

CLOSING WEALTH DISPARITY 5-YEAR PLAN

Republic of Singapore

Presented to Attorney-General's Chambers (Ministry of Education, Ministry of Manpower, and Ministry of Finance)

Prepared by Nanyang ESG+T Organization

December 19th, 2021

TABLE OF CONTENTS

1. Wealth Disparity Overview

- Overview of Singapore
- Wealth Disparity in Singapore

2. Potential Causes Analysis

- Residence Type by Ethnic Group
- Education Level by Ethnic Group
- Income Level by Ethnic Group
- Vicious Cycle

3. Alternatives

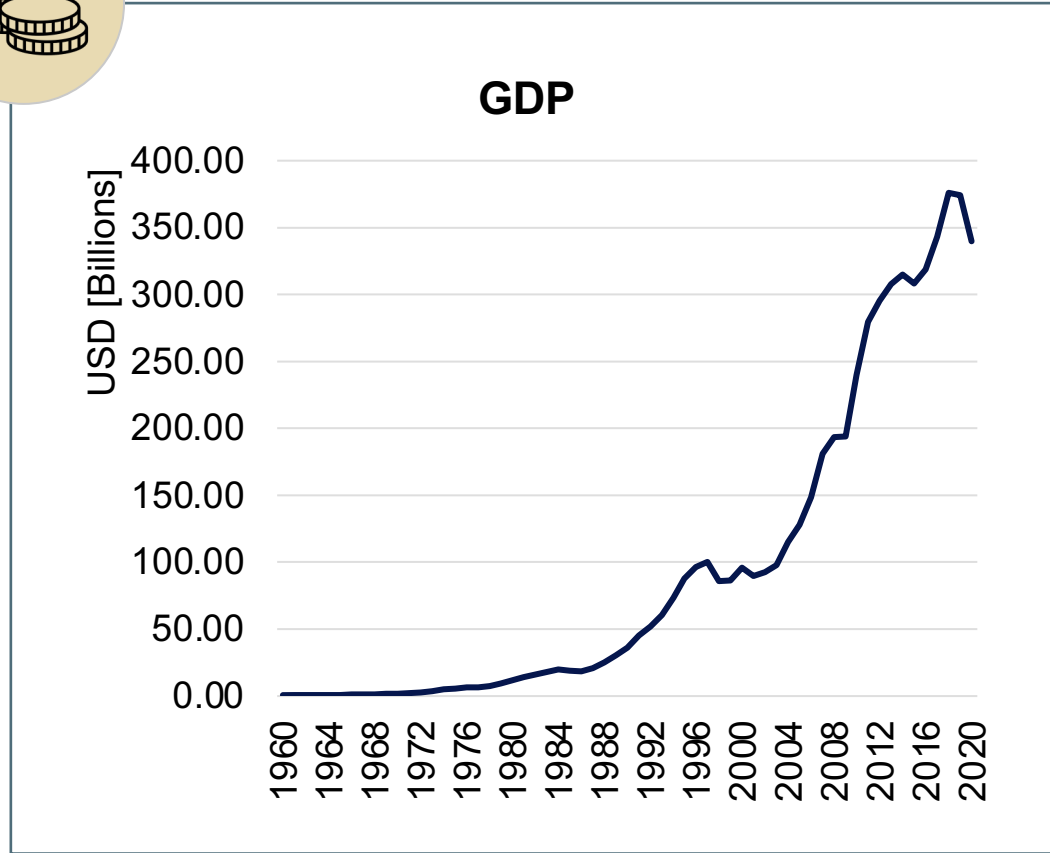
4. Recommendation

- Recommendations at Government-Level
- Recommendations at Corporate-Level

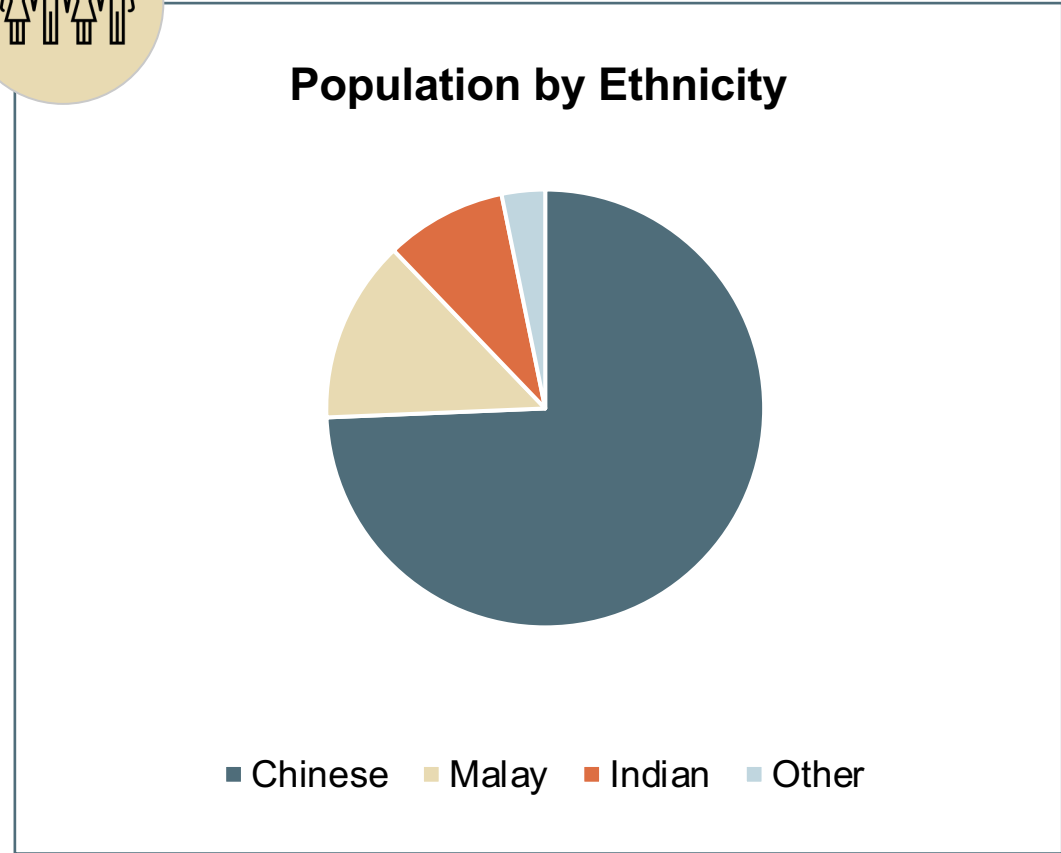
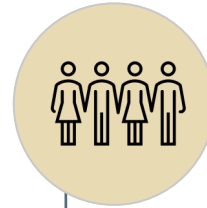
5. Conclusion

