

TRANSCRIPT OF BUDGET 2016 DEBATE ROUND-UP SPEECH BY MINISTER FOR FINANCE HENG SWEE KEAT ON 6 APRIL 2016

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A. INTRODUCTION

- A1. Madam Speaker, let me thank Members for their insights over the past few days.
- A2. Many have put their minds to the question of how Singapore can make a good living in this changing volatile world; and many put their hearts into the question of how we can support Singaporeans to live with strength, confidence, fulfilment.
- A3. I value and appreciate this. As do my Ministerial colleagues, who will take up the specific issues during the Committee of Supply.
- A4. In my Budget speech, I said that Budget 2016 is the beginning of our journey towards SG100. We want a future where our economy is abuzz with innovation and enterprise, and where our society is alive with caring and resilience.
- A5. After listening to Members, it is clear to me that not only do we know where we are heading, we are committed to getting there together. Many Members have rallied to the call for partnership. The urgency and conviction behind Members' support for partnership have been palpable. This is most encouraging, and promising for our future.
- A6. So, we know our direction. We also know where we come from, the road we have journeyed to get here. Mr Heng Chee How is right about our hard truths: we have very real limitations as a small, resource-less country. But resource-less though we may be, we have inherited a legacy of resourcefulness from our Pioneers – whose wealth of experience and hardiness serve as our down

payment for the future. We can be held back by our limitations, or, we can be like our Pioneers and break through our limitations. Our Pioneers have shown us that when there is a will, there is no way you will stop a hardworking Singaporean from doing the extraordinary for family, home, and country.

- A7. We know where we want to go. We know where we come from. It is the in-between, the getting-there that is full of unknowables. Mr Lee Yi Shyan shared, vividly, how the world is changing. The changes are coming so fast and furious that no one can say what the road ahead will be like.
- A8. But even if we cannot tell the lay of the land ahead, there are many things that are up to us. How will we conquer each obstacle before us. How will we weather the storms. How will we pick ourselves up when we stumble. And how will we help our fellow travellers to go forward.
- A9. In this debate, I have been struck by how many Members spoke about our values, our mindset, our culture, and I certainly appreciate these points. Let me put what Members have said together in one word: Spirit.
- A10. It is the spirit in which we do things, the spirit in which we take this journey, that will keep us true to where we came from, and carry us through to where we want to go.
- A11. From Members' speeches, we can sum this up as the spirit of enterprise and caring. Enterprise – to not be held back by what appear to be limitations, to overcome challenges, innovate, stay

resilient and seize opportunities. Caring – to keep our Singapore a warm and giving home where we help one another through our personal challenges, where we can each achieve our best, reach our dreams, and go on to inspire and serve others.

A12. We know where we came from. We know where we want to go. And we are committed to moving forward together in partnership, in a spirit of enterprise and caring. Now, I will speak on how Budget 2016 enlivens this spirit of enterprise and caring for our journey of the next 50 years.

B. READING OUR ECONOMY FOR THE FUTURE

- B1. Let me begin with the economy, which many Members have spoken on.
- a. Mr Chong Kee Hiong, Ms Sun Xueling, and Mr Yee Chia Hsing, and Dr Tan Wu Meng talked about global trends affecting Singapore, and how our economy must remain outward-looking and forward-looking.
 - b. Minister Chan Chun Sing and Mr Sitoh Yih Pin spoke on short-term challenges facing our economy, and the impact this will have on our businesses and workers.
 - c. Mr Patrick Tay and Mr Saktiandi Supaat provided suggestions on how we can transform our economy, and what role the Government ought to play, a point which Ms Jessica Tan also raised earlier.
- B2. These are all very valid points, and I thank the members for their thoughtful views on the subject.
- B3. Mr Liang Eng Hwa said that “to achieve better lives and a stronger nation, we need to have the means and resources to get there”. This is a timely reminder of why we need to grow the economy.
- B4. This is what the Budget seeks to address. And this is also why we have set up the Committee on the Future Economy.

Spirit of Enterprise, Strengthened by Partnership

- B5. Many members have spoken in support of our SMEs. Indeed, this Budget is tilted towards supporting SMEs. There are over 180,000 SMEs, accounting for nearly two-thirds of our employment.
- B6. The success of our SMEs matters to our people's jobs and well-being. SMEs provide a range of services that are important for our daily life, and add buzz to our neighbourhood. Some will grow to be future large firms. Even if they don't, our society will be richer to have the opportunity where people just try to do something.
- B7. We want our SMEs to do well, we want them to succeed, and we want a vibrant SME sector. But in order to support SMEs, we must recognise that they range from micro-enterprises in the heartlands, to fairly sizeable firms with an international presence.
- B8. Some are in sectors that are doing well, while others are facing difficulties. Hence, as many of you pointed out, we cannot have a one-size-fits-all approach.
- B9. As Mr Louis Ng noted, different people have taken away different messages from this Budget. Reactions across the different news outlets have also been different – even the headlines.
- B10. Listening to all your comments, however, there is a common thread running through – how we can help firms and workers.
- B11. This common thread is to nurture, celebrate and reinforce the spirit of enterprise, and not undermine it even as we provide support – to go for long-term vitality, and not short-term fixes.

- B12. A business leader once asked me this very intriguing question, “In every place, from the poorest neighbourhood in Africa to the richest precinct in Silicon Valley, there are firms that succeed, and firms that don’t. Why?” Good question!
- B13. Last year, both the Singapore Business Federation (SBF) and the Singapore Chinese Chamber of Commerce (SCCCI) honoured companies and business leaders from our founding days.
- a. The SBF award recipients include longstanding names such as Shaw Theatres and Yeo Hiap Seng.
 - b. The SCCCI award recipients include the founders of Lim Teck Lee, Pan-United Corporation, and Sing Lun Holdings.
- B14. These companies and pioneers started out in an environment with few grants, incentives and agencies to support them, a point which Er Dr Lee Bee Wah also raised. In many cases, they started from scratch, or as the Chinese say, “白手起家”.
- B15. So whether you look across countries, or you look across time in our own history, why do some firms succeed while others don’t? The common element for success is this: the spirit of enterprise.
- B16. This is the critical element needed for economic vibrancy, in Singapore, and anywhere in the world.
- B17. You see, running a business is a complex thing because you will be faced with myriad of unforeseen problems. The more problems one solves, the further one gets ahead. Solving problems also allows the entrepreneur to develop the

entrepreneurial instincts to then see opportunities where others see problems.

B18. Associate Professor Randolph Tan hits the nail on the head when he said that the principles that have propelled us since Independence are “self-reliance, openness, and a determination to remain updated and relevant”.

B19. These are what nurture a spirit of enterprise.

Strengthening the Spirit of Enterprise, Coping with Change Today

B20. One element of this spirit of enterprise is the need to look outwards and forward, to see challenges and opportunities in the world around us. So I am very encouraged to hear members speak of the implications of these changes.

B21. Mr Lee Yi Shyan reminded us of how robotics is shaping the global economy.

a. Which country in the world buys the most industrial robots?
Well, the country with the most people in the world, China! It is astounding, isn't it?

b. So, if even China, at their lower level of wages, is automating, what does this mean for us?

B22. Minister Chan Chun Sing related how e-commerce is changing the face of retail.

a. As consumers, we want the best deals. So I have heard of many people who go to a shop to view, feel and try products,

and then go home to purchase it online at a lower price. I don't know whether Members here do that too – you must have heard of people who have done so.

- b. So retail shops are under stress. But some in the sector are looking ahead into the future. For example, Funan DigitalLife Mall, known for years and years for selling IT products, is closing to reshape itself to become “an experiential creative hub”.

B23. Mr Liang Eng Hwa cited insourcing trends in both the US and China.

- a. This means that the global supply chain which we are a part of is shrinking.
- b. China and the US will produce more and more of their goods at home.
- c. So how do we continue to create value within the world, among the world's biggest markets?

B24. In this regard, Mr Heng Chee How and Mr Lee Yi Shyan reiterated that economic transformation is urgent and critical. We must indeed support our businesses' spirit of enterprise to look outward to the world, and forward to the future, and take this task of transformation urgently.

Addressing Short-Term Concerns

B25. At the same time, many members, such as Mr Saktiandi Supaat, spoke of the challenges faced up by our SMEs in the near term.

