Singapore ○

Tharman Shanmugaratnam

TOWARDS EQUITABLE CITIES

Singapore's Deputy Prime Minister **Tharman Shanmugaratnam** is also Minister for Finance and Chairman of the Monetary Authority of Singapore, the nation's central bank. He previously served as Minister for Education and Minister for Manpower. Mr Tharman, who is also Chairman of the International Monetary Fund's policy steering committee, was named Euromoney Finance Minister of the Year 2013, and is a member of the "Group of Thirty", an influential body of global financial leaders. In this interview with Jessica Cheam from the Centre for Liveable Cities in November 2013, he discussed social equity, its relationship with inequality and how cities can become more equitable.

● **There are varying definitions of "social equity" today. How would you define this term, and what are the defining elements of equitable cities?**

There are many dimensions to equity, and societies will feel more strongly about some dimensions than others at different times. But we should avoid reducing equity to just one thing or one statistic.

At its core, everyone must have a real chance to have a good life and be able to contribute to society regardless of where they start at birth; real opportunities, when you are young through education as well as later in life. That's critical for a sense of fairness in a society.

Second, jobs. It used to be seen as a "developing country" problem, and it's still a challenge to create enough jobs in most developing countries, but it's now the most important problem in the advanced world. Youth unemployment threatens to blight a whole generation. But the challenge everywhere goes beyond providing jobs. We must also aspire to be a society where people are respected for their work, no matter how simple the job or the qualifications you need for it. That too is equity, and it has to do with culture.
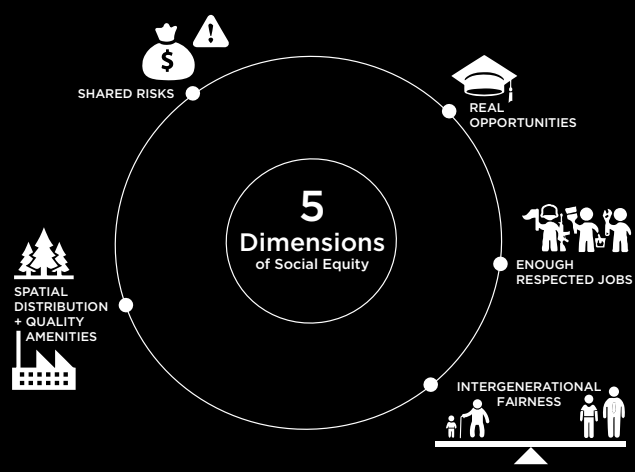
MFC CHAIRMAN

Mr Tharman, as Chairman of the International Monetary and Financial Committee (IMFC), at the IMF-World Bank Spring Meetings 2012 in Washington D.C.

A third element involves the sharing of risk. People, and the elderly especially, should not have to face life's uncertainties on their own. There are different models internationally of how individual and collective responsibility are balanced, and different models of social insurance. None is perfect, and there is a search for better and more sustainable models.

Which brings us to the fourth element: there has to be equity across generations. It was given little attention in the past, but is now foremost on the public agenda around the world. It's often viewed as an issue of financial sustainability – are public debts built up today sustainable? But at its heart, it's not about what can be sustained in financial markets, but about equity; it's about fairness in the distribution of benefits and payments, between today's generation and tomorrow's. Too many governments have ignored that, and the politics have led to commitments being made to whoever was the majority of the electorate at each point in time. But an equitable society cannot be about what happens for five or 10 years, but whether it can be sustained into our children's generation and beyond.

SHARED RISKS

REAL OPPORTUNITIES

5 Dimensions of Social Equity

ENOUGH RESPECTED JOBS

SPATIAL DISTRIBUTION + QUALITY AMENITIES

INTERGENERATIONAL FAIRNESS

Finally, a fifth dimension that cities everywhere have to be concerned with – the way public amenities are distributed and the quality of life in a city's neighbourhoods. Where people live; whether they are segregated; how they get around the city; and whether they have access to quality schools, healthcare facilities and recreational amenities – these are critical. Not just the average quality but how it's distributed. Some cities have, on average, a good quality of schools and recreational facilities, but this masks the fact that they've got greatly disadvantaged neighbourhoods where the sense of being an underclass feeds on itself. You can't reduce this to a figure. It's not an unemployment rate or a Gini coefficient. It's about the quality of everyday life and the quality of public spaces that we must want in a fair society.

● How would you relate social equity to rising income inequality in many cities? Singapore, for example, has been struggling with this in recent years.