WEALTH DISPARITY OVERVIEW

OVERVIEW OF SINGAPORE



GDP in 2020: \$340 billion



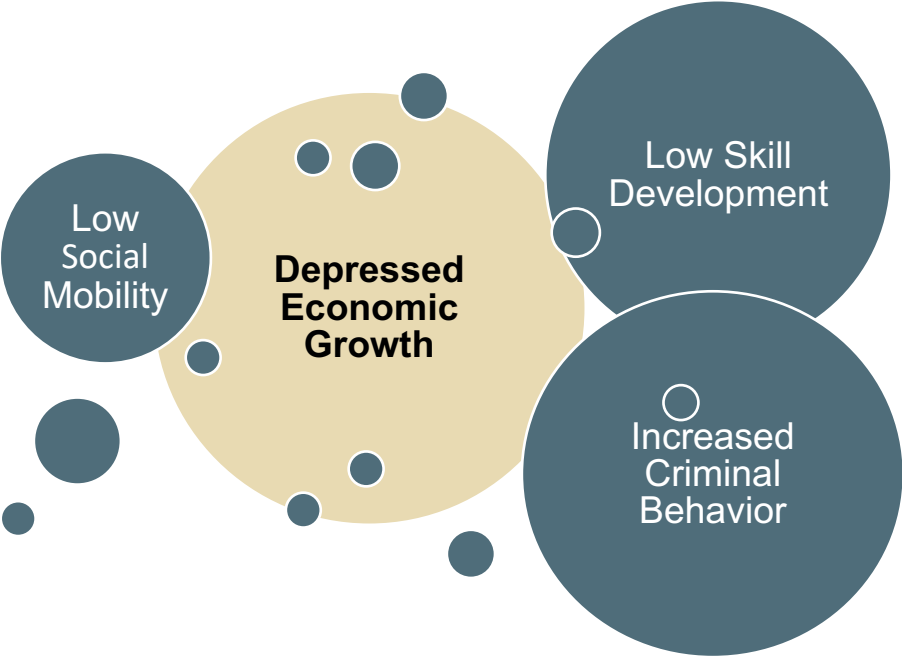
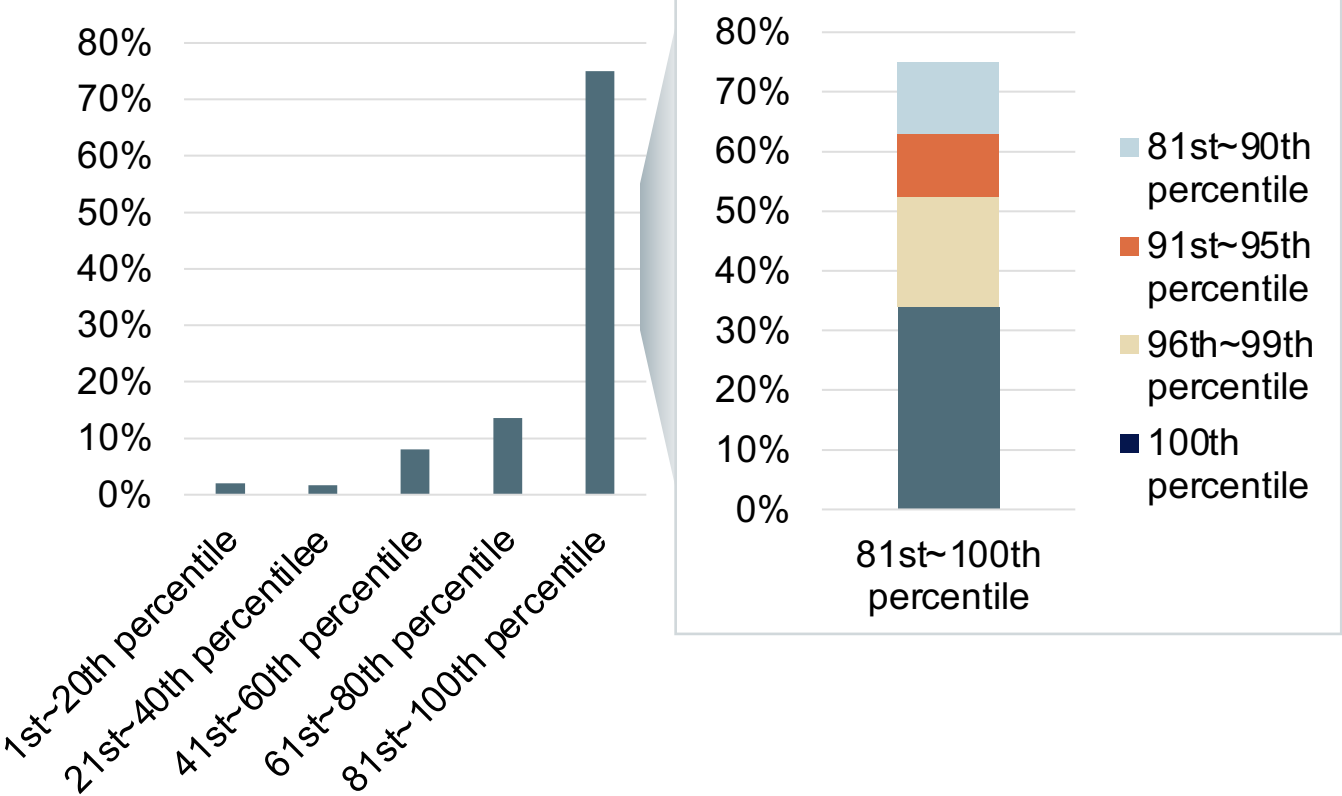
Population in 2020: 5.7 million