- B26. Some members, such as Mr Ang Hin Kee, Mr Gan Thiam Poh, and Mr Zaqy Mohamad, have asked for more support for SMEs in this period.
- B27. I appreciate these concerns. One way of supporting this spirit of enterprise is to make sure that viable firms can survive this period of cyclical weakness. Otherwise, we lose precious capabilities that are difficult to rebuild later. Our people's livelihoods could also be at stake.
- B28. This is why this year's Budget is carefully calibrated to address cyclical concerns without impeding restructuring. Members such as Mr Ong Teng Koon, have expressed support for this support package.
- B29. Costs remain a concern for many SMEs. Some members, such as Er Dr Lee Bee Wah, spoke about rental costs. In fact, rental costs have declined over 2015.
- a. Retail, office and industrial rents fell by 4.1%, 6.5% and 2.1% respectively.
 - b. But I appreciate that the experience can be different for different firms in different locations.
 - c. Now, that is why we are careful to shape overall macro-economic conditions to be supportive of growth, to make sure that we do not price ourselves out of the global market.
 - d. We released more space, implemented anti-speculative measures, and calibrated our exchange rates carefully.

- e. These are medium-term measures and we are seeing results. We are seeing results in terms of supporting firms even in the cost area.
- B30. Others, such as Dr Lily Neo, spoke about manpower costs. Wages have been rising, which is good for our workers – our workers do look forward to rising wages – but it puts pressure on businesses, especially those with lower margins.
- B31. We must understand where these cost pressures come from – they are fundamentally based on demand and supply. Our supply of land and labour is limited. But the demand for our resources is growing, which in fact indicates that our economy is still growing. So prices are bid up.
- B32. So, while we should be careful not to price ourselves out of the global market, we must accept that we cannot be a low-cost location. Even China, which used to be a cheap place, with its vast land and population, 1.3 billion people, is experiencing rising business costs. Their businesses are automating, their businesses are moving out, from coastal regions to inland, as well as to cheaper locations outside China.
- B33. So we cannot permanently subsidise costs. All firms, large or small, in whatever sector, must compete on productivity and innovation. This is the way to reinforce the spirit of enterprise, and to build vitality in our firms for the long haul. This is how we will compete.

B34. Enterprising firms understand this, and build their business models with these hard constraints in mind. I fully understand that restructuring is painful. But it is necessary. It will ensure:

- a. That our finite resources will not be trapped in “zombie” businesses, as Mr Ong Teng Koon warned; and
- b. That our workers will not be trapped in firms, in sectors, with poor prospects.

B35. So our concern about restructuring is ultimately a concern for our workers, our people. In this regard, several Members have spoken at length on what we should not do to undermine the spirit of enterprise.

- a. Ms Thanaletchimi and Mr Ang Wei Neng cautioned that Government support should not become a crutch.
- b. And as Dr Lim Wee Kiak pointed out, firms should not have the impression that Government will eliminate risk and bail out any firm in trouble.
- c. Mr Vikram Nair also cautioned against institutionalising subsidies to industries, as they can be difficult to remove.

B36. I appreciate Members’ comments on how we can best support our firms in this period of weakness.

B37. But a business leader, Mr Steven Koh, put it to me this way: Government support is like push-starting a car that has gotten stuck in a difficult patch – it can get the car going again, but the Government cannot be pushing the car for miles and miles. It will

run out of resources. So once the car is moving, it has to rely on its own engine to go for the long haul. Wise words from a leader who has been in business for a long time.

- B38. To go back to the question of why some firms succeed, we also observe that some economies and some regions of big countries produce more winners than others, and have been able to create many more good jobs. Again, why is this so? What is happening in these places?
- B39. In these economies, the governments have played an important role, an enabling role – enabling enterprising individuals and businesses to go further than they could have on their own. Ms Jessica Tan just touched on this point and said it well.
- B40. They have created a stable political and business environment, with clear policy and regulations, invested in R&D and first class infrastructure, and most of all, in their people through education, through lifelong learning.
- B41. They have also partnered business to grow the economy, while allowing market forces to work, to channel the resources to the most productive firms.
- B42. In these countries, businesses and government have come together to achieve external economies of scale, or, as academics put it, the Marshallian externalities – a point which Prof Hoon Hian Teck and I recently discussed.
- B43. In short, the governments work to strengthen the spirit of enterprise in our firms and workers.

B44. In this Budget, we seek to:

- a. Help entrepreneurial firms scale and internationalise;
- b. Support automation to build capacity;
- c. Encourage innovation;
- d. Support our shops through the revitalisation of heartlands; and
- e. Provide a broad range of support to SMEs so that everyone has the opportunity to upgrade, to raise capability, and to compete.

B45. For our people, we seek to:

- a. Support the development of deep skills, and
- b. Match these to growth areas.

B46. Er Dr Lee Bee Wah sums it up well on how we can support the spirit of enterprise, and how we can aim for long-term vitality:

“In the short term, Singaporean firms might rightly expect some fish from government to keep their workers fed.

But ultimately, the country will run out of fish if they don’t develop bigger, smarter and faster fishing ships to get fishes from international waters.”

B47. And indeed, the Government can help businesses to develop bigger, smarter and faster ships, but ultimately, the captains of industry must navigate the ships, and help our firms go the distance.

The Next Phase of Our Restructuring Journey

- B48. As we move to the next phase of our restructuring journey, we will adopt a more targeted approach to helping firms. Different firms and industries have different needs. So to drive real transformation, we need to calibrate our support to the needs of each firm and each sector. Indeed, Ms Denise Phua made a similar point about not taking a cookie-cutter approach.
- B49. So I thank many members for their support for the shift from a broad-based approach to a more targeted, sector-focused approach to supporting industry.
- B50. Now several members spoke on the Productivity and Innovation Credit, or PIC – was it effective, or was it abused?
- B51. Notwithstanding some of the reports, let me clarify that the PIC has in fact largely achieved its objectives.
- B52. From the start, PIC was designed to raise awareness among SMEs about productivity and importantly, to get SMEs to undertake basic productivity efforts to get started.
- a. As at January 2016, 102,000 companies have benefitted from PIC. So this is about 70% of all active companies in IRAS' records for the Year of Assessment 2014, a very considerable number.
 - b. Today, around 90% of SMEs are taking steps to increase their productivity according to a survey by SCCCI.
- B53. With this broad-based take-up of productivity initiatives, we are now ready to move on to the next phase of restructuring, through the Industry Transformation Programme.

B54. Some may ask whether are we sure that the Industry Transformation Programme will succeed. As I said before, there is no textbook answer to policy. There is no textbook answer to innovation. So in government, we too need to embrace a spirit of enterprise – we have some clear ideas of where we need to go, what we need to do, but we must be humble, and we have to figure it out dynamically, learning, improving and improvising as we go along, and working in partnership with businesses which know well what are needed.

B55. And based on our consultations, the consensus at this point is that this is the best way forward. Mr Liang Eng Hwa rightly pointed out, together with several others, that implementation will be key. And I couldn't agree more. This industry transformation will not be easy. As industry needs are more complex, it will require strong partnerships. But we have the advantage of trust among firms, unions and Government.

B56. If we don't dare to try, we will certainly fail. If we have the guts to try, we have a good chance of succeeding. And if we go at it together, we have the best chance of succeeding.

Achieving Industry Transformation

B57. Some members have asked whether there is a spirit of enterprise in Singapore firms. Is it well and alive, in our firms, our in people?

B58. Let me highlight some examples.

Transforming Enterprises

B59. With your permission, Madam Speaker, may I display some slides on the LED screens?

Example: Wee Meng Construction

B60. This is Wee Meng Construction, a local steel fabrication SME serving the construction industry.

B61. Like others SMEs, they could not attract young and skilled Singaporeans. So they did three things:

B62. First, they adopted a new robotic cutting system, which increased productivity of the cutting process by 18 times.

B63. Second, they mapped their productivity gaps to identify improvements.

B64. And third, they trained their staff to operate the new machines, increased the pay of trained staff by 10-20%, and built an in-house robotics team. So now, new Singaporean employees joined the firm, and they reduced their hiring of foreign workers.

B65. And their next step is to secure overseas steel fabrication projects.

B66. Wee Meng Construction is a good example of how we can automate, develop our people, scale up, and internationalise.

B67. The technology that Wee Meng Construction has adopted is scalable across the sector, and we will support such capability upgrading.

B68. Firms like Wee Meng give us hope. By turning adversity into

opportunity, they embody the forward-looking resilience and enterprise that has carried Singapore this far.

