited in cost.
- Singapore’s “workfare” welfare approach focuses on getting people back into work and providing them with the necessary skills. It is designed to encourage self-reliance and responsibility.
- Singapore abandoned the NHS-style healthcare (and welfare) model left behind by the British when they gained independence in 1965. Instead, Singapore re-designed the health care system to emphasise market competition and choice while maintaining universal healthcare access. Singapore’s healthcare system is more efficient and has much better health outcomes than Britain thanks to market reforms.
- Singapore’s education system gives schools and teachers autonomy. It is largely decentralised and has a flourishing private sector which promotes competition and efficiency.

- The UK could improve the quality of public services, such as welfare, healthcare and education, by adopting a more market-centric, decentralised and personal responsibility model exemplified by Singapore:
  1. Reduce state-spending and taxation to similar levels of Singapore, abolishing tariffs and quotas along with other restrictions on trade;
  2. Incentivise greater personal saving or insurance for unemployment, education, retirement, healthcare, and social care; by developing a UK-equivalent of Central Provident Fund (CPF) accounts.
  3. Decentralise the curriculum and encourage further academisation.
  4. Incorporate market incentives into the delivery of welfare, health and education.

## **ABOUT THE AUTHOR**

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Singapore is one of the most successful countries in the world. The island nation has one of the highest rates of economic growth and per capita incomes. It also has strong results on other welfare indicators, including healthcare outcomes, educational attainment, housing, and social security. This immense success since its relatively recent independence in 1965 has led to worldwide admiration. Scholars, think tanks, and commentators have upheld Singapore as a model to be emulated. Such economists come from diverse ideological persuasions, including Joseph Stiglitz, Steve Hanke, Paul Romer, Michael Porter, and Milton Friedman.<sup>1</sup>

UK-based organisations have also studied Singapore (the UK's former colony) for lessons.<sup>2</sup> Singapore's highly efficient healthcare system and world-class educational system are good examples for Britain to improve its National Health Service, as well as universities and schools. Singapore relies heavily on personal responsibility and targeted welfare. This provides useful lessons for the UK to reform or adjust its universal entitlements system.

This is particularly topical in the context of Britain's global status after leaving the European Union.<sup>3</sup> Given the economic uncertainties in the post-COVID era, it is important for the UK to not only learn, but implement the right lessons, including those from Singapore. Philip Hammond, former Chancellor of the Exchequer suggested that the UK could be a "Singapore-on-Thames" with the hope that low taxes and cutting red tape will allow it to outcompete the European Union.<sup>4</sup> Chancellor Rishi Sunak has also echoed the hope to "make Britain the Singapore of Europe".<sup>5</sup>

This paper will provide details of Singapore's economic successes and the useful lessons that the UK may draw in its effort to develop its economy and society in this post-Brexit, COVID world.

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<sup>1</sup> Jim Zarroli, "How Singapore Became One Of The Richest Places On Earth," NPR, March 29, 2015, <https://www.npr.org/2015/03/29/395811510/how-singapore-became-one-of-the-richest-places-on-earth>.

<sup>2</sup> Lim Min Zhang, "Britain can learn from Singapore's independence as it heads for Brexit: British foreign secretary," The Straits Times, January 4, 2019, <https://www.straitstimes.com/singapore/britain-can-learn-from-singapores-independence-as-it-heads-for-brexit-british-foreign>.

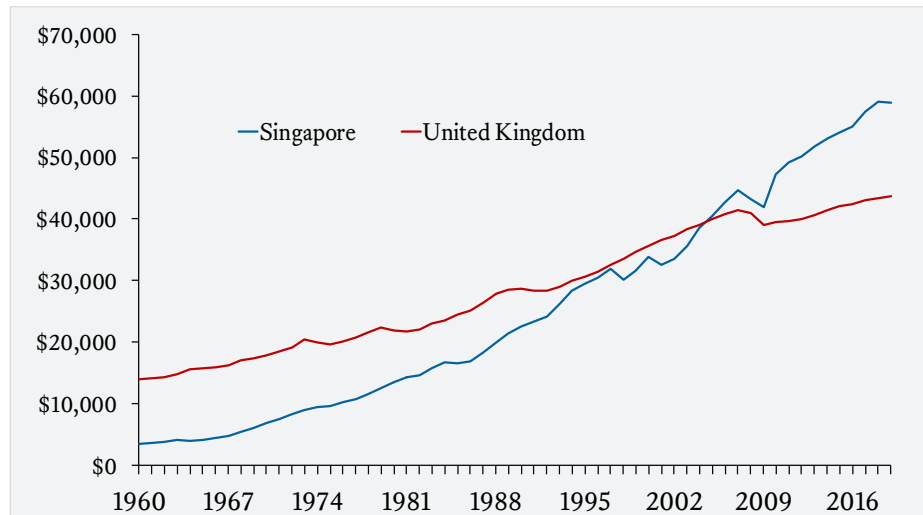
<sup>3</sup> David Martin, "Singapore on the Thames: Model for a Post-Brexit UK?" S. Rajaratnam School of International Studies, February 3, 2020, <https://www.rsis.edu.sg/rsis-publication/rsis/singapore-on-the-thames-model-for-a-post-brexit-uk/>.

<sup>4</sup> Howard Davies, "Will the UK really turn into 'Singapore-on-Thames' after Brexit?" The Guardian, December 17, 2019, <https://www.theguardian.com/business/2019/dec/17/uk-singapore-on-thames-brexit-france>.

<sup>5</sup> Matthias Ang, "UK to try & transform itself into 'S'pore of Europe' with lower taxes & regulation: Daily Mail," Mothership, January 17, 2021, <https://mothership.sg/2021/01/uk-singapore-of-europe-low-taxes/>.

Singapore is a small city-state with a population of just 5.7 million and no natural resources. Despite this, it enjoys a nominal GDP per capita of US\$64,100, according to the International Monetary Fund.<sup>6</sup> GDP per capita had been comparable between both Singapore and the UK, but with the former outpacing the latter from 2005 onwards.

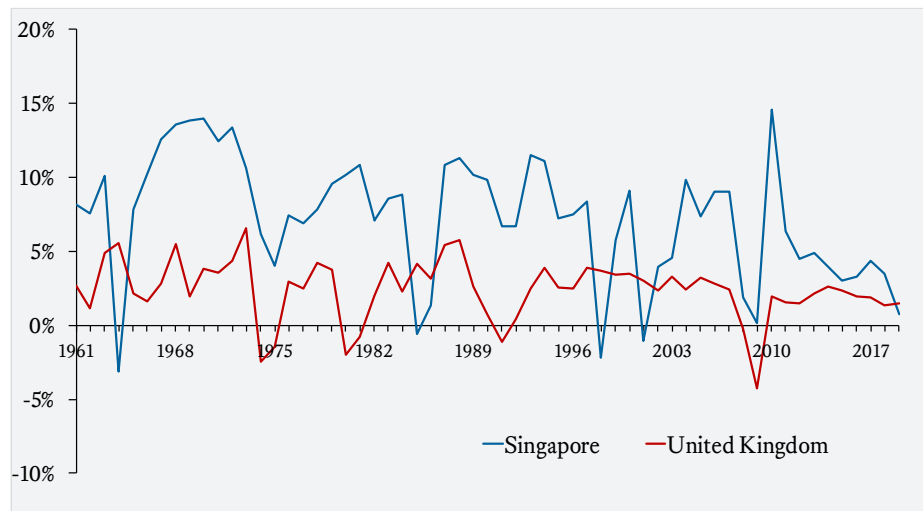
**FIGURE 1. GDP PER CAPITA (CONSTANT 2010 USD)**



Source: World Bank, “GDP per capita,” 2021.