Economic success has enabled wealth accumulation for diverse population

WEALTH DISPARITY IN SINGAPORE

Household Wealth: net financial wealth, net property wealth, private pensions wealth, physical wealth

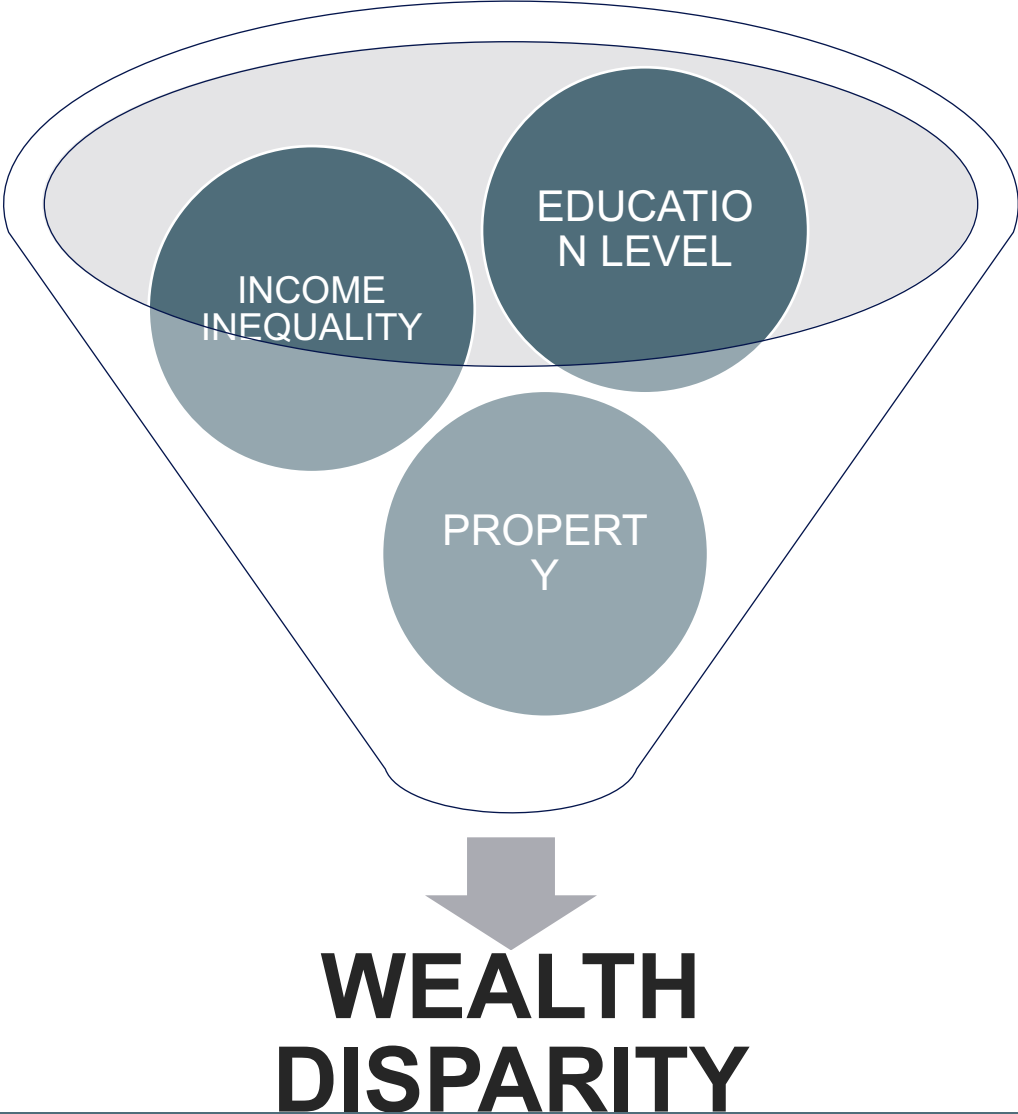
Wealth Distribution



Singapore is suffering from wealth disparity, which is hurting every member of society