Example: JMD Pacific / Axtro Sports

B69. Another good example, which I came across recently, is Jean and Jeremy, a mother and son duo who own JMD Pacific, very near here, at Peninsula Shopping Centre.

B70. A traditional retailer, growth was slow and e-commerce was drawing sales away from brick-and-mortar stores such as theirs.

B71. So Jeremy, who graduated from university, suggested to his mother to list her products online and use social media to do marketing. This opened up access to a wider group of customers. Jeremy also helped to bring in sports and lifestyle products new to Singapore, and they became the exclusive distributor for some brands now carried by big stores, such as Challenger, Courts, and Guardian.

B72. And as sales moved online, they digitised their processes and ventured into overseas markets and into new product lines such as sports and lifestyle products.

B73. It is an inspiring story of the transformation of family businesses and how even a retail store can take advantage of technology and e-commerce and to move ahead.

Creating Competitive Industries

B74. At the industry level, successful transformation can benefit all firms within the industry.

B75. I spoke of the spirit of partnership in the Budget statement. Firms can achieve more when they work together on common goals. Some people have asked, after I raised this, why competitor firms would find it in their interest to cooperate.

B76. Firms can cooperate and compete all at the same time. They can compete in ways to differentiate themselves from one another, in different niches of the market, with different views on who has the best product or service. But they can cooperate on ways to help them all drive down costs, grow the markets and grow global mindshare.

Example: 3D Additive Manufacturing

B77. An example is the Collaborative Industry Project on 3D Additive Manufacturing where companies come together to share access to state-of-the-art equipment at the Singapore Institute of Manufacturing Technology, or SIMTech.

Example: SIMTech

B78. SIMTech also works with companies to identify key technologies that can drive their future growth. For example, they helped Wavelength Opto-Electronic, an SME manufacturer of infrared optics components, develop a first-of-its-kind miniaturised laser

equipment. This new system helped to grade the quality of the products, and the company's annual sales have increased by over 20% since. The system has now gained interest from several other manufacturers, and Wavelength Opto-Electronic has been transformed from an equipment trader and component manufacturer to an Original Equipment Manufacturer. Quite a transformation!

B79. This is a good example of how industry-focused institutions can generate value for firms in their respective sectors.

B80. For us to have more such efforts, strong sector institutions with committed leadership are needed to drive collaborations and build up shared resources in each sector.

B81. So under the Industry Transformation Programme, a government agency will be appointed to coordinate efforts and develop a Transformation Map for each sector. By working with industry, the reach of this programme can be greatly expanded. Now if private actors in each sector are willing to step forward to do something for their industry, the Government is very willing to support them.

B82. Today, there are over 300 trade associations and chambers (TACs), some with more capabilities than others. Mr Lee Yi Shyan highlighted the Singapore Furniture Industry Council as a TAC, which has been effective in helping the entire industry to upgrade.

B83. I agree with many of you that not all TACs are playing the role that they could to reach out to firms in their industries. But where they are willing to step up, we will support them in their capability development, through schemes such as LEAD and LEAD-Plus.

B84. Separately, Mr Leon Perera suggested that a tool to benchmark productivity would be useful for SMEs. In fact, there are productivity calculators available to firms. One is SPRING's "Way to Go" Portal. In addition, SBF, in partnership with DP Info, recently launched the Holistic Industry Productivity Scorecard (HIPS).

a. These tools help companies measure their productivity based on key indicators, and allow them to benchmark themselves against the industry norm.

b. Since the launch of HIPS four months ago, 80 companies have used this scorecard.

c. SBF aims to reach 30,000 SMEs by 2020.

B85. This is an example of how an industry association or business chamber is taking the lead in transformation.

B86. So while I appreciate that many Members have called for the Government to do more, I think we should also celebrate such efforts by industry associations that are not told what to do.

a. They take leadership, they take ownership, they know what industry needs, and they work together to create value for their members.

B87. Mr Ang Wei Neng and Dr Teo Ho Pin spoke about how some SMEs may have difficulties attracting talent.

- a. In 2013, MTI launched the SME Talent Programme to help match SMEs with students. I am happy to say that since then, more than 450 job matches have been made, and over 1,000 internships have been conducted, benefiting over 190 enterprises.
- b. The Singapore-Industry Scholarship is another joint initiative between firms in multiple industries and Government that addresses the issue of talent recruitment.
 - i. I am very proud of this scheme. I launched it in 2012 because I felt strongly, like many of you in this House, about building Singaporean leaders in industry.
 - ii. Since its launch, around 50 organisations are on board and more than 350 scholarships have been awarded.
 - iii. Incidentally, one important criterion which I use for having firms on this is that it's not about scholarship, but about mentorship – are you willing to develop the talents that you have? If you are, you are on board. If you're not, then we will not admit you to this scheme.

B88. Now I am also very encouraged that business leaders themselves have been avid about mentoring and sharing experiences. Three examples come to mind:

- a. First, the Bosses' Network set up by Mr Hong Ting Liang which brings SMEs together;

- b. Second, the Workforce Advancement Federation, started by Mr CB Chan of Goodrich Global, which focuses on learning and building a sustainable workforce; and
- c. Third, the Business Leaders' Alumni Club, run by Ms Susan Chong of Greenpac, which organises sharing sessions with CEOs.

B89. So industry transformation, sector-by-sector, can be promising.

B90. I want to thank Ms Denise Phua for her suggestion of flexibility and enlightened partnership, the need to have a targeted approach, and the “3As” framework. Indeed, the “3As” framework is a way for us to look at how we can support the spirit of enterprise.

B91. I would also like to thank Associate Professor Randolph Tan for cautioning against the risks of entrenchment of sector-based interests. Indeed, we must guard against this. Even as firms cooperate, they must not engage in anti-competitive practices.

Innovating for the Future

B92. Let me now speak on the topic of innovation.

B93. I thank Ms Chia Yong Yong, Ms Tin Pei Ling and Assistant Professor Mahdev Mohan for their thoughtful suggestions. Some Members, such as Ms Kuik Shiao-Yin, said quite rightly that building a culture that supports innovation is critical, that culture comes before strategy.

B94. I am optimistic that we can do this.

B95. Last Friday, I visited the Hangar by NUS Enterprise as well as LaunchPad @ one-north, two innovation zones which bring together professors, students and innovators. I quite like the name of “Hangar” in NUS, because it is where ideas take flight.

B96. There, I met people working together to build exciting start-ups. Let me highlight two.

Example: Rabbit Ray and WaterROAM

B97. First, Rabbit Ray. They seek to make a difference for children seeking medical treatment.

B98. This is Ms Esther Wang, the founder. She designed a patient engagement device in the form of a toy rabbit that explains medical procedures to children in a medically accurate, but relatable and comforting way. For this, Esther won the Shell LiveWIRE Top Ten Innovators Global Award.

B99. The second example is WaterROAM, which seeks to make a difference to those in disaster relief areas in need of clean water. They are a start-up that has developed a portable water filtration system that can turn dirty water into drinkable water, in the same time that you would take to run it from the tap.

B100. The young man who showed it to me gamely drank the water to show me that it worked. This has allowed it to be deployed in disaster and rural areas.

B101. Now why do I highlight these two examples? What struck me about both start-ups is that their innovation started with the aim of

meeting a human need.

B102. In the case of Rabbit Ray, the innovation was less in technology than in design, and with a focus on improving the lives of children seeking medical treatment. In fact, Esther is now working on a doll that helps children who have to undergo chemotherapy.

B103. In the case of WaterROAM, it is to meet the need for potable water for residents of disaster-hit zones and in rural areas, in the poor areas of the world.

B104. I am very happy to have young people like them who understand that innovation is not just about technology or gizmos. But really about meeting human needs, making the world a better place, and how they can make an impact in the lives of others.

B105. There are many other examples of creative people with the desire, skills, and belief to make a difference. So how do we nurture this creative environment that allows innovations to flourish?

B106. I agree with Mr Azmoon Ahmad and several others that curiosity needs to be stimulated from young, and indeed we'll be making changes to our education system to nurture this.

B107. Meanwhile, we must continue to improve the environment for innovation to thrive. To do that, we need to connect the many dots. That is why we set up SG-Innovate. To connect innovators to smart money, mentors, markets, and experts in the R&D area.

B108.The thrust of my Budget speech is that innovation must be pervasive, and must be present in all sectors of the economy and in all firms, including SMEs.

B109.That is what I meant by “there’s no sunset industry, only sunset thinking”, a point which Mr Thomas Chua elaborated very well. That is why we also placed resources on the revitalisation of the heartland.

