

Premium

## Grab scheme offering cash advances to workers raises eyebrows

Grab's new cash advance scheme | THE BIG STORY ...



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SINGAPORE - Food delivery rider Atikah Ahzamshah will be jetting off to Milan for a well-earned Italian holiday, thanks partly to a new cash advance scheme being run by Grab that is raising some concerns.

Ms Atikah, 27, took a cash advance of about \$1,380 from Grab last month to buy the return air ticket.

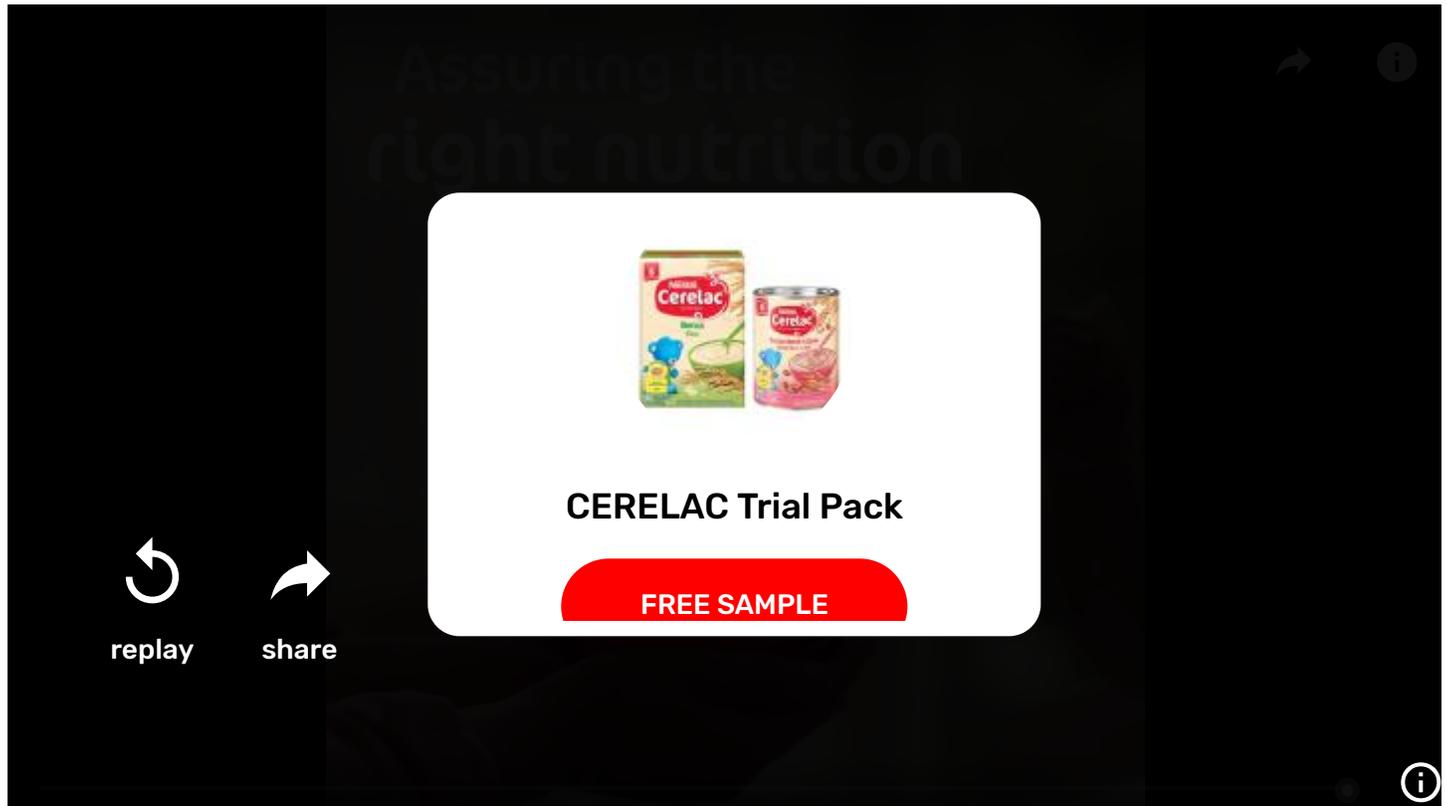
The GrabFood rider requested an advance of about \$1,470. A 6.5 per cent admin fee was immediately deducted. She is repaying the sum at the rate of \$57 a week for 26 weeks.

"I could have bought the ticket without the advance, but it makes it easier for me, as I will have some extra money to pay my bills while I am away," said Ms Atikah.