POTENTIAL CAUSES ANALYSIS

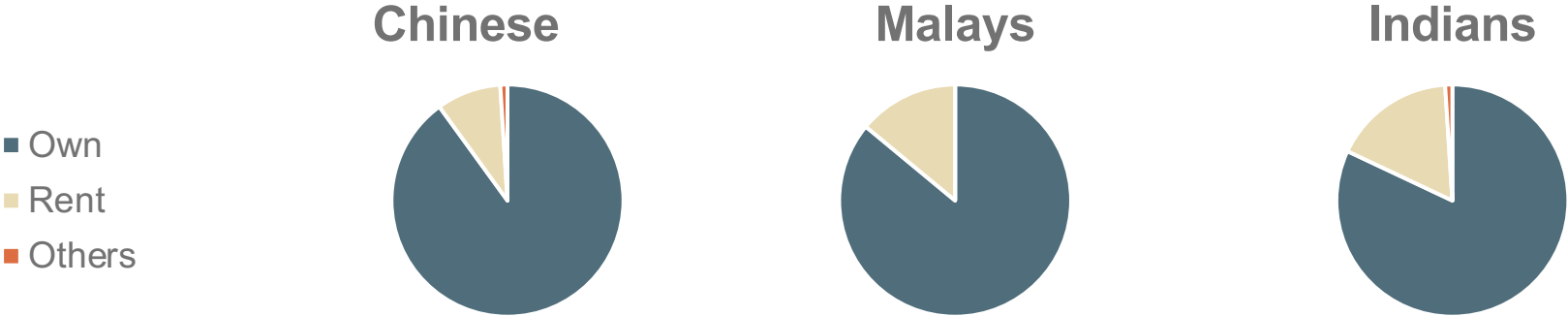
POTENTIAL CAUSE OVERVIEW



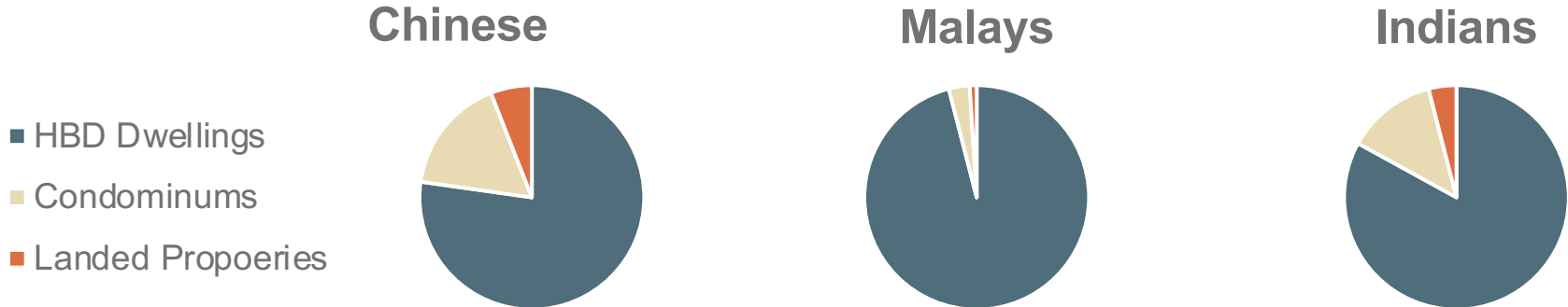
Education and income have positive correlation with wealth