B110.It is never about confining innovation to enclaves, as Associate Prof Daniel Goh seems to suggest. To paraphrase Assistant Professor Mahdev Mohan, the process of innovation is not a precise science. It is an art that requires us to be patient, take the long-term view, persevere, and continuously adapt.

B111.We need to change mindsets, as many of you have said, but it is an art and we have to be patient.

C. READING OUR PEOPLE FOR THE FUTURE

C.1 Many Members have spoken about the impact of the economy on people and jobs.

a. Several such as Mr Yee Chia Hsing and Mr Zaqy Mohamad have asked whether there will be good jobs available as our economy evolves.

b. Others like Minister Chan Chun Sing and Assistant Professor Mahdev Mohan were concerned about whether our people will have the skills to take up good jobs.

c. Mr Melvin Yong, Mr Gan Thiam Poh, and others also spoke on how we can help retrenched workers or new entrants into the workforce find the right jobs.

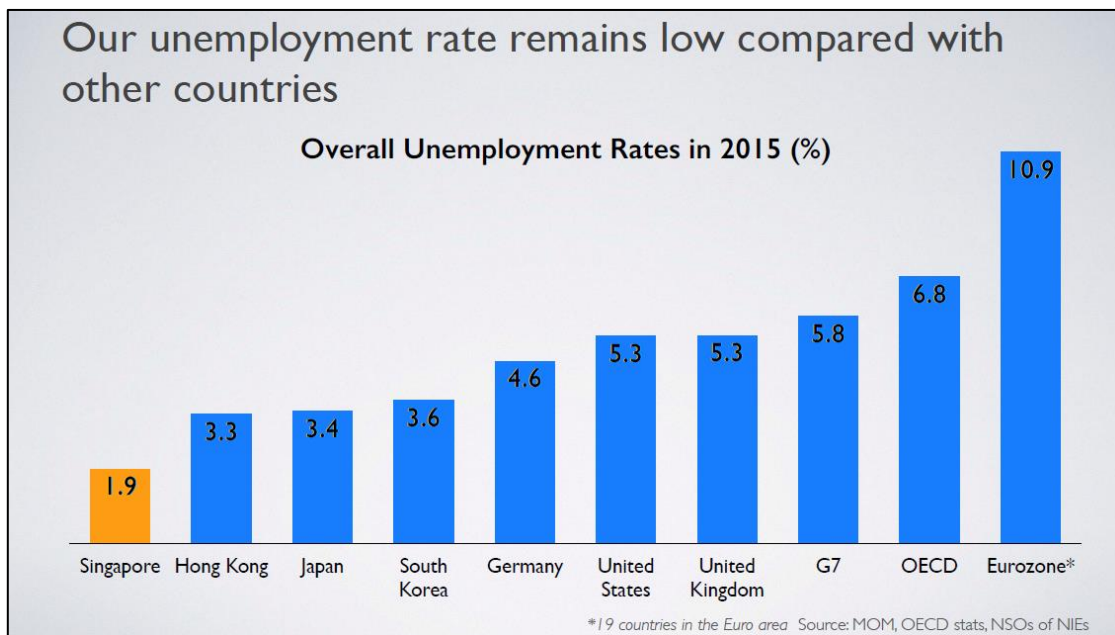
C.2 In fact, all over the world, people are concerned about jobs as major economies grapple with job losses and structural unemployment. In some countries, there is overcapacity. China is rebalancing its economy from heavy industry to services, and may lay off over 1.5 million workers from the coal and steel industries alone.

C.3 In other places, such as the US or Europe, underinvestment has held back economic and employment growth. Underemployment and structural unemployment due to skills mismatches are issues that many economies are grappling with.

C.4 We are in a better position because we have invested in creating jobs and enabled our people to acquire relevant skills. Our overall

unemployment rates are low compared with other countries (See Chart 1). Ms Sylvia Lim said that the 1.9% figure for the unemployment rate does not tell the whole story. But the picture doesn't change much even if we look at resident unemployment or any other indicators.

Chart 1: Unemployment Rates In Selected Countries (2015)



Sources:

1. Singapore: Labour Force Survey, Manpower Research & Statistics Department, MOM
2. Other economies: Based on data from OECD Stat Extracts database and national statistical agencies

Notes:

1. Annual average unemployment rate used for Singapore.
2. Data pertain to persons aged 15 & over except for UK and US where they pertain to those aged 16 & over.

C.5 At the end of 2015, the unemployment rate was 2.9% for residents and 3% for citizens, which most economists would regard as close to full employment, as there is always some degree of frictional unemployment in any economy. The labour force participation rate has risen from 66.2% in 2010 to 68.3% in 2015, which is

higher than the OECD average. The OECD average is about 60%, so we have a very high labour force participation rate. And importantly, real median income has grown by 3.0% per annum over the last five years.

C.6 Overall, our economy is still creating jobs. The ratio of job vacancies to job seekers remains above one. In fact if you go to job sites, whether it is Indeed.com or the MOM Jobs Bank, there are many jobs being advertised, including of course in the classified ads.

Our Approach: Right Jobs, Right Skills, Right Match

C.7 I understand the anxieties of Singaporeans about jobs – because it is not just about jobs, it is about our families. We cannot take for granted that there will be good jobs and incomes in the future.

C.8 To address these concerns, we need a coherent approach:

- a. First, create the right jobs;
- b. Second, develop the right skills; and
- c. Third, enable the right match.

C.9 So it is about Right Jobs, Right Skills, Right Match.

Creating the Right Jobs

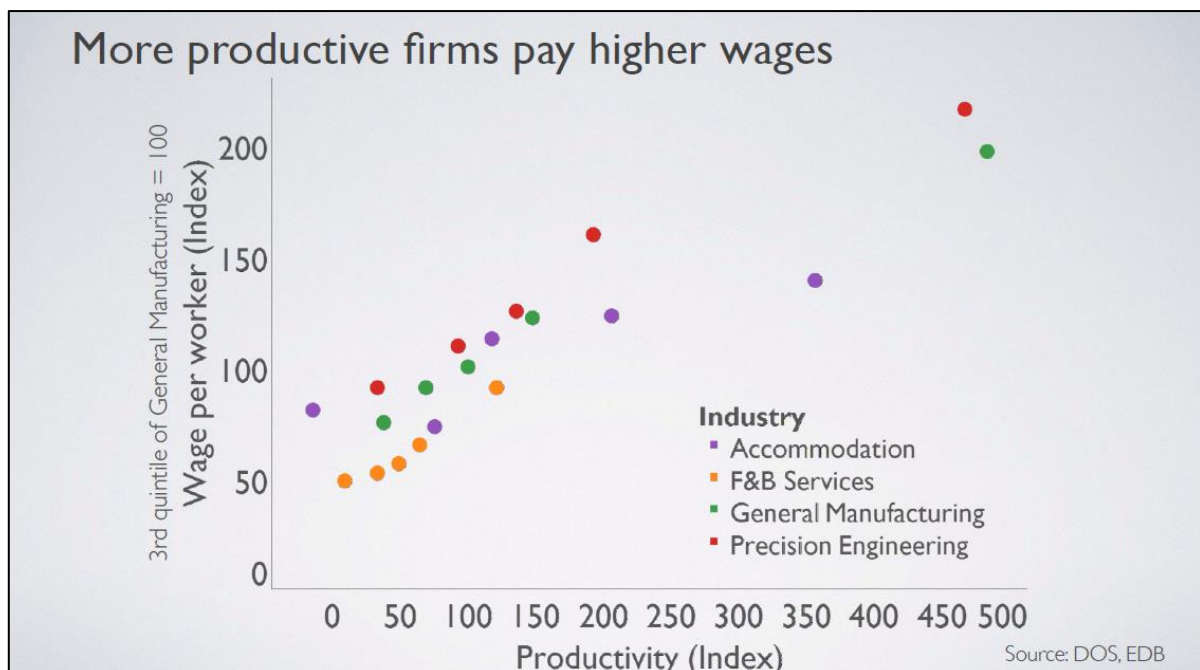
C.10 First, creating jobs, and more, creating the *right* jobs.

C.11 Associate Professor Randolph Tan said “it is no mean feat to continue to generate jobs in an increasingly sophisticated economy packed into one of the most congested cityscapes in the world.”

C.12 Indeed, this is no mean feat. We not only need to create jobs but given our high cost structure, given the high level of wages already, to create jobs of high value that meet the aspirations of Singaporeans. And to do that, our firms must be competitive and productive.