Singapore’s growth rate over the past several decades has been high, notwithstanding the slumps related to the 2008 financial crisis and the 2020 pandemic.

**FIGURE 2. GDP GROWTH (ANNUAL %)**



Source: World Bank, “GDP growth (annual %),” 2021.

<sup>6</sup> International Monetary Fund, “World Economic Outlook,” April, 2021, <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>

Economic growth is sustained by increases in labour productivity and innovation. The continuing development of ideas, technology and innovation is necessary to maintain high levels of growth. Singapore ranks the fourth most productive nation according to the International Labour Organisation. Comparatively speaking, the UK is ranked 34<sup>th</sup> in the world.

**TABLE 1. OUTPUT PER WORKER BY COUNTRY**

<b>RANK</b>	<b>COUNTRY</b>	<b>OUTPUT PER WORKER (GDP CONSTANT 2011 INTERNATIONAL \$ IN PPP)</b>
1	Luxembourg	241,729
2	Macau, China	210,119
3	Ireland	187,658
4	<b>Singapore</b>	<b>159,680</b>
5	Brunei	133,209
6	United States	127,046
7	Norway	124,140
8	Switzerland	123,736
9	Qatar	123,661
10	Puerto Rico	122,964
34	<b>United Kingdom</b>	<b>92,646</b>

*Source:* International Labour Organisation, “Statistics on labour productivity,” 2020.

# ECONOMIC SYSTEM AND INSTITUTIONAL STRUCTURE OF SINGAPORE 7

**TABLE 2. COMPARISON OF ECONOMIC SYSTEM AND INSTITUTIONAL STRUCTURE**

	SINGAPORE	UNITED KINGDOM
<b>Political system</b>		
<b>Electoral democracy</b>	To an extent. Free and regular elections are institutionalised in the Singapore Constitution. However, elections have not been considered fair (see, for example, Freedom House’s evaluation of Singapore’s electoral process in 2021).	Free, fair, and regular elections are institutionalised.
<b>Civil liberties</b>	Curtailed through authoritarian practices, both formal and informal.	Minimal restrictions on civil liberties.
<b>Economic system</b>		
<b>Private Property Rights</b>	Yes	Yes
<b>Use of Markets as Primary Means to Allocate Resources</b>	Yes	Yes
<b>Nature and extent of state intervention into the economy</b>		
<b>Government Provision of Welfare</b>	Minimal. Benefits are means-tested instead of universal, and co-payments are common, where citizens must bear some of the cost of most welfare services.	Extensive. Universal-entitlements welfare system.
<b>Government Provision of Subsidies for Industrial Purposes, Development Efforts</b>	Extensive and proactive since the 1960s. Industrial policy represents a central strategy of the government.	Minimal. Industrial policy back on the agenda in last few years. <sup>7</sup>

## WELFARE

Every nation has some form of welfare: social assistance provided by the state. Singapore is no different. However, the following traits are distinctive. Economic growth is considered crucial to providing higher living standards, since growth creates jobs, and good jobs are the basis of social progress. Hence, the pro-business

<sup>7</sup> Government of the United Kingdom, “Industrial Strategy: building a Britain fit for the future,” last modified June 28, 2018, <https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>.

policies of the Singapore government are not anathema to but part and parcel of the aim of generating higher standards of living for Singaporeans.

Social assistance is available, but designed to not obstruct finding gainful employment. Low income is rectified not by transferring or guaranteeing income, but by upgrading the skills of workers so they can find better jobs. The system is built on the principle of self-responsibility, demonstrated by encouraging and ensuring that Singaporeans work.<sup>8</sup>

Singapore adopts a “many helping hands approach”, whereby various stakeholders in society have a part in helping individuals rather than having the state as the main, or even ultimate guarantor of social security. Non-state actors, like the family, civil society organisations, and community self-help groups, are a key line of defence against destitution.

The combination of these four principles translates into certain institutional aspects of Singapore’s welfare system. First, the institutional linkages between different policy areas, mainly housing, healthcare and education. These are designed to provide Singaporeans with social mobility, a growing stake in the nation’s wealth, and decent living standards. Second is the pro-work design of major social programs. Third is the relatively low level of government expenditure on welfare compared to most developed nations.



Source: Ministry of Community Development, Youth and Sports, 2011.

<sup>8</sup> Lim Xiu Hui, “Security with Self-Reliance: The Argument for the Singapore Model,” *Ethos* 3 (2007): 35-39.





Singapore’s social welfare system is multifaceted. The first pillar of it is asset building through the Central Provident Fund (CPF) system. The CPF is a national mandatory savings program, where a portion of workers’ monthly income is automatically saved. There is both an employer and employee contribution each month, both of which may comprise up to 37% of total monthly wages. Additionally, to better encourage savings, citizens are able to claim some back some of their CPF funds as tax relief.

The CPF started off as a compulsory old-age savings scheme. It now also provides for health expenses, housing, education, and more. The program encourages Singaporeans to build and grow their assets over time, providing them with a financial means to be responsible, manage present and future needs, and have a strong sense of ownership in the nation’s future.<sup>9</sup>



In addition, Singapore focuses heavily on home ownership. This derives from the belief that a house is not just a shelter, but also an asset for families to store value. Today, Singapore has over 90% home ownership. This is one of the highest housing asset ownership rates worldwide.<sup>10</sup> Singapore’s housing also caters for the least well-off. As of 2006, even the poorest 20% of household residents enjoyed approximately US\$80,000 in home equity on average.<sup>11</sup>

Even though most housing in Singapore is public, there is a significant role for the private sector and market competition. In fact, the government undertook a deregulation exercise in the 1980s to cut numerous regulations concerning the resale of flats which restricted household mobility.<sup>12</sup> The introduction of CPF grants into

<sup>9</sup> Chia Ngee Choon, *Singapore Chronicles - Central Provident Fund (CPF)* (Singapore: Straits Times Press, 2016).

<sup>10</sup> Michael Sherraden, “Innovations in asset building,” *Asia Pacific Journal of Social Work and Development* 24, no. 3 (September, 2014), 196-204. doi.org/10.1080/02185385.2014.947672.

<sup>11</sup> Ministry of Finance, Singapore, “Budget Statement 2006,” (Singapore: Budget Archives, 2006), [https://www.mof.gov.sg/docs/default-source/default-document-library/singapore-budget/budget-archives/2006/fy2006\\_budget\\_statement.pdf](https://www.mof.gov.sg/docs/default-source/default-document-library/singapore-budget/budget-archives/2006/fy2006_budget_statement.pdf)

<sup>12</sup> Matthias Helble and Sock-Yong Phang, “Housing Policies in Singapore,” (Japan: Asian Development Bank Institute, 2016. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2753487](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2753487).