RESIDENCE TYPE BY ETHNIC GROUPS

Type of Household Dwelling



Breakdown of Owned Properties

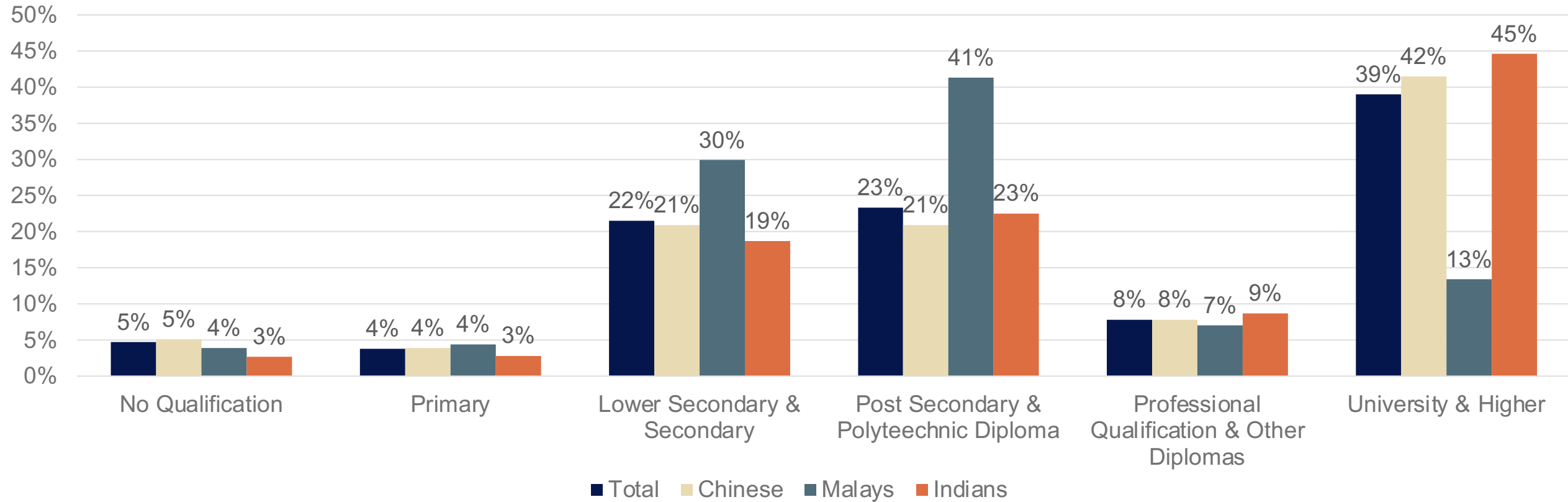


Malays heavily depend on housing & development board

EDUCATION LEVEL BY ETHNIC GROUPS

HIGH, POSITIVE CORRELATION WITH WEALTH

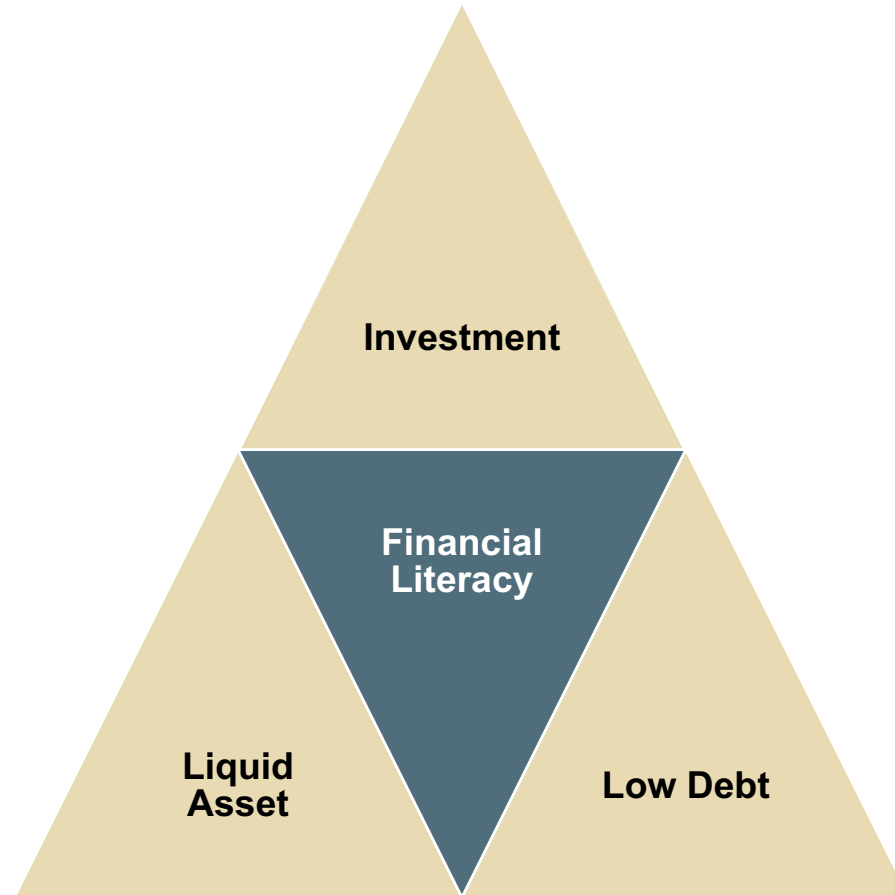
Education Level by Ethnic Groups



- Only 13% of Malays receive an education of university of higher level
- 41% of Malays finish their education with post secondary or polytechnic diplomas

Malays receive relatively lower levels of education

IMPORTANCE OF EDUCATION



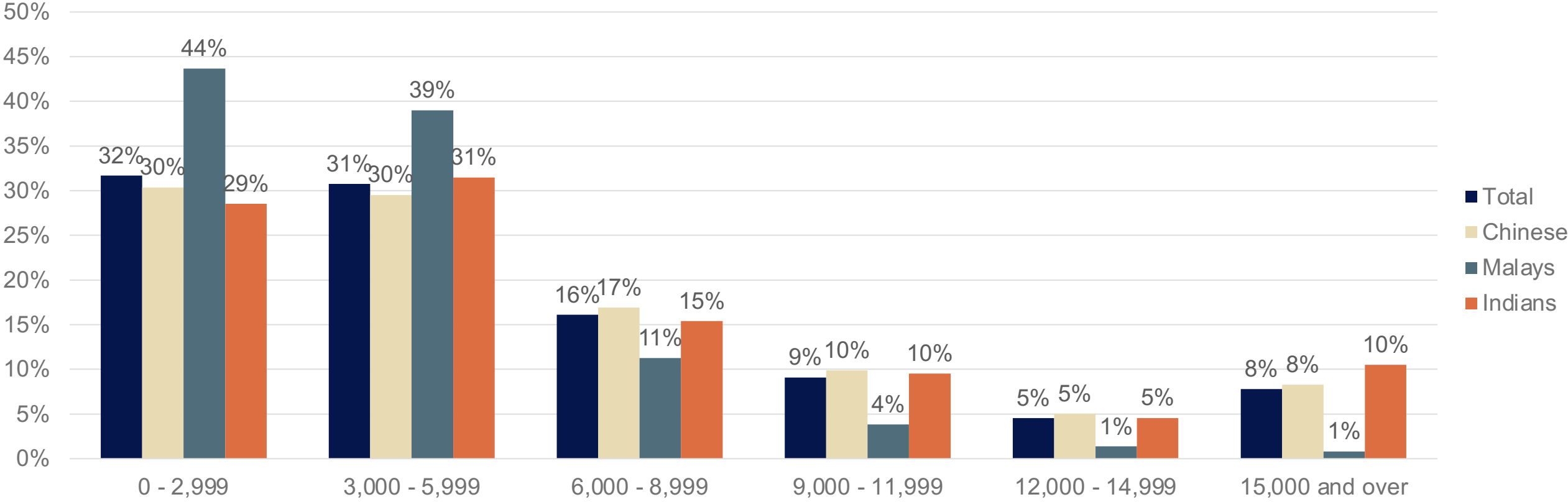
- Education can be seen as an investment in human capital
- Households with higher levels of education tend to make financial decisions that contribute to building wealth

