

COMMENTARY

# Budget 2022: A fiscal plan for social health

In laying out the government's economic plans, the Budget must also nurture and develop Singaporean solidarity and values. BY EUGENE TAN

**I**N PLUCKING the right chords, Finance Minister Lawrence Wong's maiden Budget Statement last Friday (Feb 18) did not disappoint. There is much to commend in the Budget, which Wong described as "a first step in renewing and strengthening our social compact for a post-pandemic world" for a "fairer, more sustainable, and more inclusive society".

While the expansionary Budget apparently has less focus on the pandemic, it arguably has everything to do with the pandemic.

The pandemic has shown starkly the inequalities in Singapore society and laid bare the strengths and weaknesses in our society and governance.

Budget 2022 has been a long time in the making. Since 2006, past Budgets have attempted to tilt the balance in favour of less well-off Singaporeans.

In recent years, it has moved towards supporting broad swathes of the middle class, especially the sandwiched class.

"Social compact" was a mantra regularly referred to in Wong's speech.

Prime Minister Lee Hsien Loong had, after the 2006 general election, emphasised that a revitalised social compact was a priority: "It is essential for us to tilt the balance in favour of lower-income Singaporeans, because globalisation is going to strain our social compact".

Indeed it has – and Singapore society has changed significantly since then.

## Beyond tweaks

In the intervening period, we had the one-off Progress Package and long-term programmes such as Workfare, and more recently, the Silver Support Scheme, Pioneer Generation Package, and SkillsFuture.

These schemes have generally been well received, and provided the impetus for a stronger accent on redistribution and a more progressive tax and benefits system in the past decade.

Although transfers were a prominent feature of recent Budgets, we need to go beyond tweaks to the tax system.

I hope Budget 2022 marks a



Budget 2022's refinements to manpower policies including higher qualifying salaries for employment pass and S-pass holders, and the government co-funding wage increases for workers in sectors under the Progressive Wage Model are necessary moves to strengthen the Singaporean core in the workforce. BT FILE PHOTO

definitive shift towards governance and policies having a clear-eyed focus on equitable and inclusive outcomes.

In the last 15 years, the accent on the sharing of our nation's wealth is ostensibly premised on equity rather than equality: Those in greater need will receive more, while those who pay the most taxes do not get the most in terms of direct budgetary benefits.

Close to half a million of Singapore's rapidly ageing workforce do not have secondary qualifications.

It is the right thing to have robust social safety nets to cushion affected Singaporeans unable to adjust quickly and adequately to a rapidly changing and volatile environment and ensure there is no intergenerational transfer of poverty or disadvantage.

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Demands on the public coffers will invariably increase given growing needs and the smaller tax base.

The announcement of the Goods and Services Tax (GST) increase to 8 per cent in 2023 and 9 per cent in 2024 reflects this fiscal pressure point.

That Singapore's Budgets have become more welfare-oriented cannot be denied. Our approach, while staunchly against the creation of a welfare state, seeks to promote dignity of work and self-reliance.

The latest enhancements to Workfare, including the raised qualifying monthly income cap, increased payouts, and expanding eligibility to younger workers aged 30 to 34, is one such demonstration.

Budget 2022's accent on redistribution and a more progressive tax and benefits system is not new.

Whether Wong will make a sustained effort at revamping the tax system in his future Budgets – particularly net wealth and corporate taxes – bears close watching.

The government has rejected the Scandinavian model, which requires very high taxation across the board.

About a decade ago, the 2013 Budget already provided for higher property taxes on high-end residential property, especially those that were not owner-occupied, as well as higher registration fees for mid-range and luxury cars.

Higher income taxes for the top earners is but a tweak.

As the social compact needs to be constantly right-sized, it is pertinent to ask what should future Budgets focus on: redistribution, or social mobility? Or a combination of both?

Social mobility, put simply, is the relative ease and ability by which people move up and down the socio-economic ladder. Redistribution is concerned with how the nation's wealth is shared.

The critical question is whether there is a clear consensus on what Singapore's social compact is or should be.

Does the system sustain our social cohesion well enough? Is it seen as a legitimate expression of the social compact between citizens and the state as well as among citizens, and enjoying the support of the population?

While it is desirable to have more welfare support, the question of who pays and how to pay must be carefully thought through as well.

I am of the view that those who have benefited tremendously from the system can be taxed more. They have a vested interest in ensuring that the system continues to thrive.

But there is the growing imperative to broaden the tax base; converging on the minority who already pay income taxes is probably not sustainable.

Social spending constitutes almost half of the Budget and government spending is projected to surpass 20 per cent of gross domestic product by 2030.

Regardless of where the emphasis lies, redistribution and social mobility must pivot on the essential quest to not only improve the equality of opportunity, but secure access to opportunity in our society.

Equality of opportunity requires optimising social mobility, while equality of outcomes valorises redistribution as a means to reduce the gap between the haves and the have-nots.

Moreover, social mobility is fundamentally about increasing the pie rather than re-dividing it. It is about levelling up, rather than levelling down.

There is a need for both redistribution and social mobility in our society, although efforts should be targeted at enhancing social mobility.

Social mobility has a leavening effect on social inequality that re-

distribution does not. Less social mobility also leads to a hardening of class distinctions, compromising social cohesion.

Thus, access to opportunities cannot be a chimera and social investments in education and health must be enhanced.

In the final analysis, the government's role is to ensure that all Singaporeans have as best an access to opportunities as can be made available, and to avoid the creation of sources of inequality and a hoarding of opportunities.

## Expression of values

We must ask the right questions in our quest for a sustainable social compact. Excessive redistributionist tendencies must be kept at bay; we should not unwittingly foment a debilitating class war.

We are much better off trying our level best to improve social mobility – that will require more than fiscal measures emphasising redistribution.

In other words, can Budget 2022 catalyse the behavioural changes needed to move beyond seeing the Budget as a balance sheet of benefits and taxes, and more as an expression of our solidarity and values?

Are Singaporeans and the corporate sector sufficiently seized with social responsibility to ensure that our society is characterised by equity, solidarity, and hope for the future?

Fiscal policies are integral to attaining the social compact. They are inherently an expression of social policy as they are of what we spend on and earn.

In laying out the government's fiscal plans, the Budget must also nurture and develop our stock of social capital, enabling in Wong's words that we "always have each other's back".

To this end, the Budget, including the tax system, must embrace and invigorate not only the mutual bonds of belonging among citizens and residents in an increasingly diverse Singapore.

The question is how and that is a deep conversation we must have if we are to hit the right notes in nation-building.

The writer is associate professor of law at the Yong Pung How School of Law, Singapore Management University.