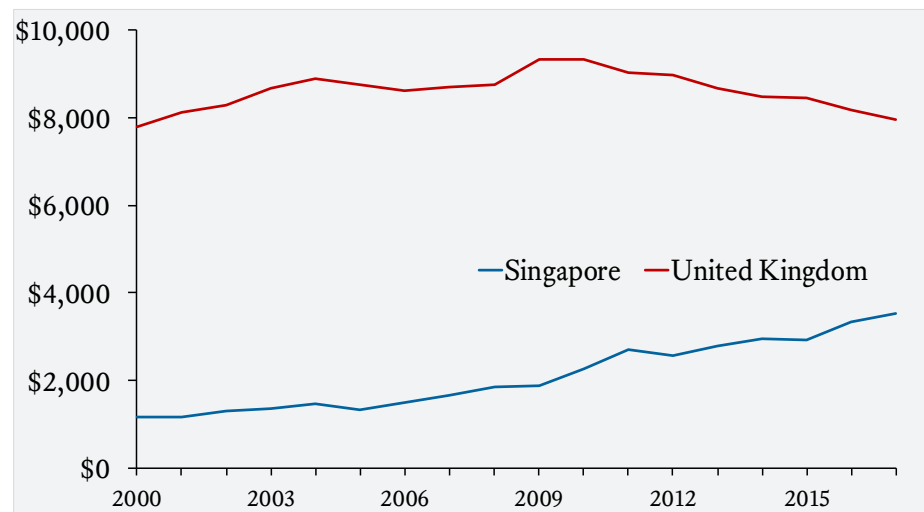
housing finance also introduced a strong element of personal responsibility in this sector.

The ‘many helping hands’ concept in Singapore’s welfare policy includes the state funding many autonomous voluntary welfare organisations, rather than doling out transfer payments directly to households. In 2018, the government provided SG\$8.8 billion (£3.59 billion 2010) to these civil society groups.<sup>13</sup> This contributes to a flourishing social services sector. The wide array of community-based social services allows individuals to find help at a local level, promotes a culture of philanthropy, and reduces the burden on the state.

### SOCIAL SPENDING

Singapore’s state-led social expenditure is kept at a comparatively low level. This is achieved by emphasising the role of individual responsibility and encouraging civil society involvement. Social spending in the United Kingdom is higher than in Singapore. On a per capita basis, the average Singaporean receives \$4,423 USD or £3,500 (constant 2010 value in 2017) less in social services and transfer payments from the government than in the UK.

**FIGURE 3. SOCIAL EXPENDITURE PER CAPITA IN CONSTANT 2010 USD**



Sources: Ministry of Trade and Industry, 2021a, OECD, 2021a, & World Bank, 2021. Calculated.

Singapore’s government spending has been below 15% of GDP in recent years, a decline from 25% in the late 1980s and 20% in the late 1990s. By contrast, government expenditure of OECD countries regularly exceeds 40% of GDP.<sup>14</sup>

### PRO-WORK INCENTIVES

<sup>13</sup> “Commissioner of Charities Annual Report,” Ministry of Culture, Community and Youth, Singapore, last modified February 26, 2021, <https://data.gov.sg/dataset/commissioner-of-charities-annual-report>.

<sup>14</sup> Tilak Abeysinghe, “Lessons of Singapore’s Development for Other Developing Economies,” in *Singapore’s Economic Development: Retrospection and Reflections*, ed. Linda Lim (Singapore: World Scientific), 35-50. <https://doi.org/10.1142/S0217590815500290>.

Singapore's main "welfare" scheme is titled "Workfare". This is an income supplement, for people in employment, premised on Singapore's pro-work orientation. It is designed to reward work and encourage up-skilling by supplementing the incomes and retirement savings of older lower-wage workers and providing funding support for their training. The Workfare Income Supplement tops up the salaries of lower-income workers and helps them save for retirement. This is targeted at workers in the bottom 20% of earners. The payment ranges from \$1,000 to \$4,000 a year per individual. Since the policy was introduced in 2007, Singaporean households at the 20<sup>th</sup> percentile have experienced real income growth of about 40%. This compares favourably to the low or even negative income growth in comparable OECD countries.<sup>15</sup>

Workfare recipients must be working. This leads to the next question: what about the unemployed? Unemployment benefits exist in Singapore. However, state support largely focuses on helping individuals find work by equipping them with relevant skills. This is why the second but equally important component of the Workfare Income Supplement is the Workfare Skills Support, which provides funding to workers who enrol in government-approved training courses. This scheme combines with other initiatives, such as the SkillsFuture initiative, which is provided through employers to encourage the upskilling of their workers. The overall goal is to ensure continued employment and prevent structural unemployment.<sup>16</sup>

This is supported by the "Progressive Wage Model", which is an adaptation of the typical minimum wage policies found in other countries. Employers in certain low-wage sectors are expected to pay their workers a minimum but are also incentivised to send them for "retraining" to increase their productivity.<sup>17</sup> Thus, minimum wages are conditional on attending and completing training programs. This helps ensure that wage increases are tied to productivity improvements.

Overall, Singapore does not entirely lack a social safety net system. Nevertheless, it is carefully designed to be targeted at those in need, limited in cost and pro-work and pro-responsibility.

## HEALTHCARE

Singapore's healthcare system is among the best in the world, as measured by comparative healthcare outcomes. Strikingly, this is achieved with a relatively low level of healthcare expenditure. This contrast is especially pronounced when compared with the UK, which spends substantially more on healthcare per capita.

<sup>15</sup> Government of Singapore, "About Workfare," last modified August 27, 2021, <https://www.workfare.gov.sg/Pages/AboutWorkfare.aspx#>.

<sup>16</sup> "Government of Singapore, About SkillsFuture," last modified August 6, 2021, <https://www.skillsfuture.gov.sg/AboutSkillsFuture>.

<sup>17</sup> Ministry of Manpower, Singapore, "What is the Progressive Wage Model," accessed October 20, 2021, <https://www.mom.gov.sg/employment-practices/progressive-wage-model/what-is-pwm>.

The system emphasises self-responsibility. This limits excessive demand for services and overreliance on state welfare or third-party medical insurance. This is a core principle in healthcare policy, as stated in the 1993 White Paper *Affordable Healthcare*, which formed the basis of Singapore’s healthcare system.<sup>18</sup>

Singapore, like most countries, has healthcare subsidies. But these are largely provided through co-payments, whereby patients are expected to bear a portion of the cost out-of-pocket. These out-of-pocket expenses can be partly funded by Medisave, which is a health savings account within the larger CPF compulsory savings scheme.

## HEALTHCARE FINANCING

There are substantial issues when the person receiving healthcare is not the same as the person paying. This includes providers being wasteful and information asymmetry between patient and doctor. While third-party systems aim to be equitable, they end up causing costs to spiral upwards with no translation into improved service delivery.

This is exactly the problem faced in numerous countries where government funding is substantial, for example the National Health Service in the United Kingdom, which has been subject to resource wastage, long queues, and inferior outcomes compared to major developed nations.<sup>19</sup> While UK residents still pay for healthcare indirectly via taxes, the monolithic structure of healthcare delivery means they have less choice and lower quality healthcare.

Singapore has sought to avoid these poor outcomes. Singapore inherited the British system of governance at the time of independence in 1965. At the time, services at Singaporean outpatient clinics were modelled on the British welfare state model, but it was soon changed due to blatant waste.