Financial literacy impacts accumulation of wealth over time

INCOME INEQUALITY AMONG ETHNIC GROUPS

LOW, POSITIVE CORRELATION WITH WEALTH

Income (in SGD) by Ethnic Groups

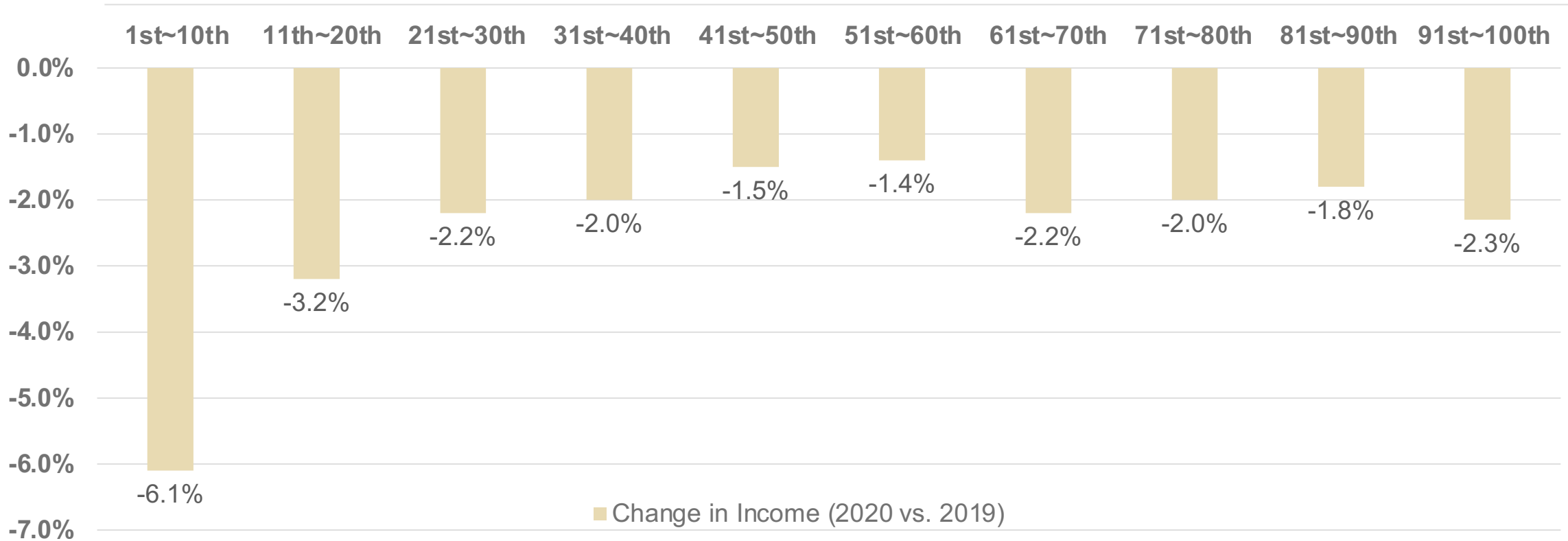


- Almost one-half of Malay population makes less than S\$3,000
- About 8% of Chinese and 10% of Indians make more than S\$15,000 but less than 1% of Malays do