C.13 I showed this slide when I presented the Budget statement (See Chart 2). Now, this scatterplot shows average productivity and average wage per worker. The higher the productivity of the firm, the higher the wages that they pay to each worker. So, it shows that productive firms generally pay higher wages.

Chart 2: Productivity and Wages by Selected Industries in 2014



Sources: DOS, EDB

Notes:

1. 3rd quintile of the General Manufacturing sector = 100.
2. Firms are ranked by productivity (Value-Added per worker) level within respective sectors, and grouped into quintiles.

C.14 This is why Industry Transformation is so important. This is why we need to transform enterprises, to transform industries, and to transform through innovation. Because the Industry Transformation Programme is the engine, the means for us to create better lives and better jobs for our workers. All these changes will require changes which will require us to create new companies, and create new jobs which will require new skills.

C.15 Some members have asked whether the Industry Transformation Programme is it just about helping firms. Some workers have asked: does it help us? I want to emphasise this very important point that ultimately, this programme is about helping our workers and our people.

C.16 As part of this transformation, firms must also redesign jobs and develop their staff. Several MPs, such as Mr Ang Hin Kee and Mr Melvin Yong, pointed out how important it is for firms to automate and redesign jobs and train their staff in an integrated way, so as to bring out the best in every employee and allow everyone to catch up. I am happy to say that many firms are doing this, and reaping the benefits.

C.17 Let me share another example. Take Feinmetall, a precision engineering firm I recently visited, where I met Mr Winson Ng, a young polytechnic graduate who joined Feinmetall after his course in mechatronics at Singapore Polytechnic. After working for five

months, he was sent by Feinmetall for advanced training in Germany. Upon returning to Singapore, Winson noticed that one of the processes used to bend needles for semiconductor wafer testing could be done better.

C.18 He conceptualised a way to automate it, then worked with a systems integrator to develop a machine for it. As a result of this innovation, productivity increased four times, and operations run 24 hours a day! The machine also reduced the training time required for the process, from nine months to one week. It is impressive: investing in one young man by sending him to Germany; and when he came back, the firm increased productivity four times and reduced training from nine months to one week. The other staff are now redeployed to higher value-added jobs within the firm.

C.19 Winson's training at the polytechnic and in Germany, combined with his on-the-job experience, enabled him to generate insights and innovate successfully.

C.20 That is why I have been emphasising that employers play a very, very critical role in enabling the development of their people, not just in upgrading their firms. Firms that take care in making such investments ultimately see dividends. A young man like Winson, a young polytechnic graduate who is able to conceptualise a machine that has such impact, gets better prospects in life. We must continue to build a conducive workplace environment that empowers staff to continue learning and improving.

C.21 I hope that all firms will invest in their people, young and old, and start a virtuous cycle of higher skills, higher productivity, higher wages which can then be reinvested to develop the firm further.

Developing the Right Skills

C.22 Let me now touch on the next important ingredient – developing the right skills. While firms create the right jobs, our people must also develop the right skills to take on these jobs.

C.23 Preparing our people for the future starts from an early age, when our children develop the fundamentals and a love for learning. As Associate Professor Fatimah Lateef, Mr Darryl David, Ms Rahayu Mahzam and other members have said, we must build the confidence of our young, broaden their learning and stimulate their curiosity as early as possible. It is a powerful force that will keep them learning and help them overcome challenges in their lives.

C.24 To deepen lifelong learning, we launched SkillsFuture – with a focus not just on the skills of today, but also on skills for tomorrow. Actually, we have made good progress and let me cite some data: In 2015, over 260,000 residents took up WSQ courses; and 22,000 were enrolled in part-time diploma, post-diploma and degree-level programmes in our polytechnics and publicly-funded universities.

C.25 I salute our people for their diligence. I have met many people who are pursuing part-time courses and I know it is not easy to juggle the demands of work, family and studies. Their spirit of resilience and lifelong learning is most commendable.

C.26 The success of SkillsFuture depends on everyone playing their part – not just employees, but also employers. The Government will provide support and resources for those who are willing and motivated to acquire new skills and deepen their skill-sets.

C.27 Under SkillsFuture, we are developing an online, individualised learning portal for individuals to plan their careers and lifelong learning. The portal will be launched in phases starting from 2017. And some of you will be happy to know this - accounts will be given to students from Primary 5 and upwards, so that they can begin to plan for their future learning and skills development. We are taking the comments made by Members about starting young quite seriously.

C.28 These initiatives will equip our young people with critical skills for the workplace and the capacity to learn throughout their lives.

Right Match

C.29 I have touched on right jobs and right skills - now we need the right match. Jobseekers can avail themselves of a suite of employment and training assistance. These include Professional Conversion Programmes and the Career Support Programme.

C.30 WDA and NTUC's Employment and Employability Institute (e2i) help match workers and jobs, and provide training to improve the employability of workers through their Career Centres. They have successfully placed over 14,000 job seekers in 2015, quite an impressive number. Besides employment and training assistance, wage support is also provided in some cases.

C.31 This year's Budget builds on these programmes with the launch of the Adapt and Grow programme, which will provide support for more Singaporeans to re-skill and gain employment. As I mentioned in the Budget Statement, we expect to more than double the current outreach for PMETs from 2,000 per year to over 4,000. We understand the anxiety of some who have been displaced and that is why these programmes are being enhanced and its outreach doubled. The Minister for Manpower will speak further on this at the Committee of Supply.

C.32 As new industries and new types of jobs emerge, we will need to take our skills and job matching efforts even further. We too have to innovate in this area and that is why we launched the TechSkills Accelerator for the ICT sector.

C.33 It will pilot a new model for how Government partners major IT employers, associations and industry to offer training, certification and job matching services – three in one! It will also reach out to those without ICT background. Some of you might ask if it is possible to develop ICT skillsets without background. Well, there are certain specific areas that IDA had identified, such as user experience and user interface design. If this pilot succeeds, we will replicate it in other sectors, as many of you have suggested.

Keeping Our Labour Market Working Well

C.34 Now, what is critical is to sustain the long-term vitality of our labour market. No short-term fixes, but long-term vitality.

C.35 Several Members have listed the various market innovations over the years - in managing our dependence on foreign manpower, promoting local employment, and helping vulnerable groups of workers to find jobs and supplement their incomes.

Suggestions on the Labour Market

C.36 I thank all Members for the thought and care you have put into suggesting improvements to our labour market and skills development.

- a. Associate Professor Randolph Tan proposed auctioning the right to hire foreign manpower.
- b. Mr Desmond Choo suggested broadening the apprenticeship system, and partnering the labour movement on career guidance for young people.
- c. Mr Zainal Bin Sapari suggested further ways to help our Low Wage Workers.
- d. Mr Patrick Tay suggested enhancements to the Career Support Programme and setting up a support network for unemployed PMETs.
- e. Dr Teo Ho Pin suggested setting up Centres of Excellence for SkillsFuture learning, in partnership with trade associations and professional bodies.
- f. Mr Lim Biow Chuan, Mr Azmoon Ahmad and other members spoke about providing retrenchment benefits to Singaporeans.

C.37 We will study these proposals carefully. I just want to echo a point which Associate Professor Randolph Tan also made.

C.38 We must be careful about how we intervene in the labour market. We cannot simply copy one bit from one country and then another piece from another, and hope to make sense of it. There has to be a clear philosophy and a clear sense that the various measures must cohere to be effective over the long term. And importantly, we must not undermine the sense of independence and efficacy, and the spirit of self-reliance and resilience in our people.

Partnerships and Resilience

C.39 Now, let me end this section by sharing a story that Mr Heng Chee How and many other Members will find inspiring.

C.40 I met Mr Sundaram Velosamy and Mr Ong Moh Hong when I visited Pan Asia Logistics or PAL. Mr Sundaram is an interesting story because he started working in the logistics sector in 1989 with an O-Level certificate. He has a keen desire to learn, and upgraded himself by studying part-time for certificate and diploma qualifications, building up to a degree in 2013. After he joined PAL in 2012, he was sent to Germany for training to understand how to use the automated storage and retrieval system. When he returned, he applied what he learnt, and increased the productivity significantly.

C.41 Mr Ong joined the firm in 2014 at the age of 66, just as the firm was implementing a new IT system. Age was not a barrier either for Mr Ong or his employer. Interestingly, Mr Ong has been doing

logistics work for 29 years, all the while in manual positions. When I asked him how it feels to now to join a firm which is just starting a new IT system, he replied that it was a great opportunity to learn. So he learnt new IT processes when he joined the firm at the age of 66.