As Singapore’s first Prime Minister Lee Kuan Yew recalled:

“The ideal of free medical services collided against the reality of human behaviour, certainly in Singapore. My first lesson came from government clinics and hospitals. When doctors prescribed free antibiotics, patients took their tablet or capsules for two days, did not feel better, and threw away the balance. They then consulted private doctors, paid for their antibiotics, completed the course, and recovered.”<sup>20</sup>

<sup>18</sup> Ministry of Health, Singapore, “Affordable Health Care—A White Paper,” (Singapore: Singapore National Printers, 1993). [https://www.moh.gov.sg/docs/librariesprovider5/resources-statistics/information-papers/affordable\\_health\\_care.pdf](https://www.moh.gov.sg/docs/librariesprovider5/resources-statistics/information-papers/affordable_health_care.pdf)

<sup>19</sup> Kristian Niemietz, *Universal Healthcare Without the NHS: Towards a Patient Centred Health System*, (London: Institute for Economic Affairs, 2016).

<sup>20</sup> William Haseltine, *Affordable Excellence: The Singapore Health System*. (Massachusetts: Brookings Institution Press, 2014).

Lee's government imposed a fee of 50 cents for each attendance at the clinics, doubled during public holidays.<sup>21</sup> This bold move reminded Singaporeans that healthcare is not free and that the nation would not be building a welfare system like Britain's. People would be expected to contribute directly to their healthcare.

The principle of self-responsibility has been enshrined in Singapore's welfare and healthcare policy. Under Lee Kuan Yew's leadership and the establishment of the People's Action Party's governance, Singapore envisioned a system that would not be "free" to consumers at the point of use and would not contribute to a welfare state mentality nor diminish the people's desire to achieve and succeed.

Singapore's healthcare policy recognises the basic fact that resources are finite, which the idea of "cradle-to-grave welfare health system" disregards. Singapore's second Prime Minister Goh Chok Tong is most credited for healthcare financing reform in the 1980s after a major review, declaring:

"There is no place for a cradle-to-grave welfare health system in Singapore. Such a system is politically motivated and disregards the basic truth that resources are finite in terms of funds, doctors, nurses and other supporting staff. It blunts the population's incentive to work [which is] so necessary to pay for the services they want. It is not even healthy for the medical service itself as the experience of the British National Health Service has shown."<sup>22</sup>

### **SUBSIDIES, CO-PAYMENTS, AND MEDISAVE**

Government subsidies are available, making up approximately 60% of healthcare costs. Patients are also required to co-pay part of the cost of medical treatments. A portion of this cost is borne by patients, and may be further offset by funds from his or her Medisave Account, which is part of the national CPF framework and a compulsory individual healthcare savings scheme for all working Singaporean Citizens and Permanent Residents. In other words, patients "feel a double bite of individual responsibility—not only in the form of the co-insurance paid out of their Medisave, but another sum paid directly out-of-pocket".<sup>23</sup>

Medisave's compulsory saving mechanism ensures that Singaporeans have savings to tap on should they need healthcare, reducing the cash outlay. Funds may be used by immediate family members and dependents, and unused funds may be distributed to nominees upon death, all of which help facilitate mutual care on the family level.

<sup>21</sup> Lim Meng-Kin, "Healthcare Systems in Transition: An Overview of Health Care Systems in Singapore," *Journal of Public Health Medicine* 20, no. 1, (1998): 16-22.

<sup>22</sup> National Archives of Singapore, "Speech to the Singapore Medical Association Annual Dinner," (Singapore: NAS, May 1981), <https://www.nas.gov.sg/archivesonline/speeches/record-details/711d9e92-115d-11e3-83d5-0050568939ad>.

<sup>23</sup> Phua Kai Hong, *Singapore Chronicles: Healthcare* (Singapore: Straits Times Press, 2018). | "Attacking Hospital Performance on Two Fronts: Network Corporatization and Financing Reforms in Singapore," in *Innovations in Health Service Delivery: The Corporatization of Public Hospitals*, ed. Alexander Preker, and April Harding, (World Bank Publications, 2003), 479.

Medisave must be used for specified purposes, including hospitalisation, selected outpatient treatment, and premiums of some approved insurance plans.<sup>24</sup> As such, Medisave helps incentivise individuals to remain healthy, lest CPF funds dwindle, which means less money for their retirement.<sup>25</sup>

The government minimises healthcare costs by incentivising Singaporeans to be responsible. This contrasts with countries with third-party reimbursement systems, where neither providers nor consumers of healthcare bear the major burden of cost directly. Since someone else is paying— government programs (i.e. UK) or insurance companies (i.e. USA)—there is little incentive to be prudent in decisions about which and how many tests and treatments are appropriate for a given situation. Medisave is central to providing Singapore citizens a quality of life comparable to or above the most affluent nations of the world .

Singapore was the first country in the world to have instituted medical savings accounts on a national basis in 1984. China and the United States have since experimented with the model.<sup>26</sup> Singapore’s approach meets the aim of universal health coverage through a patchwork of private financing and public schemes. This is achieved through government top-up and provides transfer payments for those who cannot afford healthcare — therefore the poor are not turned away. This universality is achieved without treating healthcare as a universal entitlement of citizens or removing competitive pressures for quality healthcare.

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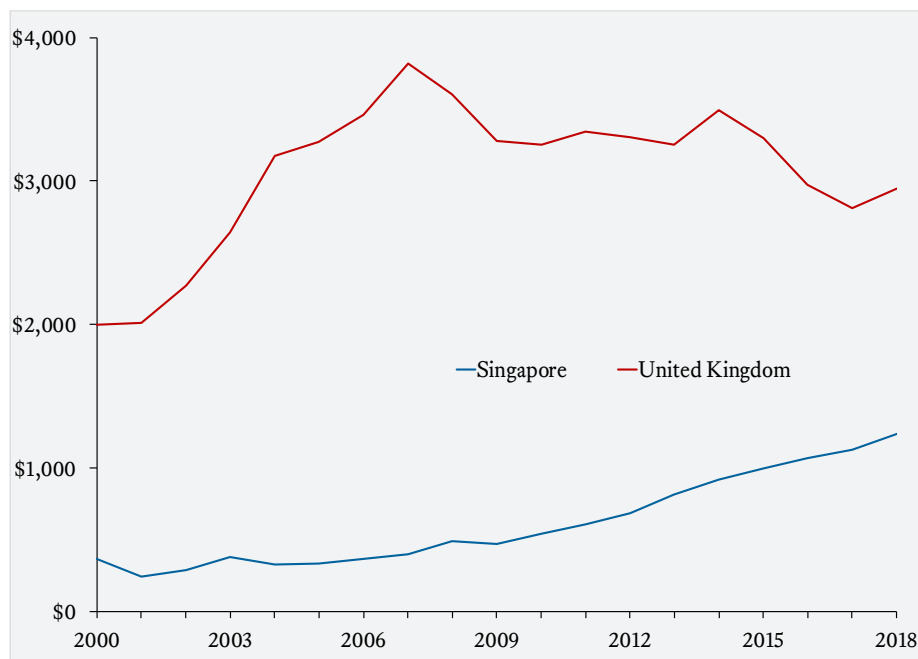
**24** “Medisave,” Ministry of Health, Singapore, last modified June 23, 2021, <https://www.moh.gov.sg/cost-financing/healthcare-schemes-subsidies/medisave>.