With limited opportunities, Malays tend to be heavily skewed to the left

IMPORTANCE OF INCOME

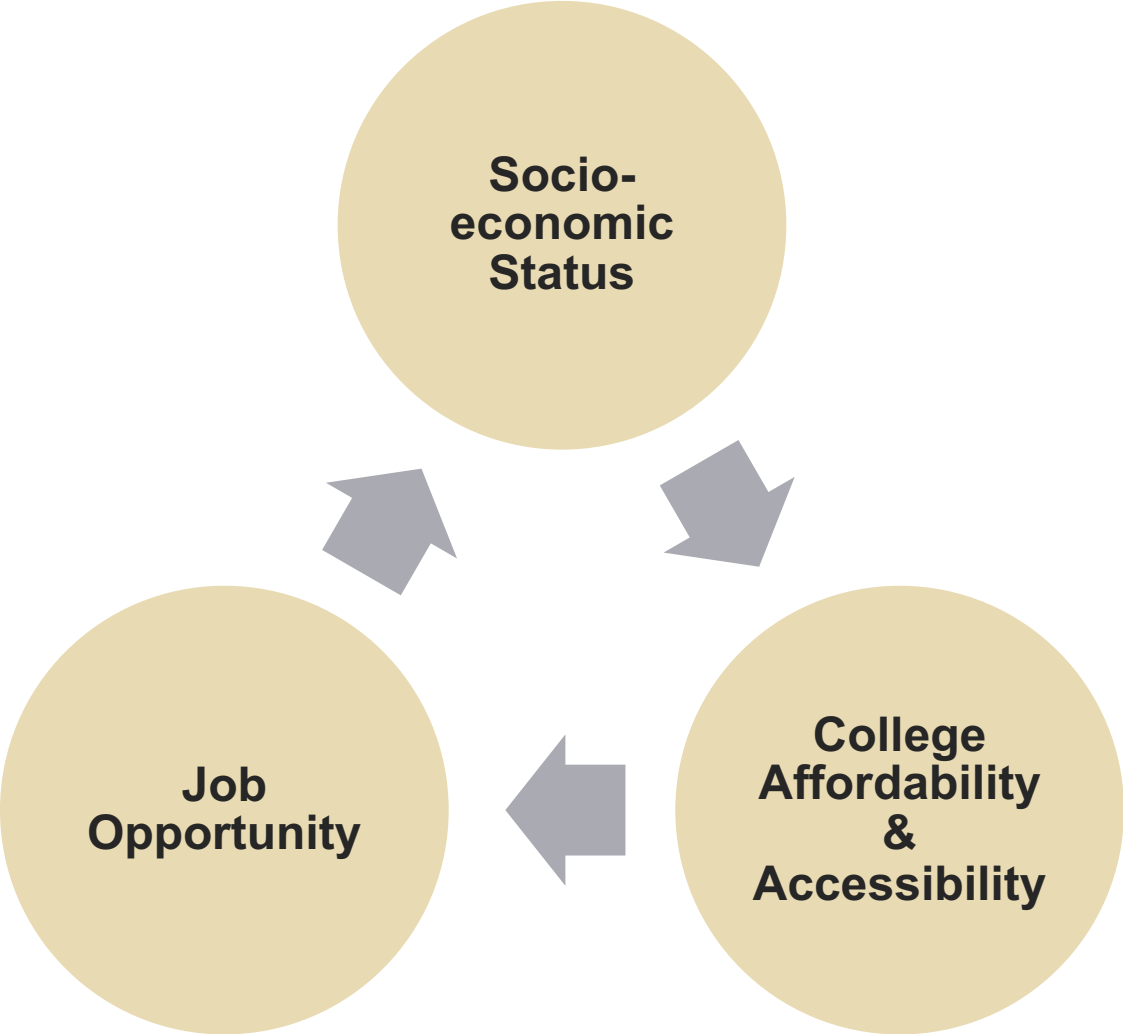
Change in Income (2020 vs. 2019)



- After adjusting for inflation, households in the top 90% income groups recorded real income declines of 1.4% to 3.2%, while households in the bottom 10% income group saw a larger real decline of 6.1% due to their lower income levels