- C.42 Today Mr Ong and Mr Sundaram are role models for the team, and help mentor younger staff. As Mr Sundaram said, and I quote, “There’s no use if I keep it to myself. I must pass on the knowledge to others, I must mentor them, so that they can do better and also mentor others.”
- C.43 This is a very good example of lifelong learning, of mentoring, and of a company that invests in developing its staff. And importantly, of treasuring senior workers and believing that you can continue to train older workers. As Mr Ong said, older workers also have a long runway. I commend both Mr Ong and Mr Sundaram for their pursuit of lifelong learning, and PAL for creating an inclusive culture of constant development for their staff.
- C.44 Our approach to enable our people to access good jobs and stay employable can be encapsulated in one phrase: “Right Jobs, Right Skills, Right Match”.
- C.45 Creating full employment and good jobs is a major challenge, a difficult journey. But I am confident that we will be ready for the future – because I have confidence in Singaporeans, I have confidence in Singapore, and I have confidence that we will work together.

D. A SPIRIT OF CARING AND RESILIENCE

D1. Now, let me talk about the spirit of caring and resilience.

- a. Many Members, including Dr Lim Wee Kiak and Ms Joan Pereira, highlighted the importance of empowering our seniors to lead active and engaged lives.
- b. Mr Faisal Manap, Mr Darryl David, and Mr Christopher de Souza and a number of MPs talked about Government support for families and the needs of the young.
- c. I am heartened that many MPs, including Dr Tan Wu Meng and Mr Henry Kwek, support the initiatives to encourage philanthropy and volunteerism.

D2. I will focus on three main topics: Strengthening Social Support, Reaching Singaporeans in Need, and Building a Caring and Resilient Society.

Strengthening Social Support

Support for Families and Children

D3. Mr Vikram Nair and Ms Rahayu Mahzam spoke about the need to support low-income families, especially those with children. We invest in all our children to help them achieve their potential, paying particular attention to those from less advantaged backgrounds.

- a. Housing subsidies that help low- and middle-income families own their homes have been increased. And we are now looking

beyond general affordability. Fresh Start will help some families own a home again if they are willing to work hard for a second chance. I thank Mr Saktiandi Supaat for supporting this scheme.

- b. Pre-school subsidies have been increased significantly. Low-income families pay as little as \$3 a month for childcare, and \$1 a month for kindergarten. Middle-income families also get support.
- c. We are going further for a small group of young children who may need even more support. The KidStart pilot will draw together government and community resources to provide these children with learning, developmental, and health support, even before they enter school.

D4. In addition, there are now more resources for families regardless of income. For each eligible child, parents may receive a Baby Bonus Cash Gift of \$8,000 or \$10,000 depending on birth order; the Medisave Grant for Newborns of \$4,000; and now, the new CDA First Step grant of \$3,000.

- a. In total, parents of eligible children receive between \$15,000 and \$17,000 in the first 18 months of their child's birth. By the way, this is in addition to tax reliefs and other leave benefits.
- b. A child who attends primary and secondary school also receives around \$11,000 a year in educational subsidies. A child from a lower-income household would receive more.

- c. There are also substantial subsidies for all Singaporean students at our institutes of higher learning, and bursaries for those from lower-income families.
 - d. Now, I must also point out to Mr Dennis Tan that apart from the CDA Grant, the Baby Bonus Cash Gift and the Medisave Grant for Newborns do not, I emphasise, do not require co-matching. Moreover, our pre-school and education subsidies benefit all, but are especially generous to children from lower- and middle-income families.
- D5. So if you look at it in its entirety across all the different schemes, substantial support is given to parents to have children, especially for the middle-income households, and with even more targeted support for those who start with less. And while the CDA First Step is \$3,000, we must not forget that there are existing baby cash bonus of \$8,000 or \$10,000, plus the Medisave Grant for Newborns of \$4,000.

Assurance in Retirement

- D6. Ms Jessica Tan earlier raised the issue of assurance for seniors in retirement, and several members have also spoken on this, so let me now touch on this subject. Over the last 10 years, we have strengthened the four pillars of our social security system – namely: home ownership; healthcare assurance; CPF; and Workfare.
- D7. In particular, we have provided our seniors with greater assurance. Through CPF Life and MediShield Life, we are increasing risk-

pooling to provide more support in the face of life's uncertainties and also during retirement. These have been complemented by increased Government subsidies for seniors across all healthcare settings, including subsidies for MediShield Life premiums, GP clinics via CHAS, and for eldercare. We also pay extra interest on CPF, with the first \$30,000 in CPF earning up to 6% interest from the age of 55.

- D8. The Workfare Income Supplement has been further enhanced in this Budget. I thank Mr Gan Thiam Poh for his support for the enhancements to Workfare, and would like to clarify to Mr Pritam Singh that, as I announced in my Budget speech, we are raising the qualifying income ceiling to \$2,000, not \$1,900. With the past enhancements, WIS is now a significant supplement for low-income workers of up to 30% of their income.
- D9. Besides Workfare, the Pioneer Generation Package provides a special generation with additional support.
- D10. Adding up our transfers to retiree households, healthcare subsidies, S&CC rebates, and the GST Voucher, we provide substantial support for retirees living in 1- and 2-Room HDB flats. Now, even if we consider only those living in 3-Room and larger HDB flats (up to executive apartment). On average, this worked out to around \$5,000 in Government transfers per retiree in 2015. About 70% of this is in healthcare subsidies, and amounts to substantial support for our seniors.

Source: MOF estimates.

Notes:

1. Based on average annual government transfers received in 2015 amongst citizen retiree households in 3-room and larger HDB flats, on a per household member basis. For statistical purposes, retiree households are defined as those comprising solely non-working persons aged 60 years and over.

Silver Support

D11. Silver Support is a major enhancement to our social security system. I thank Members, including Ms Jessica Tan, Mr Zaqy Mohamad and several others for their suggestions to look into the criteria for Silver Support. So let me now touch on three points.

D12. First, let me reiterate that Silver Support is a modest but meaningful supplement targeted at the bottom 20% of seniors, with some support extended to the next 10%. In implementing the scheme, we are mindful of the impact Silver Support can have on our society. Many Singaporeans are proud to be able to provide for their loved ones. Silver Support is not meant to replace other forms of financial support for our seniors – including personal savings, CPF, family support, as well as the Pioneer Generation Package.

D13. We must be cautious that Silver Support does not undermine values such as filial piety, or lead to a divisive mentality among citizens.

D14. Thus, Silver Support is not the only source of help for the neediest seniors, whose basic needs are served by Public Assistance, which has been enhanced in this Budget.

D15. The second point I want to make is this: no single criterion is enough to identify seniors in the bottom 20% to 30%. It is therefore

reasonable that we combine three criteria of lifetime wages, housing type, and household support in our assessment.

D16. Now, we acknowledge that there may be some seniors, as highlighted by Mr Lim Biow Chuan, Mr Darryl David and several others, who may need help but do not qualify automatically. Seniors in these exceptional circumstances can request CPF Board to review their eligibility for Silver Support, and we will consider the merits of each case.

D17. Finally, we have to carefully calibrate the coverage of Silver Support. It starts off with \$320 million a year, and will increase as our population ages. From the outset, we should ensure that the scheme remains sustainable in the long run.

D18. Mr Alex Yam asked whether payouts can be made monthly instead of quarterly. Let me point out that unlike Workfare, which is given for work done, Silver Support provides a forward payment. We are paying ahead in 3-month tranches, so it is a forward payment which gives seniors the flexibility to manage their expenses. If we move to monthly payments, we will reduce such flexibility.

D19. Several Members requested greater support for caregivers through some form of monetary compensation. Now, I recognise that it is not easy to be a caregiver. I have met many and have great respect for what they do. But as a society, we have to be careful not to monetise relationships and this is a subject that would have to be carefully studied. MOH and MSF will elaborate on the relevant efforts at their COS.

D20. I would also like to commend Ms Chia Yong Yong for her very moving plea for all of us to better understand Persons with Disabilities. I strongly agree that we should continue to empower them to realise their full potential. MSF will elaborate on the third review of the Enabling Masterplan in their COS.

Strong Support for Middle-Income Households

D21. Now let me now address an issue which several of you have raised, which is support for middle-income households. Ms Thanalethimi and Mr Azmoon Ahmad asked why there is no tax rebate, or more broadly measures targeted at the middle-income, in this Budget.

