



Publication: 938LIVE

Date: 16 February 2007

Headline: Academics: Budget helps achieve overall target but may not provide adequate aid

Academics have variously described Budget 2007 as *sophisticated, good* and a *fine-tuning of broad policies*, suggesting that overall, it's achieved the targets set.

But on help for the middle income and GST offset package, views were divided over the adequacy of aid.

One whom 938LIVE's Geraldine Soh interviewed was even confused over the rationale for reducing CPF contribution for lower income workers.

When the government decided to up GST rates, it also promised substantial offset measures.

With \$4 billion set aside over five years, has it kept to its word or spread out the aid package too thinly?

Economics Professor Mukul Asher from the Lee Kuan Yew School of Public Policy at NUS.

"The offset package has a limited time frame but increase in GST is permanent so they tend to ease some of the burden of adjustment. But if you take a medium term point of view then obviously the tax burden would go up."

Disagreeing with this view is Assistant Professor Randolph Tan at NTU's School of Humanities and Social Sciences.

He feels the measures are substantial and are likely to increase consumer spending.

People would want to take advantage of the credits since nearly half of the offset package will be paid out in cash, he noted.

But Assistant Prof Tan is not so sure about the rationale behind the reduction in CPF contributions for lower income workers.

"The whole aim of CPF is to provide a social safety net for a certain class of people - the lower income group is the one we want to see benefit from CPF so personally I'm confused about the policy aspect of that particular move."

Sharing his sentiment is Professor Asher who feels the move would actually increase the vulnerability of the lower income.

This is because they'll have to rely on workfare to make up for their retirement savings and the workfare is in turn reliant on labour market conditions.

In bad times, they could go without a job for six months at a stretch thus forfeiting their workfare bonus.

Assistant Prof Tan is however convinced that the middle income earners have been well taken care of in terms of property and vehicle rebates.

But not so for Associate Professor Winston Koh from SMU's School of Economics and Social Sciences.

"Probably not as substantial as some people might hope but with the economy doing well, the sector that'll be benefiting from the stronger growth will be the middle income group so they won't be too badly affected. I think it's overall a good budget certainly it indicates that the government is aware of the sentiments regarding the imminent increase in GST and it's making sure that all the households particular in the lower income groups are taken care of."