

Progressive system ensures the poor get more support: Tharman

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SINGAPORE - Deputy Prime Minister Tharman Shanmugaratnam said Singapore has to retain a progressive slant in policies to ensure the bulk of benefits are delivered to those at the lower end of the social ladder.

Singapore must also avoid the stagnation of median wages, improve opportunities for social mobility and place more intervention strategies upstream.

He was speaking on the topic of "Governing for an Inclusive Society" at a forum organised by the Institute of Policy Studies.

Mr Tharman, who is also the Finance Minister, said Singapore has developed a progressive system where more support is now channelled to the lower end of society.

This despite the lowering of income tax rates and higher tax on goods and services.

And this is a direction that should be maintained.

Mr Tharman said: "If you look at what has happened in the past decade, despite the lower income tax rates and our higher GST rate, our fiscal system has become more progressive, not less.

"In other words, if you look at those at the bottom end of the ladder, they now receive more transfers from the government, compared to the taxes they pay compared to 10 years ago.

"More transfers, more net transfers to the lower income group now, compared to 10 years ago, and we have been able to achieve it without a significant increase.

"In fact with a minimal increase in net taxes paid by the middle class, and that has to remain I feel a distinctive feature of our fiscal system, try to avoid to increase the burden on the middle class."

Mr Tharman added that in building a more inclusive society, ensuring social mobility is important.

He said: "There is still a fair degree of mobility in the education system, but it will get more difficult as we go forward, social backgrounds are becoming more well-defined, they tend to matter more over time and we got to work more against it."

Singapore also needs to arrest any potential worrying trends early, particularly for children from troubled homes.

He said: "Get them engaged in school, give them activities, CCA, informal activities, give them responsibilities, to keep them not just in school for the duration of the day, but to keep their minds engaged.

"And to give them some sense of satisfaction in staying in school, much better that way, than dealing with the problems of drugs and gangsterism much further down the road."

More can also be done for the retired elderly and facing higher costs of living.

He said: "We have a significant group of our elderly who have worked hard but for much of their lives, they have had relatively low wages and now when they retire, face living costs, that determined by today's wages."

Mr Tharman said there is scope to help them unlock the savings of their homes, by helping them downgrade or monetise the value of their homes.

To maintain the social compact, there were also calls to encourage for more donations from those who are better off, so that in addressing the issue of inequality, it is not just about government intervention but also realising a society where people care for each other.