

# Income relief loan

I suggested that the government should provide a relief loan to workers who suffered a loss of income due to retrenchment or being placed on no-pay leave.

This relief loan is administered by the Central Provident Fund and will provide the difference between the actual earnings for the month and a target earning that is based on 80% of the average income for the past year, subject to a minimum that is needed to meet the cost of living.

If a worker earns \$3,000 a month, the target should be \$2,400. If he earns \$1,500 by being placed on 50% no-pay leave, he should be allowed to take a relief loan of \$900.

The relief loan is available for up to 12 months from being placed on no-pay leave or retrenched.

## Funding required for the relief loan

This table shows a projection of the funding required for a population of 1,000 workers during an economic downturn that last for 12 months.

The impact is highest during the initial months but is reduced gradually over the 12 months.

Date	Nr_Loan	Earn	Disburse	Total
01 Apr 2020	1000	426,341	2,142,627	2,568,968
01 May 2020	1000	641,321	1,927,647	2,568,968
01 Jun 2020	1000	858,715	1,710,253	2,568,968
01 Jul 2020	1000	1,078,973	1,489,995	2,568,968
01 Aug 2020	1000	1,260,399	1,308,625	2,569,024
01 Sep 2020	1000	1,483,976	1,093,910	2,577,887
01 Oct 2020	1000	1,706,554	887,635	2,594,189
01 Nov 2020	1000	1,874,627	749,189	2,623,816
01 Dec 2020	1000	2,118,050	577,617	2,695,667
01 Jan 2021	1000	2,363,761	452,177	2,815,939
01 Feb 2021	1000	2,555,225	379,967	2,935,192
01 Mar 2021	1000	2,756,665	314,350	3,071,014

The total disbursement for 12 months is \$13 million.

If this is scaled up for a population of 1 million workers who are affected (e.g. one third of the workforce in Singapore), the total funds required is \$13 million X 1,000 = \$13 billion.

## Borrowing by a sample of workers

The table below shows the borrowing by a sample of workers. The average of 1,000 workers is \$13,000. The actual borrowing range from \$7,375 to \$20,295.

idloan	Name	Earned	Disburse	Total	Approved	Request	Balance
1	Henry Chan	9,490	8,706	18,195	1,500	1,500	8,706
2	Tom Church	4,157	8,443	12,600	1,500	1,050	8,443
3	Wendy Teo	28,462	20,294	48,756	4,063	4,063	20,294
4	John Brown	977	17,023	18,000	1,500	1,500	17,023
5	Valerie Church	1,844	16,156	18,000	1,500	1,500	16,156
6	Bobby Chan	9,585	8,415	18,000	1,500	1,500	8,415
7	William Grey	19,092	10,012	29,105	2,323	2,323	10,012
8	Bobby Forest	25,375	7,375	32,750	3,110	2,177	7,375
9	Janet Spring	18,183	10,355	28,539	2,293	2,293	10,355
10	Samuel Teo	6,876	5,794	12,670	1,500	1,050	5,794
11	Henry Summer	33,370	20,234	53,604	4,215	4,215	20,234
12	Tom Chan	22,620	12,697	35,317	2,863	2,863	12,697

Some of the workers have requested for a top up amount lower than the approved amount. Presumably, they have some savings to rely on, or are able to cut down their expenses during the crisis period.

## Borrowing for worker #12

Here is the statement of borrowing for worker #12

Name	Income	Approve	Request	Balance
Tom Chan	3579	2863	2863	12697.02

This worker has an income of \$3,579 for the past year. The approved borrowing is \$2,863. He had requested to borrow up to the full approved amount.

During the economic downturn, the actual earnings dropped to \$411 during the first month but improved to about \$3,000 during the later months. The actual borrowing are as follows:

Date	Earned	Disburse
01 Apr 2020	411	2,452
01 May 2020	571	2,292
01 Jun 2020	1,068	1,795
01 Jul 2020	1,377	1,486
01 Aug 2020	1,491	1,372
01 Sep 2020	1,492	1,371
01 Oct 2020	2,404	459
01 Nov 2020	2,001	862
01 Dec 2020	2,309	554
01 Jan 2021	3,569	0
01 Feb 2021	3,118	0
01 Mar 2021	2,810	53