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Budget 2024

Three principles to strengthen support for Forward Singapore initiatives

Buy-in for creating a fair, resilient and flourishing Singapore is challenging amid concerns about rising costs.

Gillian Koh

Singapore will be tuning in to the Budget 2024 statement by Deputy Prime Minister and Finance Minister Lawrence Wong on Feb 16.

There is clear indication of the social transformation it must fund after the fourth-generation (4G) leaders launched the Forward Singapore report in November 2023.

The document listed seven key shifts to create the fair, resilient and flourishing society that citizens want.

The 4G team said that while some of those shifts were under way, details of other initiatives would be announced in the upcoming Budget.

Questions about how these will be funded arise as Singaporeans chafe at increases in the cost of public goods, government fees, and the goods and services tax (GST) to 9 per cent in 2024, and businesses worry about their long-term viability.

DPM Wong explained in Budget 2022, when he announced the two-step, 2 percentage point rise in GST over 2023 to 2024, that this would go only part-way towards funding the needs of an ageing population. He also announced increases in wealth taxes on property and cars in 2024, to do the same.

The principle, he said, is that everyone contributes something while the well-heeled pay more, and everyone receives some support while those in greater need get more.

How can taxpayers be assured that this upcoming Forward Singapore Budget will be fiscally prudent and a worthwhile investment in a brighter future for all?

Explaining effectively the critical long-term goals that the fiscal measures are designed for, and acknowledging the pain of achieving them, will improve the level of acceptance of them. Government support to incentivise the transitions is crucial.

What this specific Budget may need, however, are three operating principles to address concerns we can anticipate around the Forward Singapore initiatives.

COSTS OF ACHIEVING CRITICAL TRANSITIONS

To begin with the problem of inflation, we know there are external drivers of rising costs that Singapore must adjust to – the global disruptions to the supply and shipping of key resources from energy to food, and the deeper restructuring of the world economy as production fractures into geopolitical blocs.

Support for responses to these trends has been forthcoming. On Jan 3, DPM Wong launched a new tranche of Community Development Council, or CDC, vouchers – $500 to assist every Singaporean household as well as the local businesses where they are spent – while stating that his ministry is considering providing more help.

Besides global inflationary pressures, rising costs are the result of government policy to address other strategic challenges – climate change and manpower policy being significant ones.

The Jan 6 unveiling of Singapore's third national climate change study is a reminder that our island state will be buffeted by increasingly extreme weather conditions in the coming years.

This provides context for the previously announced fivefold increase in carbon tax that will be imposed on large emitters in 2024 – one of many measures to spur the green transition in production, behavioural change among the masses, and the achievement of the ambitious net-zero carbon emissions goal by 2050.

On manpower policy, the ongoing political signal from the public that the inflow of foreign labour should be kept tight has resulted in higher levies to spur businesses towards local labour and new technology.

Observers would be keen to see what more Budget 2024 can do to incentivise workers and firms to take advantage of new value-creation opportunities from digitalisation as well as smart and green business processes to power an economy that is labour-lean, highly competitive yet ecologically sustainable. These have to translate into better career prospects, jobs and wages for citizens to counter the inflationary trends.

Now to the Forward Singapore agenda.

BALANCING CORE NATIONAL VALUES IN SHAPING SOCIAL REFORMS

If the Forward Singapore engagement is anything to go by, those who have spoken up want even more decisive and integrated government action to reduce inequality, facilitate social mobility, support healthy and active ageing, improve family life, and afford a stronger safety net for workers in an age of economic restructuring.

These are policy objectives that egalitarian and compassionate Singapore supports in principle.

However, they make subsequent conversations between social reformers within and outside Government and taxpayers just as critical.

After all, another set of core values that drives public sentiment includes fiscal prudence and public accountability of Government, and self-reliance among individuals.

Ordinary taxpayers want to know that national resources are spent in the best way possible, progress is measured, and those who receive support use the resources responsibly.