**25** Government of the United Kingdom, “Opening Speech for Parliamentary Debate on National Health Plan,” 1983.

**26** Wen Lin Lai, “Paying for Healthcare,” in *Singapore’s Healthcare System: What 50 Years Have Achieved*, edited by Chien Earn Lee and K. Satku (Singapore: World Scientific, 2016), 75-94. <https://doi.org/10.1142/9648>.

Singapore has achieved superior healthcare outcomes at a fraction of the expenditure by focusing on cost control, market efficiency, and self-responsibility.

**FIGURE 4. DOMESTIC GENERAL GOVERNMENT HEALTH EXPENDITURE PER CAPITA**



Source: World Bank, “Domestic general government health expenditure per capita, PPP,” 2021. Calculated.

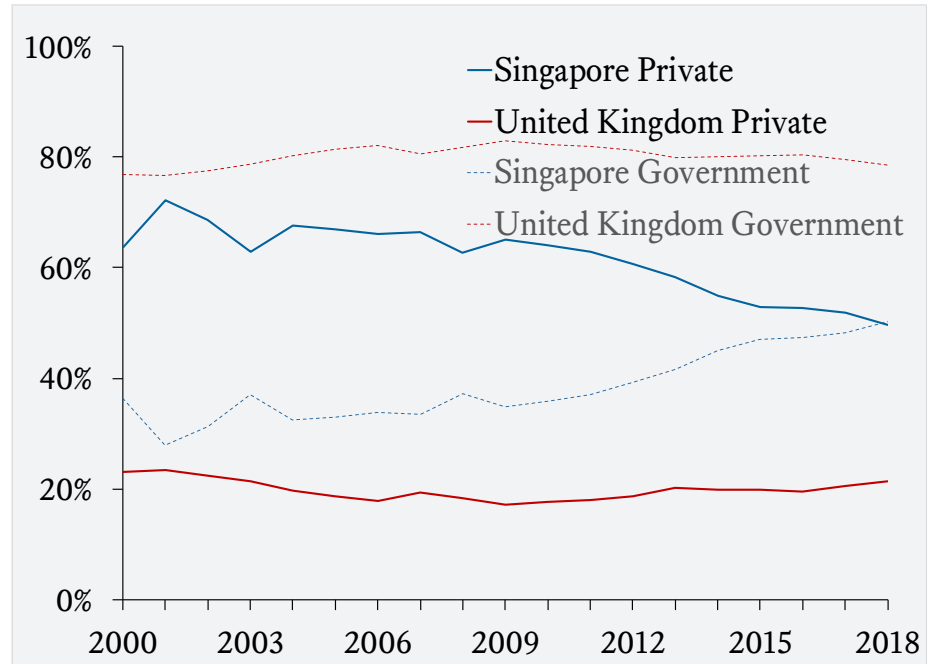
Singaporeans spend more on private healthcare than public expenditure.

**TABLE 3. SINGAPORE’S PUBLIC HEALTH EXPENDITURE**

YEAR	PUBLIC HEALTH EXPENDITURE (MN SGD)	PRIVATE HEALTH EXPENDITURE (MN SGD)	PUBLIC HEALTH EXPENDITURE AS PROPORTION OF TOTAL	PRIVATE HEALTH EXPENDITURE AS PROPORTION OF TOTAL
1965	7.0	6.5	52%	48%
1985	49.0	70.2	41%	59%
2005	153.3	426.7	26%	74%
2015/2016	8,900	11,700	43%	57%

Source: Kai Hong Phua, *Singapore Chronicles: Healthcare* (Singapore: Straits Times Press, 2018).

**FIGURE 5. PERCENTAGE OF TOTAL DOMESTIC HEALTH EXPENDITURE**



Source: World Bank, 2021.

**TABLE 4. EFFICIENCY SCORE AND HEALTH SPENDING**

RANK	COUNTRY	EFFICIENCY SCORE	HEALTH SPENDING AS % OF GDP	COST PER CAPITA
1	Singapore	67.79	4.4	2619
2	Hong Kong	64.89	6.2	2849
3	Taiwan	51.69	6.6	1550
4	South Korea	50.79	7.6	2283
5	Israel	46.44	7.4	3145
6	Ireland	45.22	7.2	4977
7	Australia	42.77	9.2	5332
8	New Zealand	41.74	9.2	3937
9	Thailand	41.40	3.7	247
10	Japan	40.21	10.9	4169
41	<b>United Kingdom</b>	<b>12.44</b>	<b>9.6</b>	<b>3859</b>

Source: Bloomberg, calculated with information from World Health Organisation, John Hopkins University, World Bank, UN Population Division, International Monetary Fund), 2020, [https://static.straitstimes.com.sg/s3fs-public/attachments/2020/12/19/ST\\_20201219\\_FDHEALTHCARE19\\_6204152.pdf](https://static.straitstimes.com.sg/s3fs-public/attachments/2020/12/19/ST_20201219_FDHEALTHCARE19_6204152.pdf).

Private expenditure in Singapore amounted to around 65% of the total national expense (2008). This includes payments from the government-run MediShield scheme and related insurance schemes, Medisave accounts, and other private insurance schemes or employer-provided medical benefits. The figure for the United



States is 52%, 17% for the United Kingdom, and 18% for Japan. Singapore's relatively high private expenditure is a direct result of the government's efforts to shift more of the cost burden to consumers to a greater degree than most other countries.

### MARKET COMPETITION

Singapore also emphasises market competition in healthcare provision. The 1993 White Paper stated that since resources available for healthcare are finite and must be used wisely, market forces should be expanded to promote efficiency, improve quality of services, develop more choices for patients, and ensure patients are receiving good value for their money. It emphatically states:

We must rely on competition and market forces to impel hospitals and clinics to run efficiently, improve services and offer patients better value for money. When hospitals are insulated from price signals and market forces, the potential for inefficiency and waste is enormous.<sup>27</sup>

While the Singapore healthcare system does have a large role for government, the private sector is given ample scope for experimentation. Public hospitals and polyclinics operate in a market-like structure promoting intra-government competition.

This market-based principle of organisation began in the 1980s, when there was mounting pressure on government expenditure. Since then, Singapore's healthcare system has been organised to promote market competition, cost reduction, and operational autonomy. In the 1990s, the "restructured hospitals" (RHs), were given the freedom to manage areas such as finance, human resource, medical care and research, with each one having its own Board of Directors for transparency and proper governance.<sup>28</sup>

In the 2000s, Singapore reorganised its hospitals and care facilities into six clusters (and then three, since 2017), with each anchored by a general hospital and serving a particular geographical area.<sup>29</sup> While each cluster operates under the government's overall purview, they are given a large degree of autonomy. Each hospital has operational autonomy in areas such as recruitment, remuneration, purchase, and pricing of services. They also have substantial revenues and surplus from treating patients in non-subsidised wards which reinforces their autonomy.

