

Further down the slippery slope?

Li Xueying

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With the introduction of the Jobs Credit scheme - essentially a form of wage subsidy - the question is being asked: Is Singapore slithering down the slippery slope of becoming a welfare state?

Two years ago, the introduction of Workfare, the scheme by which the Government supplements the income of low-wage workers, was seen by some as the first step down that path.

Today, as the current economic storm makes the slope wetter, has Singapore taken another step down?

Under the Jobs Credit scheme announced in the Budget Statement, the Government will pay 12 per cent of the first \$2,500 of the wages of Singaporeans and permanent residents.

Unlike Workfare which is paid to workers, Jobs Credit cash payments go to employers. The hope is that the wage subsidy will coax them to retain as many workers as possible.

If indeed Singapore is going down such a slope, what lies at its bottom? Would the state end up underwriting even more of the wage bill of Singaporeans?

Well, no.

The latest subsidy may have socialist underpinnings, but its beneficiaries - employers - are capitalists to the core.

As MP Ahmad Magad observes, it is a temporary measure, meant to help companies tide over the downturn.

'If businesses are not assisted now, many will fail, unemployment will rise significantly, and lead to the Spiral of Doom.'

The Government, he adds, would have to spend even more money helping retrenched workers - and their families - later if it does not try to save jobs now.

In the words of economist Shandre M. Thangavelu: 'It is important to address the social and vulnerable components of the economy as it will add a huge cost to the economy in the long run if it is left to the markets to clear.'

And if it were a socialist Budget, one key area looks distinctly non-socialist: There are very few handouts for individuals.

Within this decade alone, there have been the Growth Dividends (2008), GST credits (2007), Workfare Bonus (2006), Economic Restructuring Shares (2002), New Singapore Shares (2001), and top-ups to CPF savings and Medisave fund to pay for hospitalisation.

All these were hongbao that put money straight into people's pockets.

This year, while there is some help for individuals - particularly the low-income, in the form of double GST credits - 63 per cent of the \$20.5 billion bonanza is for companies and banks.

This comprises the \$5.8 billion Special Risk-Sharing Initiative to help free up credit for companies, the \$4.5 billion Jobs Credit scheme, and the \$2.6 billion package of tax cuts and grants for businesses.

Such an overwhelming focus on businesses in the Budget is rare.

In 2002 for instance, while the headline item was the slashing of corporate and top personal income taxes to 22 per cent, assistance measures valued at \$1.23 billion were also unveiled.

MP Liang Eng Hwa, for one, would have liked to see 'further direct assistance for those who are retrenched'.

He wants measures that help them pay their home mortgages and medical expenses, and for their children's education.

To be sure though, the ultimate beneficiaries of the Jobs Credit scheme are the individuals. As PricewaterhouseCoopers tax partner David Sandison puts it: 'Having a job is a prerequisite to having money.'

The approach taken by the Government, says political analyst Gillian Koh, is consistent with its governance principles: 'It has always maintained that the best form of welfare is providing a job.'

The Jobs Credit scheme, like the Workfare scheme, aims at keeping people in employment.

Even then, its objective may not be met.

As OCBC economist Selena Ling says: 'A company may not keep workers if the business is not viable, or if the employee is unproductive, just to get the \$300 a month, as the cost of employing the worker is probably significantly higher.'

Therefore, to a company teetering on the brink of collapse, the wage subsidy may be academic.

And for individuals hoping for more goodies from the Government?

Some could be forthcoming in off-Budget measures to be announced later, most analysts say. Finance Minister Tharman Shanmugaratnam implied as much in his Budget Statement on Thursday.

So slippery slope or not, Jan 22 is certainly not the end of the road.