She is among number of Grab's food delivery riders and private-hire drivers who have been offered the chance to tap Grab's Upfront Cash programme in recent months.

The scheme, which Grab says is not a loan, lets selected workers instantly get hold of part of their projected future earnings.

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The advertisement is displayed on a dark background. At the top center, it says "— ADVERTISEMENT —". In the top right corner, there is a close button (an 'x' in a circle). The main content is a white rounded rectangle containing two images of Cerelac cereal: a box on the left and a tin on the right. Below the images, the text "CERELAC Trial Pack" is written in bold black font. Underneath that is a prominent red button with the white text "FREE SAMPLE". To the left of the white rectangle, there are two white icons: a circular arrow for "replay" and a curved arrow for "share". In the bottom right corner of the dark background, there is an information icon (an 'i' in a circle).

The limit is determined based on factors such as a worker's individual earning history.

Screenshots circulated by workers indicate that the advance could be as high as \$8,900, with admin fees up to 8 per cent.

Those offered the option have welcomed it, although experts say such an arrangement is uncommon in Singapore.

It has also raised eyebrows among the authorities and observers.

The Ministry of Law told The Straits Times: "We are seeking further information from Grab on the Upfront Cash Programme, and will work with relevant agencies to ascertain the applicable legislation, if any."

Mr Zainal Sapari, deputy chairman of the Government Parliamentary Committee of Manpower, added: "I have some concerns... as the borrowers may find themselves in financial distress (if) they are unable to repay their (cash advance) and find themselves in debt."

While the programme might give workers in need of cash a better alternative to borrowing from moneylenders, they should also be very careful, as it could make it difficult for them to find alternative employment, Mr Zainal said.

"I hope Grab does not use this scheme as a way to retain or bind their workers to continue working as their rider or driver," he added.

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Grab is the biggest player in both the ride-hailing and food delivery scene here. Its major rivals are yet to offer a similar cash advance programme.

Labour MP Ang Hin Kee, executive adviser to the National Private Hire Vehicles Association, said the association will "step in to see how it can assist drivers if we notice unintended consequences where drivers are burdened".

But he also noted that the programme was a form of disruption by Grab, which is eyeing a digital banking licence in Singapore.

"Because Grab pays the workers, they have the data to know their credit worthiness and they are not randomly loaning to any person," he noted.

Manpower rules allow employers to deduct their employees' salary to recover advances and loans.

But for workers considered to be self-employed, such as food delivery riders and private-hire drivers, the terms and conditions of employment will be based on their employment contract.

Grab told ST that the programme does not offer loans and is structured in a way that does not require a licence.

It said the one-time admin fee, which is a payment for providing the service, is a variable percentage of the advance taken up.

"The (advanced) amount for each partner is determined based on multiple considerations, which include the partner's past incentive earnings and driving history," said Grab.

The earnings of food delivery riders and private-hire drivers vary based on the hours they work and the incentives they trigger.

Many full-timers can earn a monthly income of between \$2,000 and \$3,000 but those who work more reap more.

Grab declined to reveal how many workers have signed up for the Upfront Cash programme.

It said the scheme empowers workers with "flexible cash flows for situations like family emergencies or when they need to pay for big-ticket items".

Nanyang Business School Adjunct Associate Professor Zafar Momin said companies globally do offer payroll advances. He estimates that about 10 to 15 per cent of firms in the United States have offered such programmes to their workers.

"For employers, there are clear benefits in terms of creating potentially happier employees that have been saved from the distraction and duress of financial stress, which, in turn, could lead to higher employee productivity and lower turnover," said Prof Zafar.

But there is the risk of workers not using the advance payment wisely and blowing it on indulgences or non-urgent needs, he added.

Grab said it has implemented "various measures" to help drivers and riders with repayments: "For partners who fall short of their target incentive earnings and thus face issues in repayments, we have a dedicated team to assist these partners on a case-by-case basis."

While Grab has said that the programme is "a purchase of receivables" from workers on its platforms, Singapore Institute of Technology Professor of Accounting Ho Yew Kee told ST that the term usually refers to a party selling a receivable to a bank or a financial institution at a discount.

"In this case, it is more like an advancement of future income, like a loan," he said.

"It may be worth the ministry to take a look at this to prevent the administrative charges from becoming unreasonable."

But in spite of the concerns, workers such as Ms Atikah said the programme is still a welcome option. "My repayment process has been smooth so far, as I am working almost every day," she said.

"I think it is good, as it helps people who work for Grab quickly settle their debts or other financial matters in advance."

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