

**IPS Corporate Associates Breakfast:  
Budget 2014 and Singapore's Priorities  
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Four days after Singapore's Finance Minister unveiled the 2014 Budget, Senior Minister of State for Finance and Transport Mrs Josephine Teo met with business leaders at an Institute of Policy Studies (IPS) Corporate Associates breakfast session to get their views on the Budget. In Mrs Teo's opening remarks, she noted:

"No Budget [announcement] stands on its own. It is always within the context of previous initiatives and actions that the government has decided to embark on, on behalf of the people that elected it. And Budget 2014 really sits within the context of two major shifts we are trying to bring about in Singapore. The first is economic transformation. At the same time, we are strengthening social support for our citizens."

Subsequently, Mrs Teo fielded questions and addressed concerns from the audience for over an hour. An overarching point of concern for attendees, who were members of senior management from both Singapore and international companies, was how Singapore could retain its economic competitiveness as it navigates an increasingly unpredictable global landscape and responds to the needs of its less well-off citizens. One participant noted the current push to ramp up productivity and suggested that some element of productivity training could take place in schools. People could then immediately apply what they had learnt when entering the workforce, he concluded.

Below is a selection of questions from the floor and Mrs Teo's responses.

***Is the Government Moving Towards the "Left of Centre"?***

Touching on the key elements of this year's Budget, Mrs Teo highlighted the Pioneer Generation Package (PGP), and the continuation of schemes to supplement the income of lower-wage workers and assist them with the cost of living. Asked if this move suggested that the government was shifting more towards a "left of centre" approach to policymaking, Mrs Teo replied that policies are driven by society's needs and are a reflection of its collective values. Mrs Teo noted that the economic progress that Singapore achieved in the last decade has been spectacular, exceeding what she could have expected back in 2004, when Singapore was still recovering from events dating back to 1998 – the Asian Financial Crisis, the dot com crash, the September 11 attacks and the SARS epidemic.

However, while economic progress has led to an abundance of opportunities for the broad majority, there is a segment of society that is grappling to make sense of the changes and keep up. Hence, the government needs to extend a level of support that can uplift everyone, to prevent a permanent underclass from forming. Said Mrs Teo: "I don't know if that's moving left of centre. To me, it's just doing what's right and it says something about the kind of society we want to be."

### ***Can We Expect PGP Part 2?***

The PGP has been lauded by many, and will cost the government approximately S\$9 billion. It will be funded from this year's Budget, with no need to raise wealth taxes for now or dip into the reserves. An audience member asked if the government would roll out similarly generous social initiatives in future. Mrs Teo said that Singapore's policy on healthcare will adjust as the population ages. The government is exploring ways to refine "wholecare" — not just healthcare — so as to ensure that seniors are provided for. But in order to finance its social spending, proper planning of its future revenue stream is required as no one can guarantee Budget surpluses will always happen. Moreover, subsidies may make healthcare appear cheap at the point of consumption, but citizens ultimately foot the bill through taxes. Hence, everyone has a stake in ensuring that Singapore spends wisely, on things that bring real benefits.

### ***Are the Current Schemes to Help SMEs Effective?***

Some participants questioned the effectiveness of the Productivity and Innovation Credit (PIC) scheme in raising productivity and stimulating innovation. Others were interested to know how the government intends to help Small and Medium Enterprises (SMEs) expand beyond Singapore, given limited domestic opportunities. Mrs Teo explained that the PIC scheme is a broad-based scheme to benefit as many businesses as possible. "It's a way of channelling the higher foreign worker levies back to the economy, to support businesses that are at least making the effort. Not all of it will yield significant results at the national, sectoral or even enterprise level. But you get the productivity movement off the ground, even among SMEs."

With respect to SMEs expanding abroad, Mrs Teo said that "the fundamental challenge is the sheer barrier of culture and different ways of doing things in other countries". Moreover, the limited size of Singapore's domestic market means businesses do not get experience scaling up their operations in more familiar territory. The government could help by giving individuals more exposure to international markets. Many of Singapore's universities today provide students the opportunity to go on exchange programmes, to energise them and expose them to a myriad of possibilities, pointed out Mrs Teo. In addition, she observed that more young people are willing to join an SME, which would help businesses have an international outlook. Mrs Teo also proposed that local businesses could better organise their efforts to expand overseas through the sharing of knowledge with one other.

### **Three Challenges**

Even as she responded to the concerns of the business leaders present, Mrs Teo took the opportunity to call upon the corporate sector to partner the government in tackling three major challenges that Singapore faces.

First, she said she hopes that companies will continue their efforts to change ageist attitudes at the workplace and introduce more best practices in employment that would promote the retention of older workers. Second, she highlighted the need for people to change their mindset about what constitutes good service. Self-service — if carried out the right way — could be good service, even if it means fewer staff serving the customer, she added. Finally, she appealed to the audience to use their influence as leaders in their industries to help cultivate a sound understanding of good quality healthcare. “It is right that we make healthcare more affordable. But it shouldn't always mean more tests, more procedures and more medication. Also, the preventive part of healthcare is very important and remains important work in progress,” she said.

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