D22. To begin with, about half of our workers do not pay any income tax. The income tax burden is low for the majority who pay, including the middle-income group.

D23. I had earlier spoken on our efforts to strengthen existing measures that benefit middle-income households and provide active support for housing, education and healthcare. SkillsFuture is another example.

D24. All these measures are not as direct as putting money in people's pocket, but it has meaningful long-term impact on the careers and future of Singaporeans.

D25. And the most important support for all Singaporeans, including the middle-income, is employability and good jobs, a point which Ms Thanalethimi mentioned at a recent TV programme – that the

best social security is job security. And I would add that the best way to ensure job security is deep skills and adaptability. That is why we are investing in those areas.

D26. Even though I devoted a considerable amount of time in this Budget to explain the Industry Transformation Programme and measures to support our SMEs, our aim is very clear – to enable Singaporeans to have good jobs, more opportunities and a better life. And we have to go for the long haul, and these are important ways to support all families, especially middle-income families.

D27. So providing a tax rebate from year to year is not enough to address the fundamental concerns of our middle-income group. We must, as Associate Professor Fatimah Lateef pointed out, preserve a spirit of resilience and self-reliance, and focus on a sustainable way to build better lives for all. Now let me touch on reaching Singaporeans in need.

Reaching Singaporeans in Need

D28. As we spend more, we must take extra care to spend well. I welcome Miss Cheryl Chan's comments on the importance of improving the way care is delivered, especially for the elderly. Let me share my thoughts on how we can maximise the impact and reach of our schemes.

D29. To better serve Singaporeans, we have made some moves to improve service delivery in the "last mile", especially to the elderly and vulnerable.

Reaching Out Proactively

D30. The first is reaching out proactively to those in need. A good example is the Pioneer Generation Ambassadors (PGAs), which Miss Cheng Li Hui spoke about. Over the past one and a half years, they have reached out to 250,000 Pioneers (or 60%) to explain the benefits of the Pioneer Generation Package (PGP) and MediShield Life.

D31. Our ambassadors form a close relationship with our Pioneers, explain Government policies to them, and help them access the various schemes.

Example: Mr Shahul Hameed s/o Rahamansa Rowther

D32. Let me share with you how our ambassadors reach out. An example is Mr Shahul Hameed and his wife. Mr Shahul is 74 years old with a heart condition, and usually stays at home. Our ambassadors visited him to explain the benefits of the Pioneer Generation Package and MediShield Life, and they also took the chance to introduce Mr Shahul to active-ageing programmes in his community to help him make friends while keeping fit, while taking care of his heart condition. And those are practical ways in which we are reaching out proactively.

Bringing Help A Step Closer

D33. The second move is to bring help closer. Previously, those looking for short- and medium-term assistance under ComCare had to approach one of the five Community Development Councils.

Today, they can approach 24 Social Service Offices (SSOs) across the island for assistance.

D34. Along with Family Service Centres (FSCs), 95% of the island's residents who need help have access to it within 2km of where they live or work.

D35. This is an important milestone, but we are still striving to bring help closer to those in need. And with more experience, we will do better.

Integrating Assistance

D36. The third move is integrating assistance from Government agencies and VWOs.

D37. We are expanding the Social Service Net (SSNet), our integrated information sharing and case management system that links MSF with other Government agencies, as well as VWOs. Agencies can better calibrate their support to help each citizen and better address their needs. Administrative hassle, especially paperwork and forms with multiple agencies, will be reduced for citizens. And I think this is especially important for those who need help, as Dr Tan Wu Meng has mentioned.

D38. But we can do even better, in partnering the community. We can do better.

Example: Henderson/Thong Kheng Seniors Activity Centre

D39. I was extremely heartened by my visit to Henderson-Dawson ward and the Thong Kheng Seniors Activity Centre (TKSAC) last week.

D40. Now, this area is one of the older estates, with almost 1 in 6 of the residents aged 65 or over. Many more neighbourhoods will be like Henderson-Dawson. So it is important to ensure that every neighbourhood is a good neighbourhood for seniors to age with dignity, lead active and healthy lives, and stay engaged with the community. Well, I am glad it resonates with all of you – every neighbourhood a good neighbourhood for seniors.

D41. Forging close-knit partnerships is key. Henderson-Dawson is an example of how various parties come together, with good leadership of advisors. Now, it was difficult at the start, but over time the various partners built trust to work together, and pool resources to better meet seniors' needs. And these include activities for seniors like morning exercises, free lunches, and educational talks on topics from nutrition to fire safety.

D42. Now, the elderly themselves contribute to these efforts, to help care for one another. They demonstrate a keen sense of collective responsibility, and feel a strong obligation to the community. So I echo Ms Joan Pereira's and Ms Tin Pei Ling's call for more senior citizens to volunteer, as a good way to stay active and engaged. MCCY will provide an update on the Silver Volunteer Fund, which encourages seniors to give up their time for good causes, in their COS.

D43. I would like to share the story of Madam Chia Chen Kum, who is 70 years old. Her husband passed away a few years ago. However, she discovered a new meaning in life when she started volunteering at the centre. And she said, and I quote in Mandarin because she spoke in Mandarin, “来自社会， 归回社会. 这样也是应该的. 除非我真的不可以动， 我才没有办法. 我可以做的我就一定帮忙的.” In English, “Having received from society, it is only right that I give back. Unless I cannot move, and I have no way, whatever I can do, I will definitely continue to help.” This is a great, feisty attitude of an elderly, great resilience and great sense of care for others.

D44. These are moving and inspiring words. So we must all step forward to care for our fellow Singaporeans, and renew our shared commitment to building a better society. And this is particularly important as our population ages.

Piloting New Ways of Improving Social Service Delivery

D45. Community partnership will be a major area of focus moving forward. The Community Networks for Seniors pilot will bring local stakeholders and agencies together to study the needs of seniors, and help them take preventive care.

D46. And looking ahead, as several of you have suggested, we can do even better to plan our estates and social services, as well as crowd in the community, to make Singapore a model for social service delivery as well as successful ageing.

Building a Caring and Resilient Society

D47. Now ultimately, it is not about Government schemes, but about building a caring and resilient society. As Mr Kok Heng Leun said, we must all pitch in to take care of one another and solve community problems together. And this is the only way we can nourish the ties that bind us together as a society.

Encouraging Giving

D48. Over the past two years, Government provided \$500 million in matching grants for the Care and Share Movement. I'm delighted that this has generated significant donations from the public. More importantly, over 200,000 volunteers participated. Singaporeans have shown great generosity in spirit, and we hope that this can be sustained.

D49. So we will continue to encourage charitable giving by matching dollar-for-dollar, any additional donations through SHARE to ComChest.

Fostering Volunteerism and Corporate Social Responsibility

D50. Besides providing resources, businesses have a role in helping the social sector and supporting employee volunteerism. Let me give two examples.

Example: Quirk and ComfortDelGro

- D51. Quirk – a local integrated marketing communications agency – supports Project Dreamcatchers, an initiative by NUH to empower youths living with chronic illness. The youth will be producing artwork that will be showcased in an exhibition later this year, and Quirk is assisting with the branding and collaterals.
- D52. A group of drivers in ComfortDelGro are active volunteers, delivering meals and driving around those in need. And these are all examples where businesses and employees use their expertise for good causes.
- D53. The Business and IPC Partnership Scheme (BIPS) pilot is designed to support more partnerships between businesses and Institutions of (a) Public Character (IPC), and encourage employee volunteerism.
- D54. I acknowledge the issues raised by Ms Denise Phua, including possible crowding out of cash donations, over-subsidising volunteerism, and the cap that affects IPCs that really need help.
- D55. We studied these issues and decided to pilot the scheme to encourage businesses towards volunteerism, but with appropriate caps. And our larger intention is to kickstart a movement beyond cash donations, to get businesses to mobilise resources. It's a pilot, we will monitor these carefully.
- D56. But I would like to stress that it is not only about tax incentives. At the end of the day, it is about businesses seeing themselves as

responsible corporate citizens, and becoming more active partners in building a caring society.

Our Singapore Fund

D57. Finally, I was heartened by the enthusiastic response to last year's SG50 Celebration Fund, with passionate Singaporeans coming forward to celebrate our jubilee year. We will make it easier for Singaporeans to enrich our society with ground-up initiatives.

