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ByInvitation

Budget 2022 sets the pace for Singapore's economic and social transformation

Ambitious policies will impel changes to business models and could pave the way for a reimagining of social support

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For The Straits Times

The need to be ready for the future is spoken of so often that it is easily taken for granted. Sometimes, it takes policy changes to focus minds and set things in motion.

This is what Budget 2022 has accomplished. The suite of Budget measures, comprising new policy announcements as well as details of previously announced policies, will force the pace of Singapore's economic and social transformation.

Revisions to taxes and manpower rules, in particular, will induce changes to business and household behaviour in line with Singapore's strategic priorities, notably the need for a competitive economy, greener future and more inclusive society.

Most of these policy moves were telegraphed well in advance of this year's Budget. On the goods and services tax (GST), it was only a question of when and how the hike would be implemented; as for the carbon tax, it was about the extent and pace of increase. Additional taxes on the wealthy were also anticipated, as were moves to increase the selectivity of foreign manpower.

Even so, Budget 2022 marks a decisive step forward for Singapore, taking the nation into the future with stronger public revenues and a renewed social compact. This was reflected not just in ambitious policy measures, but also an appeal to the values that infuse these policies with meaning.

In his Budget statement, Minister for Finance Lawrence Wong spoke of the need to "stand together as one" and to "keep faith with one another", values that underpin the call to renew and strengthen the social compact.

AMBITIOUS BUT NOT UNREALISTIC

The Budget also signalled determination to transform Singapore's economy and society through policy measures that are ambitious but not unrealistic.

Underscoring Singapore's commitment to sustainability, the Government is bringing forward the timeline for the country to attain net-zero carbon emissions.

To achieve this, the carbon tax will be raised progressively to $50-$80 per tonne by 2030. This is higher than what many had anticipated, but well within the range of taxes already imposed by Organisation for Economic Cooperation and Development economies, and with an eight-year runway to get there.

Measures to keep foreign workforce growth sustainable have been stepped up since 2020. The latest revisions to Employment Pass (EP) and S Pass qualifying salaries are significant, the aim being to ensure that incoming EP and S Pass holders are of comparable quality to the top one-third of the local workforce at comparable skill levels. The Tier-1 S Pass levy will nearly double between now and 2025.

The tighter dependency ratio ceilings for work permit holders in construction and process will also force companies in these sectors to raise productivity and reduce foreign manpower reliance.

It is worth considering what the various Budget policy measures amount to for businesses. Faced with a possible top-up to corporate tax, higher carbon and energy prices, as well as higher local and foreign manpower costs, it will not be business as usual. The aggregate impact of these measures will be unevenly felt across companies and sectors.

For firms, survival and success will depend on whether their business models are fit for the new normal, and if not, whether they can pivot to more sustainable ways of doing business.

While the Government is providing significant transitional support to firms to offset the impact of the carbon price hike and progressive wages, support will taper over time.

With timetables set for policy changes and transitional support, firms have a clear window in which to act.

Some firms will fold – whether forced to by changing market conditions, the ongoing pandemic or policy changes introduced in Budget 2022. This is to be expected in a dynamic economy where "creative destruction" is necessary to transform the economy and channel resources to the most productive uses.

Singapore must, however, continue to offer a strong value proposition for enterprises. A vibrant economy requires a critical mass of innovative firms that are able to leverage Singapore's infrastructure, trade networks, R&D base and skilled manpower to compete in global markets.

Hence the emphasis in Budget 2022 on investment in the future: in digital capabilities, innovation, local enterprises and people. Only by remaining competitive can Singapore maintain relevance in the world and generate revenues to meet expanding social needs.

CARING WITHOUT CODDLING

While the market will weed out unviable firms, the calculus is different for citizens, with the intent that no one is left behind.

This year's Budget was a compassionate one that acknowledged the challenges of workers facing income loss or difficulty finding jobs, with extensions to both the Covid-19 Support Grant and Jobs Growth Incentive announced. The $560 million Household Support Package will help Singaporeans with utility bills, children's education and daily expenses.

In view of rising prices, the GST hike will be implemented in two steps in 2023 and 2024, instead of taking effect this year.

A further $640 million has been added to the $6 billion Assurance Package to cover at least five years of additional GST expenses for the majority of Singaporean households. On a permanent basis, Workfare payouts will be increased, and eligibility criteria broadened. Lower-wage workers also stand to gain from the expansion of the Progressive Wage Model.

The permanent GST Voucher will be enhanced to provide continuing GST offsets to lower- to middle-income households and most retiree households.

Care and assurance, however, do not imply coddling. While citizens will have their needs well provided for, they are also expected to take responsibility for themselves and their families.

There remains a strong impetus to reskill and improve oneself, with the Government providing funding to the National Trades Union Congress (NTUC) to scale up company training committees, and making company attachments for mature mid-career workers a permanent feature of the training and placement ecosystem.

Social investment – whether in public housing or education – remains the principal means by which the state helps citizens to build better lives for themselves.

Much as Budget 2022 was inclusive, it did not fully address every area of need or every segment of society. An advisory committee is still working on measures to help online platform workers, while the Enabling Masterplan 2030 will provide further support for persons with disabilities when it is launched later this year.

Plans to support caregivers and boost mental health are also forthcoming. While the Government had earlier accepted the recommendations of the joint NTUC and Singapore National Employers Federation task force on professionals, managers and executives (PMEs), details of measures such as supplementary unemployment income relief have yet to be released.

REIMAGINING SOCIAL SUPPORT

Budget 2022 builds on existing pillars of social support which have been strengthened through successive Budgets, accompanied by higher tax contributions from the better-off.

Where does this stop, some wonder. Will social support be continually expanded, and will the wealthy have to shoulder an ever-increasing burden?

Fiscal systems perform the necessary role of redistribution, but the concept of redistribution itself is transactional. In families and close-knit communities, we speak instead of mutual support and obligation.

Looking ahead, there may be merit in positioning social transfers not just as support for the less well-off, but also as a benefit of citizenship – with the aim of providing assurance for all and sharing the fruits of progress equitably.

Now that Workfare has been extended to over half a million workers and the GST Voucher to middle-income households, support is no longer "residual" or targeted at just a small minority who are unable to get by on their own.

If such support continues to be extended to more citizens and households, it will not be too far a step to recast social support schemes as a "social dividend" – benefiting all citizens but tiered according to means for better targeting and fiscal sustainability.

As Singaporeans, we celebrate success together and support one another through difficult times. This sense of solidarity, so important for a nation, is difficult to sustain when there are wide gaps in pay across occupations, and when those from different socio-economic strata lead very different lives.

In moving changes to progressive wages, Workfare, social support and taxes, and encouraging charitable giving, Budget 2022 weaves the themes of inclusiveness and solidarity, of "(having) each other's back". It sets out a clear vision – founded on values and fleshed out in policy measures – for Singapore's progress as a society and nation.

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A vibrant economy requires a critical mass of innovative firms that are able to leverage Singapore's infrastructure, trade networks, R&D base and skilled manpower to compete in global markets. Hence the emphasis in Budget 2022 on investment in the future: in digital capabilities, innovation, local enterprises and people, says the writer. ST PHOTO: LIM YAOHUI