Critics will want to know that the new programmes will not end up feeding a dependency or entitlement mindset among current and succeeding generations of Singaporeans.

Others will ask if increase in taxes or costs to people and businesses from the Forward Singapore agenda can be deferred, given the inflationary conditions today, but the growing population of seniors and negative sentiment around social inequality here and the world over mean that the needs are pressing.

These are all important issues to grapple with.

Budget 2024 will have to drive successful transitions as Singapore confronts demographic, ecological, economic and global challenges while the country navigates a leadership succession at the pinnacle of government... With clear measures to track progress, the ideas, taxes, enormous state and civic effort, and the metaphysical investment in a stronger union of Singaporeans that is involved in achieving the Forward Singapore agenda, will all seem worthwhile.

PRINCIPLES TO IMPROVE ACCEPTANCE OF NEW PROGRAMMES

In a society brought up on the notion that there is no such thing as a free lunch, being convinced that new Forward Singapore initiatives abide by three operating principles can strengthen public support for them.

First, the key stakeholders, including the beneficiaries, must be involved in or bear some cost in achieving the stated goals.

This is where universal taxes through GST, in addition to the direct taxes of those who have more, signal a sharing of that burden.

More crucially, having well-designed conditional cash transfers, properly explained and implemented, will assure taxpayers that no one will be "freeloading" off them and the state.

For instance, there is likely to be a new feature in the SkillsFuture system that will provide subsistence payments to the unemployed. This is contingent on verification that recipients are indeed involuntarily retrenched and are actively retraining and job-hunting.

The conditions, length and quantum of support must convince taxpayers this will not erode the work ethic of beneficiaries and ensure that firms do not become all too happy to fire workers because this safety net exists.

Another likely feature of the Forward Singapore Budget is ComLink+ – akin to the job-search support scheme, it ties support to how beneficiaries are helping themselves.

It will match funds for debt repayment raised by the needy themselves (using money from private donors), match Central Provident Fund contributions they make through regular work to facilitate home ownership, and provide special bonuses to Child Development Accounts when parents enrol and ensure consistent attendance of their three- and four-year-olds at pre-school.

Balancing the wish to be effective and yet ensuring the conditions are stringent enough and effectively enforceable will not be easy.

Second, the goals must be more transformative than what the mere sums of money involved suggest; they must deliver on the promised social multiplier effect.

For instance, with the new job-search support scheme, the idea is that risks arising from being a small, open and innovative market economy will continue to be shared, and that change can be for the better here when there is a great disillusionment globally with the capitalist system.

With ComLink+, in preventing the formation of a permanent social underclass, it must also reinforce the idea that work continues to be the best form of welfare, and feed hope among disadvantaged families to keep them striving for a brighter future.

Third, rigorous evaluation of the interventions must be in place from the start. The Government will need to account for their efficacy and indicate its willingness to change course if the values of fiscal prudence or any other core governance values are undermined. Third parties should be invited to provide credible accountability systems for these.

Budget 2024 will have to drive successful transitions as Singapore confronts demographic, ecological, economic and global challenges while the country navigates a leadership succession at the pinnacle of Government.

Time, long-term commitment and extensive resources are needed for all the policies and programmes mentioned here to yield meaningful impact.

With clear measures to track progress, the ideas, taxes, enormous state and civic effort, and the metaphysical investment in a stronger union of Singaporeans that is involved in achieving the Forward Singapore agenda, will all seem worthwhile.

This is what DPM Wong must convince fellow Singaporeans of, come Budget Day 2024.

• Dr Gillian Koh is a senior research fellow at the Institute of Policy Studies, National University of Singapore.

The Forward Singapore report lists seven key shifts to create the fair, resilient and flourishing society that citizens want, and questions arise on how these will be funded. Explaining effectively the critical long-term goals that fiscal measures are designed for, and acknowledging the pain of achieving them, will improve the level of acceptance of them, the writer says. ST PHOTO: MARK CHEONG