

How to fund spending on elderly - higher taxes or tap national reserves? Singaporeans divided

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Are you willing to pay more taxes to fund higher social spending on the elderly? Or should the national reserves be tapped instead?

If that seems a conundrum to you, you are not alone - a new survey by the Institute of Policy Studies (IPS) has found that Singaporeans are divided on the issue.

Two in five respondents - or 40 per cent - said they were not comfortable with higher taxes and would rather tap reserves, while a slightly lower proportion - 34 per cent - indicated the opposite. The remainder were neutral.

In particular, those aged 45 to 64 - sometimes called the "sandwiched generation" - are most likely to frown on higher taxes.

The tension is reflected in responses to other questions in the survey. One question found that 41 per cent believe each generation should take care of itself, without the need to be supported by other generations. An almost equal proportion - 38 per cent - disagreed.

Respondents were also asked if net investment returns should be used to fund spending for the current generation, thus decreasing the amount reserved for future generations. A higher proportion of respondents - 37 per cent - said yes, versus 26 per cent who said no.

Currently, half of these returns from investing national reserves can be spent on current needs.

The study delves into the subject of "intergenerational solidarity", which is particularly important today as Singapore grapples with how to fund social spending for an ageing population, the IPS noted in its report.

"There is a tension between self-reliance and a sense of community. I think the results actually show that we can't decide whether we should take care of ourselves or if we should care for other generations," said IPS senior research fellow Christopher Gee - one of the study's authors - at a media briefing on the survey on Thursday (Jan 18).

"We need to understand that tension. But I think it is possible for us to hold both beliefs at the same time. They're not mutually exclusive, the whole idea of individual responsibility and having community spirit."

The survey of 2,000 citizens and permanent residents aged 21 and above was carried out through phone interviews last November and December.

The other two authors are research assistant Yvonne Arivalagan and post-doctoral fellow Chao Fengqing.

On the sandwiched generation, Mr Gee noted that they are now experiencing the highest tax burden and may be feeling the greatest uncertainty about financing their own post-retirement living expenses.

"They are feeling these twin pressures and may need something to help them have that intra- and intergenerational solidarity," he said.

"So we need to address people's concerns. If we could alleviate some of their uncertainties about how they would live once they or their spouse are no longer working, they might be more prepared to consider others."

For example, Mr Gee added, Singapore could do "a lot more" in social risk pooling. CPF Life and Medishield Life are examples of government-led risk pooling schemes, but communities could come together to create their own programmes.

"Some risks can be pooled on a community basis with little intervention from the Government, but they need to trust one another and have a willingness to share risks in return for a shared future together."

The survey also asked respondents to rank four sectors - family, community, employers and the Government - in order of importance when it comes to bearing responsibility for taking care of older people.

Family was ranked first by 73 per cent of respondents, with 88 per cent ranking it first or second.

The next most highly ranked was the Government - 22 per cent put it at number one, with 69 per cent saying it was first or second.

Another finding: Two-thirds of respondents believe older workers aged 55 and above face age discrimination when looking for work. This belief was consistent across age groups - including among younger respondents.

The report said: "This shows that younger people are also aware of age discrimination in the employment market, and suggests some sympathy for older workers. Younger workers might also be voicing fears of confronting age discrimination themselves when they are older."