Inequality matters. But it means something quite different in a place where most people are seeing their lives improve compared to a place where incomes are stagnant or declining. There are successful cities – places where the majority of people, including those in the lower-income groups, have opportunities and can see their lives improve from one decade to the next – that have higher inequality than cities where things are stagnant.

It's true not just across countries, but when you compare cities within the same country. If you look at Britain today, Manchester is one of the least equal cities. But it's a thriving city, more so than most in Britain, as far as jobs and income growth are concerned. Then you've got cities like Loughborough and Burnham, which have the lowest levels of inequality but where incomes have been stagnating and fewer jobs are being created.

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So inequality matters, but it is not the only thing that matters, and surveys in most societies find that it is not at the top of people's concerns. Opportunities for everyone to do well and see their quality of life improve are the key to a fair society – real opportunities to get a good education, a job, a home, and see life improve.

But we must mitigate inequalities where possible, because if it is too unequal a society, something is lost in the sense of cohesion.

Nations mainly try to mitigate income inequality through the tax system, or by distributing revenues to the poor through subsidies. But how we redistribute is just as critical as how much we redistribute.

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We've got to ensure that we provide collective support for citizens in need, so that they are not left to fend for themselves. But we have to lend support in ways that encourage and reward personal effort and responsibility, and that do not involve the state displacing civic initiative.

That's been one of the big lessons of the last few decades – that public policies, if wrongly designed, can grow the role of the state while eroding the social norms and habits that preserve a strong and cohesive society. That's when redistribution can have almost perverse effects over the long term. The underlying problems go unaddressed or even grow with time, and even more redistribution is called for.

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01 Lively interaction between Mr Tharman and student participants after the 2013 S. Rajaratnam Lecture.

02 Mr Tharman learning about an elderly resident's health at a Taman Jurong Neighbourhood Health Screening Programme.

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Over time, you get a larger problem to deal with, and what starts off as an economic problem of unemployment becomes a social problem of dependence on the state. Resentment builds up amongst those who do work, and you do not get a better or more cohesive society.

● **Can you give an example of what you mean by redistribution can have "perverse" effects?**

Take job market policies. That's a complex area, but some policies work better than others in supporting work and personal responsibility. For instance, in the United States, the earned income tax credit scheme encourages work. It's similar in Singapore, where we have the "Workfare" scheme. There are other examples in the same vein, where the state uses tax revenues to top up the wages of the worker, or to subsidise the employer to employ the worker. We do both in Singapore, through Workfare for the lower-income worker and the Special Employment Credit for the older worker, respectively.

Schemes with extended unemployment benefits do the reverse. Most systems have some form of temporary unemployment benefit for someone who is retrenched and can't find a job immediately. But the places that have extended unemployment benefits have found, unfortunately, that it changes social norms. Over time, you get a larger problem to deal with, and what starts off as an economic problem of unemployment becomes a social problem of dependence on the state. Resentment builds up amongst those who do work, and you do not get a better or more cohesive society. We are seeing both the dependence and this pushback from the rest of society, in several countries.

● **Can you give some examples of what you think has been most effective in ensuring social equity in Singapore? And how does it compare with cities around the world?**

We are not doing something wholly original. We keep studying what other nations and cities do, learn what works well and what doesn't, and adopt what we consider relevant to our own circumstances. And other cities likewise find some of our approaches interesting.

It starts with education. A system of meritocracy has enabled enormous social mobility in the last four decades. We haven't discovered some golden mean in education, but we do somewhat better than most other countries, and the international comparisons show that we do especially well in bringing up students from weaker socio-economic backgrounds. But it will always be work in progress. There is indeed work ahead, for example, in finding effective ways to intervene earlier in children's lives to help those with weak language skills or confidence.

The other critical feature is our reliance on a solely public school system at the primary level, and very limited private options at the secondary level. The top talents in the academic, sporting, arts and other fields are in the public schools. It creates an ethos that is different from countries where the elite go to private schools, typically from first grade. Even China has private schools. What's important too is that

we train and deploy teachers and school principals centrally. Principals and other senior professionals are rotated across schools regularly. It helps level up quality, spreads good ideas and practices across the system, and ensures that there are no bad schools.

The second way we support social equity is through housing and neighbourhood development. It's probably the most distinctive element of Singapore's approach. It started off as a scheme to rehouse people from congested and unsanitary living, and provide them with a much higher quality of basic amenities. But urban planning and housing policy has also had remarkable social consequences.

First, our requirement for an ethnic mix in every public housing block and precinct. It means everyday interaction, in the corridors and the markets. And critically, the majority of kids go to primary schools near their homes that consequently have an ethnic mix as well.