Singapore's healthcare facilities are uniquely a hybrid of both public and private sectors (see Ramesh and Bali 2017).<sup>30</sup> The government remains the ultimate owner

<sup>27</sup> Ministry of Health, Singapore, "Affordable Health Care—A White Paper," (Singapore: Singapore National Printers, 1993). [https://www.moh.gov.sg/docs/librariesprovider5/resources-statistics/information-papers/affordable\\_health\\_care.pdf](https://www.moh.gov.sg/docs/librariesprovider5/resources-statistics/information-papers/affordable_health_care.pdf)

<sup>28</sup> Elizabeth Quah, and Boon Siong Neo, "Evolving the Governance of Public Healthcare Institutions — A Continuous Improvement Journey," in *Singapore's Healthcare System: What 50 Years Have Achieved*, edited by Chien Earn Lee and K Satku (Singapore: World Scientific, 2016), 58-61. <https://doi.org/10.1142/9648>.

<sup>29</sup> Salma Khalik, "Changes to Healthcare System a Healthy Move," *The Straits Times*, January 22, 2017, <https://www.straitstimes.com/singapore/changes-to-system-are-a-healthy-move>.

<sup>30</sup> Azad Singh Bali, and M Ramesh, "The healthcare system in Singapore," (Singapore: Lee Kuan Yew

and director of the system, while operational flexibility is provided under this umbrella. This provides both efficiency and equity to be simultaneously achieved. As healthcare expert Ramesh (2008) expresses: “Public ownership of what are legally private firms allows hospitals the autonomy they need to operate in a competitive environment and yet be within the government’s direct reach.”

Another way of ensuring competition was to provide basic information on hospital bills for common illnesses on the government website, creating price transparency which facilitates competition between clusters. Khaw Boon Wan, the former Minister of Health, expressed:

“For economics and markets to work, we must make sure that the conditions for market competition exist. That is why I published the bill sizes for the common medical treatments.... When competition is brought to bear on these services, we will then have the right incentives for the healthcare providers to do the right thing, to raise standards even as they reduce cost.”<sup>31</sup>

This is an innovative policy that facilitates improved service delivery and lower prices. Since 2003, public hospitals have been required to openly declare their average prices for common services such as treatment, surgery, lab tests, etc.<sup>32</sup> The collated data is subsequently published on the MOH’s webpage. Information on the occupancy rates of hospital beds is updated on a weekly basis. Similarly, the Ministry also publishes the distribution of bills across public hospitals for major illnesses.

This market competition unleashes innovation. This is especially important in healthcare, which has the potential to save more lives, prevent critical illness, and make inroads on tough healthcare challenges. In this spirit, the Singapore government, in 2018, launched the Licensing Experimentation and Adaptation Program, which is a regulatory “sandbox” for identifying and understanding new health care innovations. While this is not full-scale deregulation, a regulatory sandbox is a limited, specified zone where regulatory approvals are suspended, allowing healthcare innovators greater autonomy and initiative. This sandbox is designed to explore new technologies such as telemedicine and mobile medicine through industry partnerships. The program seeks to develop an appropriate regulatory approach to facilitate such innovations while prioritizing patient safety and welfare.<sup>33</sup>

## EDUCATION

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School of Public Policy, 2017). [https://lkyspp.nus.edu.sg/docs/default-source/gia-documents/the-healthcare-system-in-singapore-with-graphics.pdf?sfvrsn=f0446c0a\\_2](https://lkyspp.nus.edu.sg/docs/default-source/gia-documents/the-healthcare-system-in-singapore-with-graphics.pdf?sfvrsn=f0446c0a_2).

**31** Government of Singapore, Hansard Parliamentary Debate vol 79 cols 2020-38, 2005

**32** Bali, and Ramesh, “The healthcare system in Singapore,”

**33** Ministry of Health, Singapore, “Licensing Experimentation and Adaptation Programme (LEAP) Sandbox,” last modified February 26, 2021, [https://www.moh.gov.sg/our-healthcare-system/licensing-experimentation-and-adaptation-programme-\(leap\)---a-moh-regulatory-sandbox](https://www.moh.gov.sg/our-healthcare-system/licensing-experimentation-and-adaptation-programme-(leap)---a-moh-regulatory-sandbox).

Education policy in Singapore is an integral component of social security. By providing universal, affordable, and quality education, it ensures that Singaporeans have the means for social mobility, attain good jobs, and climb the income ladder.

Education in Singapore is heavily subsidised to ensure equal access to educational opportunities. For students from lower socioeconomic backgrounds, the Ministry of Education (MOE) provides financial assistance through the MOE Financial Assistance Scheme, which covers the costs of tuition fees and basic educational materials.<sup>34</sup> Additionally, Singaporeans are able to use their Central Provident Fund savings, held within their Ordinary Account, to fund a loan for the education of themselves, children and/or a spouse.<sup>35</sup>

A distinctive aspect of Singapore's educational assistance is educational savings accounts. These provide educational choice and encourage higher quality. In Singapore, every student has an Edusave Account, which provides \$4,000 for educational enrichment such as learning trips or external courses.<sup>36</sup> Additionally, the Post-Secondary Education Account, which aims to help parents save for their children's post-secondary education, provides a savings match of up to \$12,000 for students aged 7 to 20.<sup>37</sup>

Singapore's early education system was a product of top-down planning to meet the industrial needs of the growing economy, but the government soon realised the importance of injecting choice, competition, and market discipline into the education system. This was reflected in both the organisational structure of schools and teaching pedagogy in schools.

### **INTRODUCING MARKET COMPETITION**

The Singaporean government recognised the need for schools to have some degree of autonomy and flexibility in the 1980s. This was in response to the emergence of globalisation and rising economic competition, which necessitated graduates who were nimble, creative, and innovative. The then Education Minister Tony Tan launched an inquiry to “foster excellence and make improvements in our schools”; he contrasted two methods:

“The theme of my speech was how do we foster excellence and make improvements in our schools. I said that there were two possible methods. The first method is the ‘top-down’ approach, that is, through Ministerial decrees and directives issued by the Ministry of Education. As I explained, however, the experience of coun-

<sup>34</sup> Ministry of Education, Singapore, “Edusave Account,” last modified October 18, 2021, <https://www.moe.gov.sg/financial-matters/edusave-account/overview>.

<sup>35</sup> Central Provident Fund, Singapore, “CPF Education Loan Scheme,” last modified August 1, 2021, <https://www.cpf.gov.sg/Members/Schemes/schemes/other-matters/cpf-education-loan-scheme>.

<sup>36</sup> Ministry of Education, Singapore, “Financial Assistance Scheme,” accessed October 20, 2021, <https://teckwhysec.moe.edu.sg/parents/financial-assistance-and-support-programmes/ministry-of-education-financial-assistance-scheme-moe-fas/>.

