

Does Budget 2023 suggest that Singapore remains a 'nanny state'?



Terence Ho

Singapore has been described by local and foreign observers as a “nanny state”, one that is overprotective of citizens or interferes unduly in their private lives.

Then Prime Minister Lee Kuan Yew made no apologies for this, asserting that "if Singapore is a nanny state, then I am proud to have fostered one".

At first glance, Budget 2023 seems to reinforce Singapore's nanny state image.

Firstly, considerable resources have been channelled towards strengthening assurance for citizens at a time of heightened inflation and cost-of-living concerns. This could be interpreted by some as "coddling" Singaporeans even as the nation's fiscal space tightens.

Second, various Budget announcements are aimed at regulating or shaping behaviour. For instance, the tobacco duty hike this year follows the Budget tradition of periodically dialling up "sin taxes" to regulate consumption of liquor and cigarettes.

The increase in government-paid paternity leave from two weeks to four weeks can also be seen as an attempt to nudge fathers into taking on a more equitable share of childminding responsibilities in the household.

Finally, the various initiatives and exhortations for citizens and businesses to prepare for the future bring to mind a concerned parent nagging a child to do what is in his or her own best interest.

However, it seems to me that there is more nuance in the Government's approach than first meets the eye. The "nanny state" is trying hard to be a "nurture state", though it is often difficult to find the sweet spot between doing too much and doing too little. As the Singapore polity comes of age, changes to the nature of the state-citizen relationship are inevitable.

ASSURING WITHOUT CODDLING

Over the decades, governments in many parts of the world have taken on more responsibility for citizens' social security – whether in terms of income protection, retirement support or healthcare provision – roles that in the past were largely performed by guilds, clans or religious organisations.

Singapore has, in fact, been assiduous in avoiding Western-

The challenge for the state as “nanny” is to empower citizens and firms to take ownership of their future rather than wait passively for direction from above



style welfarism, emphasising instead citizens' responsibility to provide financially for self, family and community.

However, various grants and social transfers, both structural and ad hoc, have been increasingly employed to help citizens cope with the rising cost of living. To an extent, this is to be expected as Singapore becomes a more affluent and higher-cost city, with inequality likely to shoot up in the absence of state intervention.

The \$3 billion expansion of the Assurance Package to \$9.6 billion seems generous, particularly given Singapore's tight fiscal position. However, the combination of slow growth and high inflation the country is now facing is making Singaporeans understandably anxious.

Last year's headline inflation rate of 6.1 per cent was the highest since 2008. But unlike in 2008 to

2009, inflation looks set to stay high for some time, with this year's inflation also projected to be between 5.5 per cent and 6.5 per cent.

In providing near-term support, the challenge is how to avoid entrenching citizens' expectations that the Government will always step in at any hint of economic or labour market weakness.

The key to sustainability is in raising real wages through productivity and skills, a longstanding priority for Singapore but one that requires painstaking effort to achieve. Just as important are steps to boost savings, such as through the increased cap on CPF contributions as announced in Budget 2023, so savings for retirement, housing and healthcare can keep up with rising incomes.

The Budget's enhancements to parenthood support are timely.

These will unlikely have a significant impact on the fertility rate, but will go far in providing assurance to families with young children as well as those planning to start families.

At the other end of the demographic spectrum, much has been done and will continue to be done to strengthen healthcare assurance for seniors. The latest move to top up the ElderCare Fund and MediFund is another step in this direction.

Providing assurance to Singaporeans across life stages is critical to the social compact, enabling citizens to have peace of mind that they can bring up their families and enjoy their golden years in this country. How to balance this assurance while keeping alive the ethos of individual responsibility and effort is among the defining public policy challenges of our time.

NUDGING WITHOUT PROSCRIBING

The Government has made extensive use of taxes and incentives to influence the choices of citizens and firms, whether in consumption or investment across a range of policy domains, from healthy living to sustainability. Even so, it has avoided more draconian measures adopted elsewhere.

For instance, some have suggested that smoking be banned completely for those born after a certain date so as to eliminate this habit in the generations to come. Instead, Singapore has taken a more restrained but targeted approach by raising tobacco levies, educating the public on the dangers of smoking and enacting more smoke-free zones over time.

Singapore has also not followed China in banning for-profit tuition, but has instead taken

steps to reform streaming and assessments in schools so as to manage stress and reduce an overemphasis on exams and grades.

The use of hard incentives to shape behaviour should be judiciously paired with behavioural nudges where appropriate. While public policy can influence societal norms and values, it cannot run too far ahead of what society itself deems acceptable or desirable.

EQUIPPING AND EMPOWERING

Much of Budget 2023 has to do with building capabilities to meet future needs and challenges.

For companies, the Budget provides a strong push for internationalisation and innovation, encouraging firms to take action now. In particular, innovation activities will see tax deductions bumped up from 250 per cent to 400 per cent under the new Enterprise Innovation Scheme, while companies will receive further help to grow and internationalise through top-ups to the SME Co-Investment Fund and Singapore Global Enterprises initiative.

Citizens can already avail themselves of training support to reskill and upskill through the SkillsFuture initiative. They will receive further help from the new “Jobs-Skills integrators”, whose role is to ensure that training translates into good employment outcomes.

In these efforts, the challenge for the state as "nanny" or parent is to empower citizens and firms to take ownership of their future rather than wait passively for direction from above.

POLICY CO-CREATION AND PARTNERSHIPS

With a better-educated population and increasingly complex challenges, the relationship between state and citizen must progress from one in which “government knows best” to a more equal partnership where the “government does its best”.

The nanny's role has to evolve as the child grows up. People will still look to the Government for leadership and as a trusted arbiter, but those in authority cannot unilaterally define the country's values and direction.

The Forward Singapore national conversation, which has already taken in the views of more than 14,000 Singaporeans, therefore plays a critical role in articulating citizens' aspirations and co-creating solutions to the country's challenges.

In Singapore's next bound of development, the breadth and depth of partnerships across the public, private and people sectors will make all the difference. This new partnership ethos, already reflected in Budget 2023, should be further reinforced in both substance and messaging in future Budgets.

- Terence Ho is an associate professor in practice at the Lee Kuan Yew School of Public Policy, National University of Singapore. He is the author of *Governing Well: Reflections On Singapore And Beyond* (World Scientific, 2023).