The fact that over 85% of the population live in public housing has also meant it's not about just lower-income housing estates, as in many cities. Everyone from the low- to the upper-middle income groups lives in the same neighbourhoods and often in the same, smaller precincts. There are no fences or gates, and the recreational spaces are for all. You eat at the same coffee-shops or hawker centres, use the

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01 Mr Tharman joining residents in community art, which is a growing activity for the young and old.

same neighbourhood clinics, the same playgrounds and parks. In fact, our urban planning model also ensures that most public housing estates include a segment of private housing.

Through a system of government grants for the lower-income group, we've allowed the vast majority of citizens to own homes, and have a share in economic progress through home equity appreciation over their lifetimes. If you look at families in the lowest quintile of income today, the average home equity that households own is about S$200,000 (US$156,723). That's a valuable asset which we want to help them to monetise in their retirement years if they wish.

Our education and housing policies are the lynchpins. They lead to many common spaces, intended and unintended, which everyone participates in. I think that's critical to how we preserve social cohesion and equity. Preserve the everyday interactions and common spaces.

● **What do you foresee as the greatest challenge for Singapore and other cities in addressing social equity in the years ahead?**

It gets more difficult to sustain social mobility as a society settles – it happens all over the world. In the US, the rich are not only giving their kids an advantage through private schools, all kinds of enrichment activities and books at home, they also spend a lot more time with their kids than poorer parents do. You can't stop those who are better off from trying to help their kids do well. It's human nature. But we want to provide every form of support, starting early in life, that could help those who start with less. It requires action on the part of the state as well as community volunteers. We have to

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try every means we can to avoid a permanent underclass developing in our society. We've seen what's happened in other mature societies, and have to do all we can to avoid it happening in Singapore.

The other major challenge that we like other societies face is of giving the elderly a sense of assurance, and to do so in a way that is both fair and financially sustainable. We are enhancing healthcare provisions for the elderly, including strengthened medical insurance, so that there is more collective sharing of risk. We have to do it in a way that is fair to the poor but doesn't exert a burden on the middle class, and importantly, that's sustainable over time so that we don't place a growing burden on the young. That's the challenge.

● **You've shared a lot on what the public sector can do, but what do you think is the role of the private and civic sector in complementing government efforts to promote social equity?**

It's absolutely critical, because a good society is one where everyone takes responsibility and cares. Equity is not just about taxes and subsidies. It's different when the civic sector and volunteers get involved, because it is then not transactional but about bonds and relationships. When people know that others care when they are down, they respond differently.

It requires a vibrant voluntary sector, organised so that it can develop capabilities and attract donations. In Singapore, the state provides strong support for private contributions through tax reliefs as well as matching grants.

What's also important is the more spontaneous voluntarism, when individuals come together to do something. For example, in my constituency, volunteers meet with kids from disadvantaged homes daily, talk with them, help them develop confidence in themselves, take them on trips and expeditions and give them experiences they wouldn't normally get. You can really see the difference it makes to the kids, the courage it gives them to do well for themselves.

We need a strong civic society, with both institutionalised and individual volunteerism. You can see this in some cities, and it brings a whole new tone to community relationships. It's something we're encouraging in Singapore and we are seeing it grow.

01 Volunteers in Taman Jurong taking children from less-advantaged homes on an expedition.

● **You talk about intergenerational equity and designing policies that are sustainable over decades. What insights can you offer on this issue?**

There are no true leaders in this, and we have to learn from each other's experiences. There are interesting innovations in social security schemes in some places, aimed at ensuring sustainability. For instance, longevity insurance is being explored in some European countries, which involves the automatic adjustment of retirement ages and benefits to changes in expected lifespans in each cohort. There are also mistakes to learn from. I don't think Detroit is going to be the last US city that will go through bankruptcy. And when you trace it back and see how the problems arose, it was basically a matter of politicians making promises to get elected, without

making clear and credible plans to fund what they promised. So the first lesson from experiences around the world is to avoid building up large, unfunded obligations. It is unfair not just to the younger generations, but to the weakest in the younger generation, because when the public cuts come, as we've seen in many cities, they hurt the poor the most.

The underlying point has to do with political culture. It's a risk in every system of democratic elections, the tendency to privilege today's voters over those who are too young to vote. But it's not inevitable, and wherever we are, in developed or developing societies, politicians, the media, public intellectuals and the electorate itself have to strive to avoid that culture. We have to avoid the politics that obscures the consequences of today's policies for the future. It always ends in inequity.

01 Beacon of Life Academy (BOLA), led by a group of volunteers including ex-inmates and supported by the Singapore Sports Council, is helping to transform teenagers through sports and the arts.