<sup>37</sup> Michael Sherraden, “Innovations in asset building,” *Asia Pacific Journal of Social Work and Development* 24, no. 3 (September, 2014), 196–204. <https://doi.org/10.1080/02185385.2014.947672>.

tries which have tried to foster innovation and improvements by bureaucratic edict shows that the results usually fall very far short of expectations. As an alternative to the ‘top-down’ approach, I suggested that we should try the ‘bottom-up’ approach where ideas and initiatives come from teachers and principals rather than as directives from the Ministry of Education.”<sup>38</sup>

The emphasis on a ‘bottom-up’ approach is a pioneering move after three decades of centralised control since the enactment of the Education Ordinance of 1957.<sup>39</sup> The result of this new way of thinking was a major organisational restructuring of schools. This was proposed in a policy report entitled “Towards Excellence in Schools”, the culmination of a study mission to leading schools in the UK and USA. The report resulted in the establishment of independent schools and greater autonomy for government schools, based on the observation that many successful overseas principals had latitude to govern school affairs and recruit teachers. The report declared that:

“Greater authority should be given to principals and teachers to enable them to develop appropriate educational programmes for pupils under their charge. The authority for principals should include the freedom to select their own staff so as to enable them to build up teams of committed and highly professional teachers who share the vision of the principals.”<sup>40</sup>

Additionally, schools were also given more room to develop teaching programs and select textbooks.<sup>39</sup> This was still supervised by the national Ministry of Education, but within the overall framework, teachers on the ground would be given room to experiment.

There was also an effort to establish a new class of institution: independent schools. This began with Raffles Institution and slowly expanded to Anglo-Chinese School, St Joseph’s Institution, and Chinese High School. Fees were raised and the management enjoyed extensive autonomy in the schools’ operation, particularly in the selection and deployment of teaching staff, pupil admission, and curriculum changes. By 1995, there were 9 independent schools, all catering to high achieving students.

Singapore also introduced autonomous schools. These were established following criticism that independent schools neglected lower-income students. While independent schools were given substantial autonomy in recruitment, management, and scope to experiment with curriculum, autonomous schools were less

**38** National Archives of Singapore, “Speech by Dr Tony Tan Keng Yam, Minister for Education at the Sembawang Teachers’ Day Function at Xishan Primary School,” September 2, 1989, <https://www.nas.gov.sg/archivesonline/data/pdfdoc/tky>.

**39** “Focus must shift from ministry to the schools: We must remain receptive to new ideas,” *The Straits Times*, January 14, 1987, accessed October 20, 2021. <http://eresources.nlb.gov.sg/newspapers/Digitised/Article/straitstimes19870114-1.2.31.2>.

**40** Ministry of Education, Singapore, *Towards Excellence in Schools*, (Singapore: Ministry of Education, Singapore, 1987).

independent and had to charge lower fees.<sup>41</sup> Regardless, the overall move towards decentralisation persisted, such that in 2000, there were 18 autonomous schools in operation. The Minister for Education at the time, Teo Chee Hean, praised the model for being successful in providing quality education.<sup>42</sup>

### ALTERNATIVE PATHWAYS

One of the common criticisms of Singapore's education system is that it is singularly focused on academic grades rather than the spirit of learning. Minister Tharman Shanmugaratnam quipped that America is a "talent meritocracy" while Singapore remained an "exam meritocracy".<sup>43</sup> It is said that students cram for hours through rote learning for the purposes of passing examinations, to go to good schools and obtain good jobs. While such a rigid approach may be necessary in the early phase of industrialisation, the post-1980s knowledge-based economy seemed to require a different set of qualities in education: creative thinking, adaptability, and innovation. It was also important to recognise that individual differences means that a broader range of talents should be recognised and cultivated, rather than narrow academic achievements.

The Singapore government has acknowledged this criticism and launched several reforms to encourage diversity in the system. One major reform came in 1997 with the *Thinking Schools, Learning Nation* plan by the new Prime Minister Goh Chok Tong, who hoped to encourage Singaporeans to view education as an organic, life-long process (as opposed to a rote, school-based system) and to develop creative thinking skills.<sup>44, 45</sup>

Through this initiative, teaching approaches were tweaked to allow a broader range of methods, where creative thinking was also emphasised. The review process included reducing time devoted to content knowledge and rote learning routines, with greater focus on developing learning and thinking skills.<sup>46</sup>

The theme of decentralisation and autonomy, which began in the 1980s, was carried even further. Schools were organised into clusters, hence reducing control and decision-making by the government education ministry.<sup>39</sup> More autonomy was conferred on schools in the areas of programme development and finance, increasing

<sup>41</sup> Saravanan Gopinathan, *Singapore Chronicles - Education*. (Singapore: Straits Times Press, 2015).

<sup>42</sup> M Nirmala, "More autonomous schools," *The Straits Times*, January 13, 2000, <https://eresources.nlb.gov.sg/newspapers/Digitised/Article/straitstimes20000113-1.2.57>.

<sup>43</sup> Fareed Zakaria, "We Still Have a Lot to Learn," January 8, 2006, <https://www.newsweek.com/we-all-have-lot-learn-108305>.

<sup>44</sup> Ministry of Education, Singapore, *Learning to think, thinking to learn* (Singapore: Ministry of Education, Singapore, 1998).

<sup>45</sup> Jason Tan and Ng Pak Tee, *Thinking schools, learning nation: Contemporary issues and challenges* (Singapore: Pearson, 2008).

<sup>46</sup> Vanithamani Saravanan, "Thinking Schools, Learning Nations' Implementation of Curriculum Review in Singapore," *Education Research for Policy and Practice* 4, no. 2 (2005): 97-113. <https://dx.doi.org/10.1007/s10671-005-1543-x>.

the opportunity for teachers and principals to devise creative and effective teaching methods.<sup>47, 48</sup>

The government's effort to introduce variety and alternative pathways is a praiseworthy objective, given the fact that individuals are different and should not be forced into a cookie-cutter model. The fact that the government has recognised the importance of this reflects their conviction in the market's ability to cater to differentiated needs, as opposed to rigid standardisation common in top-down systems.

One important aspect of education in Singapore is the flourishing private education market, replete with private schools and organisations offering enrichment and supplementary classes. Private tuition in Singapore is a billion-dollar industry. Parents send their kids to the best tutors and enrichment centres in hopes of giving them a head start in a competitive landscape.<sup>49</sup> "Super-tutors" may even make \$1 million a year, with hundreds of students learning from them at any one time.<sup>50</sup>

Private enrichment has been criticised by some for fuelling stress, anxiety, and "excessive competition" amongst parents and students. Nonetheless, it provides a range of choices for consumers outside of the government sector. Aside from academically oriented enrichment agencies, a plethora of private establishments provide sport, musical and artistic instruction, enabling not only choice, but a means to develop talent that may not be recognised by the mainstream emphasis on STEM subjects.

## IMPACT AND EDUCATIONAL ACHIEVEMENTS

It is difficult to trace the precise quantitative impact of these reforms. However, there have been positive trends. Singapore's national literacy rate has increased from 72.7% in 1970 to 96.7% in 2014; furthermore, 75.8% of annual cohorts of students entered universities or polytechnics in 2013, as compared to only 9% in the early 1980s.<sup>51, 52</sup> Moreover, the average total years of schooling has steadily increased in Singapore since 1980. Residents aged 25 years and older only had an average of 4.7 years of schooling in 1980, which increased to 8.6 years in 2000 and 11.2 years in 2019.<sup>53</sup>

<sup>47</sup> "What TSLN means for us," *The Straits Times*, February 15, 1998, <https://eresources.nlb.gov.sg/newspapers/Digitised/Article/straitstimes19980215-1.2.95.2.4>.

<sup>48</sup> "Singapore's thinking schools of the future," *The Business Times*, June 4, 1997, <https://eresources.nlb.gov.sg/newspapers/Digitised/Page/biztimes19970604-1.1.2>.