Earning higher incomes makes saving easier & Saving is necessary to build wealth

VICIOUS CYCLE



Vicious cycle intensifies the wealth disparity in Singapore

ALTERNATIVES

ALTERNATIVE EVALUATION

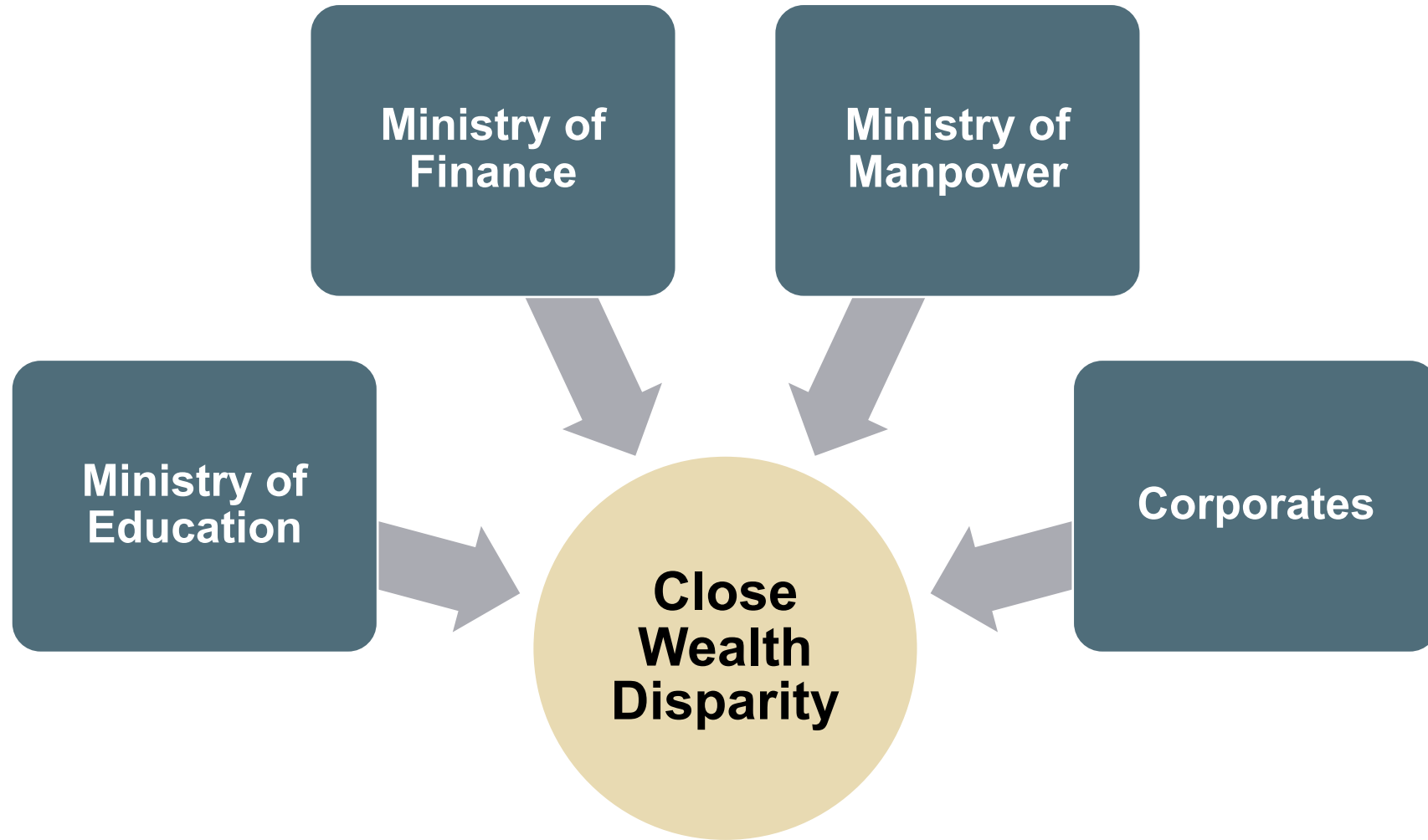
Favorability: ● High ● Medium ● Low

	Alternatives	Public Reaction	Checks/ Enforceability	Social Equality	Fiscal Budget	Impact	Priority
Ministry of Education (MoE)	Interest-free student loans	●	●	●	●	Long term	●
	Scholarships for ethnic groups	●	●	●	●	Long term	●
	Service community learning	●	●	●	●	Long term	●
	Reserve public schools only for ethnic minorities	●	●	●	●	Short term	●
	Quotas in private schools for ethnic minorities	●	●	●	●	Short term	●
Ministry of Manpower (MoM)	Hiring process: minimization of information related to ethnicity and candidate photo	●	●	●	●	Long term	●
	Executive compensation control	●	●	●	●	Long term	●
	Employment quota for minorities basis company size	●	●	●	●	Long term	●
	Promote entrepreneurship among ethnic minorities	●	●	●	●	Long term	●
Ministry of Finance (MoF)	Taxation: Change the tax mix	●	●	●	●	Long term	●
	Taxation: Progressive income tax	●	●	●	●	Long term	●
	Code of corporate governance	●	●	●	●	Long term	●

The alternatives that rank high on all the criteria would be the most favorable

RECOMMENDATION

RECOMMENDATION OVERVIEW



Combined attention and actions from government and corporates are needed

RECOMMENDATION #1: FROM GOVERNMENT LEVEL EDUCATION SUPPORTS

A More Equitable Distribution of Educational Opportunities

- Provide early childhood care and basic schooling for all
- Strengthen links between school and home to help disadvantaged Malay children learn
- Promote service learning and emphasize the role of community to provide extracurricular enrichment activities for students
- Provide interest-free student loans to encourage Malays to pursue higher education/ university degree
- Set specific scholarships applicable to different ethnic groups

Expected Results

- Improve the school performance of children who don't have enough parental supports or come from less educated family
- Increase the overall education level of Malays (esp. the % with university degree)

More equitable educational supports to improve the overall education level

RECOMMENDATION #2: FROM GOVERNMENT LEVEL TAXATION ADJUSTMENT

Taxation Restructuring to Improve Income Equality

- Increase the progressivity of personal income tax by increasing top rates
- Change the tax mix while keeping total tax revenue constant
 - Move from labor income to property and capital taxes

Expected Results

- Move from regressive taxation to progressive taxation
- Narrow down the income distribution gap and raise the incentives for mass workers

Restructure taxation to narrow down income distribution gap and raise incentives

RECOMMENDATION #3: FROM CORPORATE LEVEL

IMPROVED EQUALITY FOR LABOR MARKET

Adjust Executive Compensation Plan

- Invest in worker compensation as part of a productivity enhancement strategy rather than enhance stock-based executive compensation without benefiting workers

Equal Hiring Process

- Minimize selection criterion such as ethnicity, names, and photos to ensure equal employment opportunity

Maintain Talent Diversity (Quota of Ethnic Group set by MOM)

- Increase quota for Malays according to business size and maintain talent diversity within the company as part of ESG initiatives

Expected Results

- Eliminate discrimination in labor market and promote equal employment environment in Singapore while maintain ethnic diversity

Optimize hiring and rewarding practices to improve equalities for labor market

5-YEAR TIMELINE FOR IMPLEMENTATION

No.	Task Owner	Key Initiatives	2022	2023	2024	2025	2026
1	Ministry of Education	Provide early childhood care and basic schooling for all					
2		Strengthen links between school and home to help disadvantaged Malay children learn					
3		Promote service learning and provide extracurricular activities in communities					
4		Provide interest-free student loans for Malays to pursue higher education/ university degree					
5		Set specific scholarships applicable to different ethnic groups					
6	Ministry of Finance	Increase the progressivity of personal income tax by increasing top rates					
7		Change the tax mix: move from labor income to property and capital taxes					
8	Ministry of Manpower & Corporates	Adjust executive compensation plan and improve salary of mass workers					
9		Reinforce equal hiring process					
10		Set and fulfill the talent quota of ethnic group					
11	Department of Statistics SG	Track the data of wealth distribution of different ethnic groups based on factors above (e.g., Education level of Malays)					
12	Ministry of Communication and Information	Raise the public awareness of various social issues through campaigns to close the wealth gap in Singapore					

CONCLUSION

CONCLUSION



Understand

Understand the current wealth disparity and potential causes: education and income inequality



Strategize

Strategize feasible recommendations based on their impacts to closing the wealth gap while paying attention to the public opinion



Implement

Implement various recommendations, review the process, and optimize the tactics throughout the process

Actions are needed from you

THANK YOU!

VIDEO LINK

<https://youtu.be/1Mo8wwloB4c>