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COMMENTARY

Why Budget 2024 is pro-business as it is pro-social

By Eugene K B Tan

THE initial impression of Budget 2024, delivered on Friday (Feb 16) by Finance Minister Lawrence Wong, is that it is a pro-social fiscal policy.

About three-quarters of the speech was devoted to equipping workers to remain employable, creating pathways towards social equality and mobility, providing more assurance for families and seniors by supporting families through every stage and strengthening retirement adequacy, and forging a stronger and more united nation.

To this end, S$5 billion will be allocated towards implementing measures to remake the social compact, following the culmination of the Forward Singapore exercise last October.

However, it would be a mistake to conclude from these headlines that Budget 2024 relegated the economic dimension to secondary importance.

A careful reading of the Budget statement would show that the slew of ostensibly social measures should not negate the central importance of a vibrant, thriving and sustainable economy to a shared future.

Early in his speech, Wong stressed that the key priority is to have a "strong, innovative and vibrant economy… on a sustained basis". He warned against complacency, particularly in a "more complex and volatile external environment".

Even as no apology was made for pursuing growth, Wong reiterated it is not "growth at all costs".

There are limits posed by constraints in land, labour and carbon. The ambitious target is about 2 to 3 per cent annual gross domestic product growth over the next decade. In 2023, the economy grew by 1.1 per cent, with 2024 expected to experience cautiously optimistic growth at between 1 per cent and 3 per cent.

The slew of ostensibly social measures should not negate the central importance of a vibrant, thriving and sustainable economy to a shared future. PHOTO: YEN MENG JIIN, BT

Helping and boosting businesses

Firstly, Budget 2024 assists businesses in managing rising costs.

A S$1.3 billion Enterprise Support Package was announced, providing a 50 per cent corporate income tax rebate, capped at S$40,000. The Enterprise Financing Scheme is also enhanced such that the maximum working capital quantum will be permanently raised to S$500,000.

The SkillsFuture Enterprise Credit, which provides eligible employers with support for out-of-pocket expenses incurred on workforce and business transformation, will be extended for another year.

Secondly, beyond these immediate measures, the Budget continues with the singular task of ensuring Singapore's ability to attract high-quality and high-value investments by building on its strengths and developing new ones.

New moves include the Refundable Investment Credit scheme for high-value and substantive economic activities, including green transitioning, to encourage companies to make sizeable investments in key economic sectors and new growth areas.

Credits earned can be offset against corporate income tax payable, with unutilised credits refunded in cash when conditions are satisfied. In tandem, the National Productivity Fund will receive a S$2 billion injection.

Research and development gets another shot in the arm to the tune of S$3 billion, adding to the commitment of S$25 billion for the period 2020-2025. To bolster talent and industry development in artificial intelligence (AI) activities, more than S$1 billion will be invested in the next five years.

Noteworthy was how Wong described AI, and how it is not just about ChatGPT or large language models.

Instead, it should be broadly conceived as a "general-purpose technology" that can transform a range of industries and enhance productivity. He likened it to electricity, the internal combustion engine, the computer or the Internet.

Such a conceptualisation of AI – not as an end in itself but as a means to many ends – brings it and other emergent technology as being potentially relevant to many businesses. Seen in this light, it is necessary for businesses not to casually dismiss AI and what it can do for them.

The national broadband network will also be upgraded to support AI and immersive media technologies which will become more pervasive in the future.

Thirdly, small and medium-sized enterprises (SMEs) continue to enjoy dedicated measures to help them harness technology and internationalise.

For example, Budget 2024 enhances the Partnership for Capability Transformation, which supports collaboration between large companies (including multinational corporations) and SMEs to other areas beyond supplier development and co-innovation via capability training, internationalisation, and corporate venturing. Additional support is forthcoming as well for SMEs to adopt green solutions and be energy efficient.

Businesses should welcome the Budget's social measures

In Budget 2024, the first instalment of measures to remake Singapore's social compact was announced. Businesses should welcome the significant investments on this front as these measures will see the economy benefiting from them.

Consider how the skills and training eco-system is being strengthened in the short to medium-term through the SkillsFuture Level-Up Programme for Singaporeans aged 40 and above.

This includes monthly training allowances of up to S$3,000 for up to 24 months for selected full-time courses for those seeking a mid-career employment change.

Furthermore, a S$4,000 SkillsFuture Credit top-up can be used for selected industry-oriented training courses.

Singaporeans can also enjoy a second tranche of education subsidies when they pursue another full-time diploma.

By better supporting Singapore's workforce in accessing more training support, the competency and capability of the Singaporean worker should rise further.

Generous funding aside, the SkillsFuture Level-Up Programme seeks to instil in workers a lifelong habit and motivation for continual learning, as well as an innate sense of curiosity – imperatives in today's workplace. This is beneficial for the economy.

The Budget will raise the qualifying income threshold for the Workfare Income Supplement scheme from S$2,500 to S$3,000 while the maximum annual payouts will also be increased from S$4,200 to S$4,900.

Such a move to reduce wage gaps benefits workers and businesses alike even as the costs are fully borne by the state.

In a similar vein, through the Progressive Wage Credit Scheme (PWCS), employers will be supported when they raise the wages of lower-wage workers. The government's co-funding will increase to 50 per cent from 30 per cent. The wage ceiling will be raised to S$3,000 from S$2,500. The PWCS Fund will enjoy a S$1 billion top-up. Institute of Technical Education graduates, in particular, get special attention for their upskilling journey. They will receive a S$5,000 top-up to their Post-Secondary Education Account when they enrol in a local diploma programme. When they earn their diploma, they will receive a further top-up of S$10,000 to their CPF Ordinary account.

These significant investments using the public coffers to uplift workers and support their journeys of lifelong learning will benefit all stakeholders – workers, businesses and society.

The task for employers is to try their level best to support their employees as they, in Wong's words, "strive to be the best version of themselves".

Concerns among some employers that staff will leave after having their skill sets upgraded are also misplaced. It is more likely that employees will stay when employers genuinely care about upgrading their skills.

The Budget also embarks on a renewed effort to advance social mobility by lending a hand to those seeking to break out of the cycle of poverty. The ComLink+ Progress Packages support eligible lower-income families with young children that seek to pull themselves up by their bootstraps through pre-school education, employment, financial stability and saving towards a first home. More domestic stability will help workers to better concentrate on their jobs.

Social and economic domains as two sides of the same coin

Wong also revealed that the first and subsequent instalments in the implementation of the Forward Singapore policy shifts will be funded to the tune of S$40 billion by the end of the decade.

These budgetary expenditures are ultimately about a stronger and more united nation, which makes for a stronger business environment. But businesses must play their part. Put simply, the time has come for us to regard the social and the economic domains as two sides of the same coin. Expenditures in the social realm should be seen as investments in the same way that we view economic expenditures.

The massive social investments will have their pay-offs in the economic realm as workers will be able to command good jobs and better wages – not because of legislative fiat, but because they can.

At the end of his Budget statement, Wong returned to the imperative of growing the economy as the "pre-requisite to create better jobs and raise living standards for all Singaporeans".

As Singaporeans are better assured at every life stage, this will make for a more assured workforce and greater trust in the system. That can only be good for the economy.

The writer is associate professor of law at the Singapore Management University and a former Nominated Member of Parliament.