<sup>49</sup> Kelvin Seah, "Tuition has ballooned to a S\$1.4b industry in Singapore. Should we be concerned?" *Today Online*, September 12, 2019, <https://www.todayonline.com/commentary/tuition-has-ballooned-s14b-industry-singapore-should-we-be-concerned>.

<sup>50</sup> Dan Murphy, "Singapore's super tutors can make \$1 million a year amid clamor for top grades," *CNBC*, September 6, 2016, <https://www.cnbc.com/2016/09/06/singapores-super-tutors-can-make-1-million-a-year-amid-clamor-for-top-grades.html>.

<sup>51</sup> Chor Boon Goh, and Saravanan Gopinathan, "The development of university education in Singapore," in *Toward a Better Future: Education and Training for Economic Development in Singapore since 1965*, Washington, DC: The World Bank, 2008), 149-166.

<sup>52</sup> CEIC Data, "Singapore Education Statistics: Mean Years of Schooling: Residents Aged 25 Years & Over," CEIC, accessed October 20, 2021, <https://www.ceicdata.com/en/singapore/education-statistics-mean-years-of-schooling>.

<sup>53</sup> CEIC Data, "Singapore Education Statistics: Mean Years of Schooling: Residents Aged 25 Years &

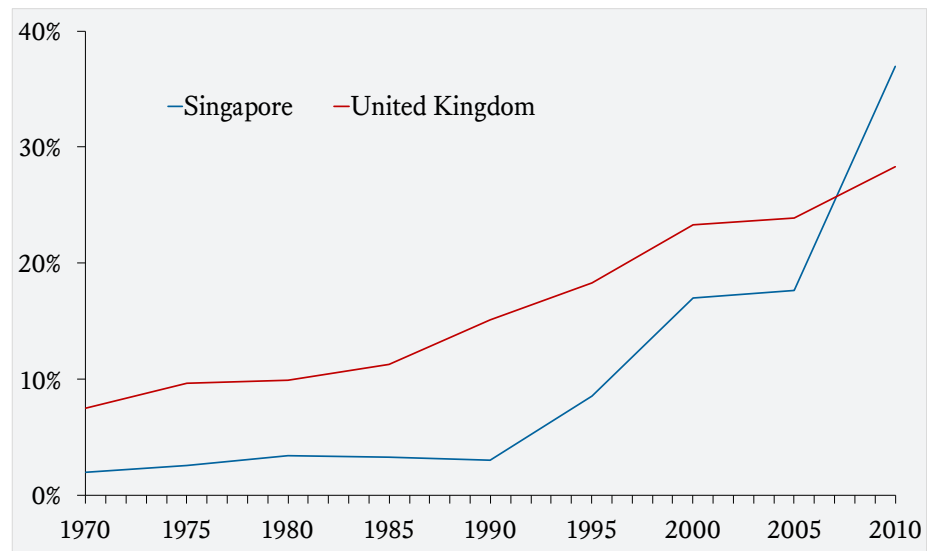
On a comparative level, Singapore scores highly on the Programme for International Student Assessment (PISA) rankings. PISA provides a comparative, international assessment that measures 15-year-old students' reading, mathematics, and science literacy every three years. Singapore has clearly eclipsed the United Kingdom since 2003. Singapore has also recently outperformed the UK in terms of the percentage of the above-25 population with tertiary education.

**TABLE 5. PROGRAM FOR INTERNATIONAL STUDENT ASSESSMENT (PISA) SCORES**

YEAR	MATHEMATICS		SCIENCE		READING	
	SINGAPORE	UK	SINGAPORE	UK	SINGAPORE	UK
2000	NA	NA	NA	NA	NA	523
2003	NA	508	NA	NA	NA	507
2006	NA	495	NA	515	NA	495
2009	562	492	542	514	526	494
2012	573	494	551	514	542	499
2015	564	492	556	509	535	498
2018	569	502	551	505	549	504

Source: OECD, "PISA Database," 2021

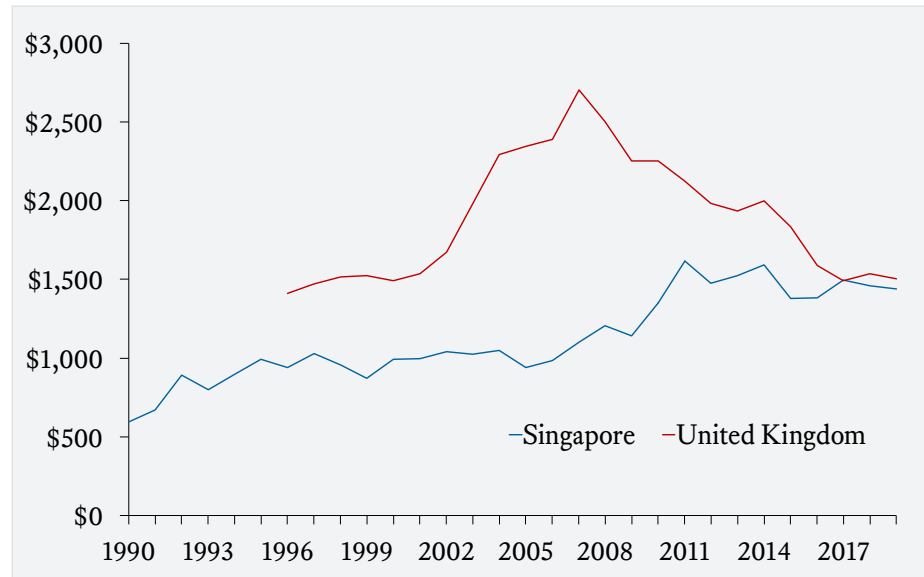
**FIGURE 6. PERCENTAGE OF POPULATION OVER 25 WITH INCOMPLETE OR COMPLETE TERTIARY SCHOOLING**



Source: World Bank, "World Bank Open Data," 2021.

Government spending on education varies across both countries, just like in the aspect of healthcare and welfare spending more generally. It is only in the last few years that the gap in education spending between Singapore and Britain has closed, largely due to falling UK expenditure on education since 2007.

**FIGURE 7. GOVERNMENT EXPENDITURE ON EDUCATION PER CAPITA IN CONSTANT 2010 USD**



Sources: HM Treasury, 2020, Ministry of Trade and Industry, 2021b & World Bank, 2021. Calculated.<sup>54</sup>

## CONCLUSION

It is often pointed out that Singapore is no laissez-faire utopia, and that the state remains dominant in key aspects of the economy and civil life. This is a truism. What is significant, however, is that Singapore's market-based approach to public policy holds useful lessons for other countries.

It relies heavily on the principles of free market economics to provide quality public services to citizens. This comprises several components. First, market incentives are incorporated on various levels of public service delivery, even where transfer payments are generous. Second, decentralisation and competition are introduced whenever restrictive regulations start to accumulate. More important however is the underlying philosophy of self-responsibility and community self-help that underlines the paradigm of policymakers, and in fact, the larger social culture in Singapore. Other nations may not so easily import these policies in the absence of a culture of self-responsibility. A free society requires responsible citizens.

<sup>54</sup> Operating expenditure for Singapore is excluded for a more commensurate comparison with the United Kingdom's expenditure. As a much younger country which recently passed its status as a developing country, development expenditure is expected to be significantly disproportionately higher than that of the United Kingdom.