

*Teacher's version P.148-150*

*(Activity 2: A mini-debate on the thesis: "Transfer will discourage people to work" or "Transfer would help the poor more effectively.")*

### **Reading Materials**

**Read the following articles to prepare for the mini-debate.**

#### **Article 1:**

##### **To Fight Poverty is to Get People to Work**

The report published by the Commission on Poverty tells us that more and more people without handicap are getting social welfare and stay on welfare for a longer period. This means the Comprehensive Social Security Assistance (CSSA) makes more lazy people. The Government must come up with some ways to reduce the expenditure and abuse of the CSSA.

The report also reveals that many of those on welfare are young people (704 persons in 2005) and 30% of them have never worked. They are mostly less educated and remain jobless after the local industry moved to the mainland. They rely on welfare for an average period of five years. But if they want to work, there are actually opportunities in other fields.

A restaurant owner said he once hired three persons on \$30 an hour to make deliveries. The employees, aged between 20 and 50, quitted after a short time though the job would pay \$4,800 if one works for 8 hours a day and 20 days a month. The owner pointed out that they all relied on welfare as the main source of income. They came to work for some extra money and asked the owner not to report them to the Social Welfare Department (SWD). Otherwise, their welfare amount would be cut.

Therefore, the root of the problem lies at the lack of time limit for receiving welfare. Once the application for CSSA is approved, SWD still has to pay the recipients even if they refuse to work. Another problem is that CSSA provides more money than jobs. Many recipients thus do not want to work and have become long-term dependent on welfare.

If we want to get rid of the ill effects of CSSA, we must set a maximum period for receiving welfare. Those who are young and healthy should get a job instead of CSSA. If they earn less than the CSSA, the Government should then give them some subsidies, such as 'rent allowance'.

Source: Adopted from Ming Pao, 16 June 2007

**Article 2:**

**Tax Reform and Wage Supplement -- Singapore Case for Hong Kong**

The Singapore government has launched measures to attract foreign investment, to maintain a rapid economic growth, to help low-education, low-skilled workers and to stabilise the country. As Hong Kong and Singapore share similar economic structure and both face the impact of globalisation and widening rich-poor gap, Singapore's new policies may provide a good reference for Hong Kong.

In this year's budget, Singapore is going to lower business tax from 20% to 18%, making it more attractive to foreign investors. It will reduce the revenue by 800 million. The budget also proposes to increase commodity and service tax (CST) from 5% to 7%, to make up for the loss of revenue. At the same time, there will be exemption and assistance to help the poor for the next five years. The rise in CST will bring 750 million in the first year and 1500 million each year afterwards. The Singapore government will use the additional money to improve medical services, to enhance education and to provide wage supplement for the low-income groups.

The 'wage supplement' aims to improve the lives of the low-income groups while not to take away their willingness to work. No more than 100 dollars a month will be distributed as wage supplement to those aged 45 and earning less than 1,000 dollars a month, and to the self-employed. A small portion of the supplement will be cash and the rest will be deposited into the recipients' mandatory pension accounts and medical saving accounts. Employees and the self-employed aged between 35 and 45 making less than 1,500 dollars a month will receive 3/4 of the wage supplement. The government estimates that this measure will benefit 438,000 low-income workers and cost 400 million annually.

Why does Singapore cut profit tax and increase CST? It's because Singapore knows that this is the way to attract international capital. More importantly, Singapore has introduced CST several years ago and is fully prepared to do so.

Why does Singapore introduce wage supplement? Singapore finds out that the lower classes have not been benefited by economic growth. Some have even been seriously affected by inflation and pay freeze. The Government has done all it can to help them, but to no good results. Meanwhile, the gap between the rich and the poor keeps widening. Hence, the government goes for 'workfare' to help the low-wage earners to stay in the workforce, not for a 'welfare' making people dependent and lazy.

Source: Adopted from Ming Pao, 18 February 2007