

IPS Corporate Associates Lunch: A Dialogue on Budget 2015

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Singapore's 2015 Budget, unveiled on 23 February, was described as progressive and positive for middle-class Singaporeans. The government said that it was a budget that focuses on building Singapore and preparing Singaporeans for the future. On 27 February 2015, ahead of the Budget and Committee of Supply debate in Parliament, the Institute of Policy Studies (IPS) invited Minister for Manpower, Tan Chuan-Jin to a lunch dialogue with members of the IPS Corporate Associates (CA) programme. Around 40 business leaders and IPS researchers were present. This report summarises the hour-long dialogue, which was moderated by IPS Director Janadas Devan.

Does Budget 2015 Signal a “Populist Stance”?

The first question posed to Minister Tan was whether Budget 2015 and the increase in social spending in the last few years was evidence of a more “populist stance” by the Singapore government. Minister Tan acknowledged that this question had been asked in several quarters. He pointed out that the government has always had schemes to help the vulnerable and was regularly streamlining and strengthening these schemes. The increase in social spending of late, he said, was not a move to be “soft and popular”. Instead, it was a response to changes in Singapore society and the challenges that Singaporeans face. Economically, Singapore is also in a good position to focus on social areas in a much more substantial way.

Life expectancy is increasing, with implications on healthcare and retirement adequacy. The rising cost of living is also affecting middle-class Singaporeans. It is for these practical reasons that Singapore needs to expand social spending, explained Minister Tan. He highlighted that the government recognises that the pioneer generation worked hard and contributed to the success of Singapore — and that individuals who currently could not meet their CPF Minimum Sum at age 55 were those who were not able to accumulate much CPF savings due to their lower wages and likely had not purchased HDB flats in their younger days.

Manpower Needs in Business

The business leaders at the dialogue quizzed the Minister on workforce and manpower issues. A participant recounted the hiring difficulties that his friends who owned small-and-medium enterprises (SMEs) faced. He asked if the government would consider adopting more targeted foreign manpower measures to alleviate the manpower crunch that smaller set-ups faced. Minister Tan replied that it is very important that Singapore as a society think carefully about whether it is ready to accept higher growth in foreign worker numbers. The growth of foreign manpower would have to be sustainable and within the support capacity of existing physical infrastructure. Moreover, Minister Tan felt that as Singapore's population ages, businesses would face increasingly stark manpower supply constraints. Hence, it is timely for companies to embark firmly on restructuring practices to improve productivity now.

Another participant said he had difficulty convincing his employees — both Singaporeans and non-Singaporeans — to accept job postings overseas. He said that everything in Singapore worked so smoothly that a “sense of fragility” seemed to have set in. “What should businesses do to address this issue given that going forward internationalisation would be a main driver of growth?” he asked. Minister Tan agreed that the plus points of living in Singapore weighed heavily on those who were offered postings, and hence, many preferred not to leave. He said that companies have to educate their employees to appreciate the benefits of working overseas. For example, regional assignments help employees acquire regional knowledge and perspective, which would then help them move up and be promoted. He also suggested that companies consider deploying their employees overseas earlier, before they start families. Having gained some overseas exposure, employees may be more open to future overseas posting opportunities.

Singapore's Future

Asked if the public should expect more tax hikes in the future to support public spending, Minister Tan replied that the government assesses its long-term spending requirements carefully and is mindful about the implications of using taxes to raise government revenue. In particular, he highlighted that increasing taxes excessively could chase away talent who are crucial to the economy. This would in turn dampen Singapore's competitiveness and growth prospects. However, other factors like security, lifestyle choices and physical infrastructure are also important for people deciding to live in a country. Taking all these factors into consideration, he felt that Singapore is still one of the most attractive places to live in.

A participant then asked what message the government was sending to investors with its manpower development plans. Was it signalling that it only wanted specific industries here? Minister Tan said that in the Budget speech, Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam highlighted five growth clusters of the future: Advanced Manufacturing; Applied Health Sciences; Smart and Sustainable Urban Solutions; Logistics and Aerospace; and Asian and Global Financial Services. By “tightening up” on the manpower front, Singapore was forgoing some extent of economic growth, he said. Acknowledging that foreign direct investment (FDI) had declined, he said Singapore is still in a decent position relative to other countries. However, this does not mean that the government viewed FDI lightly. Instead, it monitors FDI levels very closely and is well aware

that certain types of investments add greater long-term value to Singapore's economy by creating better employment and more opportunities for Singapore's SMEs. The government, however, is not seeking out businesses that are just manpower-intensive but wants those with "automated approaches and higher value-add across the different segments that we've mentioned".

Concluding, Minister Tan stressed that economic growth remains vital for Singapore, as "economic muscle" is needed for social spending. What also preoccupied him was the creation of opportunities and jobs for Singaporeans. "All of your children would aspire to interesting jobs and these only happen when interesting companies are here, and they won't be here if this place is not growing reasonably and credibly," he said.

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Established in 1992, the [IPS Corporate Associates \(CA\) programme](#) is a network of business leaders who can provide insights towards policymaking in Singapore from a wide range of viewpoints. Members of the CA programme benefit from, among other things, access to IPS research and [monthly meetings with key thinkers and policy makers](#) from Singapore and abroad.

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