


FROM CARING FOR PIONEERS TO RAISING CPF CONTRIBUTIONS

Budget 2014 is about doing the right thing

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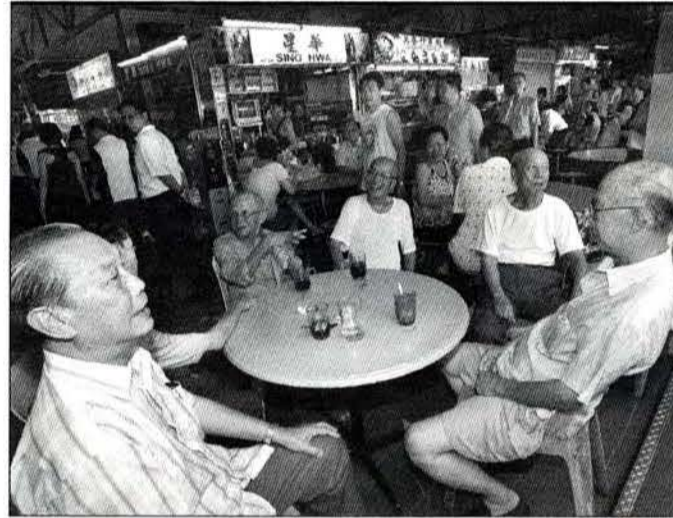
There are some who describe Budget 2014 as a relative non-event, one devoid of any major “wow” factor — probably due to the pre-Budget announcement of the Pioneer Generation Package (PGP) to much fanfare a fortnight ago. However, I regard this Budget as an important statement of the right things to do.

The PGP is one of them, even if it may be belated. What it means politically matters as much as the material benefits and assurance given to the pioneer generation. It represents

the present and future generations’ commitment to care for the pioneers who laid the foundation stone for Singapore’s success.

The Government has wisely ring-fenced the hefty S\$8 billion cost by budgeting for it in its entirety in Budget 2014. This means that the PGP will not appear as a line item in future Budgets, and future governments and generations will not have to bear the responsibility of financing it. Whatever changes come in the next two to three decades, there is money in the kitty to ensure the endeavour to care for our pioneers is not merely a politically expedient one.

The People’s Action Party (PAP) Government should reap political divi-



The Pioneer Generation Package recognises that the State has a vital role to play in caring for the elderly. TODAY FILE PHOTO

dends from the PGP, as those aged 65 years and above constitute a valuable vote bank. This is the “3-to-1” generation — Singaporeans who lived the “Third World to First World” Singapore Story and can most easily identify with the PAP government, but who in recent years have become concerned with the rising costs of living and the sense that the country’s success may have passed them by.

No political party wants older voters to caution their children and grandchildren to not vote for it; conversely, renewed trust in the party and a good word by the pioneer generation could pay political dividends. I would not begrudge such political pay-offs because, quite simply, creating the PGP was the right thing to do.

STATE’S LARGER ROLE IN CARING

At the same time, Singaporeans with pioneer generation parents will feel more assured now that the State has taken on this significant commitment in healthcare costs. It should assuage one long-standing concern among Singaporeans, not only about the costs but also how this society regards ageing.

While future generations may not have the PGP, it is precedent-setting nonetheless. Beyond individual and familial responsibility, the package recognises that the State has a vital role to play in caring for the elderly too, given the changing demographic and healthcare landscape.

Budget 2014 also has its eye clearly on the future. The funding initiatives for pre-school to tertiary-level educa-

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tion underline the critical role of education as a vehicle of social mobility.

The various financial assistance schemes should be made administratively convenient in order to ensure that as many families as possible can avail themselves of them. Socio-economic immobility should not be hereditary — we must do all we can to reduce the inequality of access to educational opportunities.

CPF: BITING THE BULLET NOW

The unexpected surprise of the one-percentage-point hike in employers’ contribution to the Central Provident Fund (CPF) — an increase that will be channelled to Medisave accounts — is another right thing to do.

The Finance Minister also indicated that the Government does not expect to make further changes to the total CPF contribution rates beyond this in the short to medium term. Earlier last week, Acting Manpower Minister Tan Chuan-Jin, in response to a parliamentary question I filed, said that the considerations against raising employer contributions were and are to keep our wage costs competitive so as to not price ourselves out of the competition.

I am pleased that the Government has opted to bite the bullet now. There is never a good time to equalise the employer and employee CPF contribution rates, but the longer we delay, the harder it is to ensure Singaporeans’ adequacy for retirement. I appreciate the imperative of remaining competitive, but that must be balanced against another abiding imperative, that of ensuring the CPF institution is not compromised.

I hope also that employers see this as the right thing to do — that they have a responsibility to keep the social compact relevant by contributing to their Singaporean employees’ healthcare needs.

It will increase the costs of doing

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business, but that should be weighed against the already significant savings in doing business in Singapore — gleaned from the low corporate taxes, the excellent infrastructure, non-confrontational tripartite relations and a strong anti-corruption business environment.

CAUTIOUS — THE WAY BUDGETS SHOULD BE?

Budget 2014 should be emulated for the understated manner in which it reaffirms the society we should strive towards. Unlike past Budgets, it might be seen as a cautious fiscal statement. But perhaps that is what future Budgets ought to be.

This latest Budget is endowed with the same spirit for quality growth and inclusive growth as its predecessors, but with a distinct difference: A greater appreciation that public social spending is not merely a cost centre; it is also an integral part and key driver of the productive economy.

We can do even more to develop our own conception of the social investment state.

To be sure, our Budgets have typ-

ically not spurred the man on the street to consider how rising public expenditures can, or ought to, be funded. Even the S\$8 billion price tag of the PGP came across as not being a significant challenge financially. But in future Budgets, this question of financing is likely to come to the fore more prominently.

Redistribution through taxes, especially direct ones, is one option. But we must be careful to ensure that there is no class envy or class war. It is convenient and populist to tear down those who pay income taxes, numbering about one-third of the workforce.

In an open economy like ours, a social investment state can provide a shield: A crucial stabilising support and necessary safety nets for its people against external risks and internal constraints. What must be more prominent is the social investment state's sword — honing the physical, human and social capital necessary for economic growth, social cohesion and opportunities for all. Public expenditures, if properly targeted, can nudge behavioural change at the individual level, to build a gracious society founded on inter-generational equity and prudence.

Budget 2014 takes that important step in the evolution of our social investment state.

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