D58. And as many Members have pointed out, it is not through the Government's efforts alone, but a collective effort, that we can build a caring and resilient society.

D59. We hope that Singaporeans from all walks of life will step forward.

E. FISCAL SUSTAINABILITY

- E.1 Over the past few days, several members including Mr Liang Eng Hwa, Mr Chong Kee Hiong, Ms Foo Mee Har, and Mr Henry Kwek have spoken on the importance of fiscal sustainability even as we tackle Singapore's economic and social challenges.
- E.2 As Members pointed out, Singapore's spending needs will grow in the coming years. First, healthcare. Over the next 10 - 15 years, we will experience a rapid ageing of our population. Today, 1 in 8 Singaporeans is aged 65 and above. This will double to 1 in 4 Singaporeans in 15 years. In some areas such as Outram, the future is already here with 1 in 5 residents aged 65 and above.
- E.3 An older population will invariably mean an increase in healthcare needs. For instance, the hospital admission rate for elderly today is three to four times that of younger people. Countries such as Japan went through a similar experience. Over the last 25 years, Japan's healthcare spending has doubled as its proportion of elderly doubled.
- E.4 Singapore's experience will not completely mirror Japan's, but our healthcare spending will certainly rise, and we must prepare adequately for our needs.
- E.5 Second, we will need to refresh our infrastructure and build new ones, to create new economic opportunities and better homes for the next 50 years. For public transport, we will be investing significantly more over the next five years. This includes the doubling of the rail network from 178km today to about 360km in

2030. Changi Airport T5 will be developed to enhance our connectivity to Asia and globally.

- E.6 Third, we must continue to invest in our defence and security, which underpin our economic and social prosperity. As Mr Christopher de Souza and Dr Lim Wee Kiak have noted, the threats of terrorism and cyber-attacks have grown. To keep our homes safe, we must invest.

Meeting our Expenditures Needs Sustainably

- E.7 As our “must haves” and “good to haves” increase over time, Mr Sitoh Yih Pin correctly pointed out that we must continue to uphold the principle of “living within our means”, so that we create enduring benefit, and not enlarging burden. Enduring benefit and not enlarging burden for ourselves, our children and our grandchildren.

- E.8 While our spending needs are growing, our revenue growth will be slowing as our economy matures. The experiences of many advanced countries warn us how easy it is for spending to become unsustainable and impose a growing burden on future generations. So how then should we ensure that our spending needs are met?

- E.9 First, we must place priority on building a vibrant economy, which will then grow our revenues. A vibrant, competitive economy creates opportunities and jobs for our people, and generates the revenue to meet our needs.

- E.10 Second, we must spend prudently and spend right. This is about being efficient, and being effective, so that each dollar reaches the right groups, to help them in the right way.
- E.11 Third, we must design our overall fiscal system so that it is fair and progressive. We must tax and spend in a way that is progressive, without dis-incentivising enterprise and efforts. Our system of revenues and expenditures must always be fair and progressive. Only then can it be sustainable across generations.
- E.12 Several MPs have asked if our personal income tax relief cap, which serves to increase progressivity, runs contradictory to encouraging procreation. Er Dr Lee Bee Wah, Ms Joan Pereira and Ms Tin Pei Ling have commented on this, and I thank you for your views and for reflecting your residents' views.
- E.13 Let me explain. We have introduced the cap on personal income tax reliefs to apply to the total amount of all reliefs claimed. There are 15 personal income tax reliefs, each serving a worthy objective. Taken together however, they can unduly reduce total taxable incomes for a small proportion of individuals.
- E.14 After studying the reliefs, we concluded that we needed to moderate the effects of large amounts of reliefs claimed, in order to preserve equity in our tax structure. We have to maintain fairness between different groups of taxpayers, in particular between those who earn more and those who earn less.
- E.15 We have thus imposed a cap to make our personal income tax more progressive. Let me emphasise once again, that the vast

majority of taxpayers are unaffected by the cap. 99% of tax resident individuals can continue to claim their reliefs fully.

- E.16 For those claiming Working Mother's Child Relief (WMCR), even with the cap, 9 in 10 of those claiming WMCR are not affected. And this includes those with more children – slightly over 8 in 10 individuals claiming WMCR on 2 or 3 children are not expected to be affected by the cap.
- E.17 Over the years, we have added and significantly enhanced various schemes to support parents in having children. I touched earlier on our substantial support for Marriage and Parenthood, including the Baby Bonus Gift, Medisave grant, the Child Development Account and now the First Step grant. As I pointed out, subsidies to all Singaporean children for education, in school, at pre-school and the Institutes of Higher Learning are all very significant.
- E.18 With all these measures, it is clear that the Government remains committed to supporting Singaporeans in fulfilling their marriage and parenthood aspirations.
- E.19 And in fact, our support for families also extends beyond monetary support, and includes our wider push to make it easier for families to balance their work and life commitments. This includes our recent efforts to extend parental leave.
- E.20 As Er Dr Bee Wah pointed out, it is about having the right mindset. Fundamentally, having a child is about the joy of parenthood. SMS Josephine Teo in charge of the NPTD will elaborate more on our Marriage and Parenthood strategy during the COS.

E.21 From time to time we will have to make adjustments to our schemes in order to continue targeting our support at those who need it. But we should not be evaluating budget measures solely from the individual's perspective in a particular year – which would be narrowly focused on the individual winners and losers. We must avoid thinking, as Ms Kuik Shiao Yin eloquently put it, that we are in a “high-stakes competition of win-lose” and that there is no “win-win”.

E.22 Instead, our larger goal is to make every Singaporean a winner in the long run. And this must be our goal. It cannot be otherwise. When we help one group, we are actually helping others too:

- a. When we support our SMEs, we are supporting good jobs for our workers;
- b. When we support our seniors, we are helping the families who are taking care of them;
- c. When we invest in our young, to help them maximise their potential and seize opportunities, and have a good career, we are also helping to ensure that they have the means to support their own families when they start one, as well as support their loved ones – their parents – in their retirement; and
- d. When we keep our tax burden low, especially for the middle-income, everyone benefits.

E.23 So we have to see things in totality and over the long-term, and not set one measure against another, or one group against

another, and one year versus another year. It has to be seen in totality over the long run.

F. CONCLUSION

- F1. Madam Speaker, let me now conclude. I come back to our journey together towards the future.
- F2. This is a long-distance journey. We are in this to keep Singapore going, and thriving, for the long, long haul. This is our responsibility to future generations. To take this journey, we have to:
- a. Keep our eyes on the road;
 - b. Keep our eyes on the horizon; and
 - c. Keep our eyes out for the people we journey with.

Keep Our Eyes On The Road

- F3. Every journey, even the longest journey, is taken one step at a time. And so too with a country. Though we keep our sights on the distant future, we move towards it one Budget at a time.
- F4. If we gaze upon the distance, and don't look at the road immediately in front of us, we risk falling into a hole. And we will never reach our destination. Or, we will take injury and recovery before we get there.
- F5. So, in this Budget, we have taken targeted steps to address short-term pressures, to make sure that we don't fall into the hole. So I urge Members to help those who are facing pressures to make the best use, the best use they can of the measures which we announced.

Keep Our Eyes On The Horizon

- F6. Apart from keeping our eyes on the road, we have to know our direction, and we have to know ourselves too. How far do we hope to go? And how do we have it in us to go that distance?
- F7. We have to budget for our journey. We can't use up all our supplies at the start, and we have to have ways to grow our store of supplies.
- F8. We have to spend more as our needs grow too. So we must continue to grow our economy so that we can have resources to spend more on growing needs, and we must continue to spend those resources wisely.
- F9. It is not possible for Government to keep handing out goodies for everyone year after year, as several of you pointed out. Instead, each budget must build on the previous ones to carry forward the momentum to future budgets.
- F10. How do we keep our eyes on the horizon?
- a. Our firms need to look outward and look forward – to find new markets, grow capabilities, transform. Look ahead, see opportunities where others see only problems.
 - b. The Committee on the Future Economy will continue that looking towards the horizon, to plot out what we can of the road ahead, so we can take the right steps for a vibrant, strong future economy that creates good opportunities for our people.

- c. Each of us too must continually learn; get the skills the world needs. And we must have the resilience to overcome personal setbacks and adapt to change.
- d. For this reason, we will keep investing in SkillsFuture. I hope Singaporeans will make full use of SkillsFuture, and that all employers do their part to re-design jobs, facilitate learning, and build a better future, not just for their companies, but for the people who help their companies to run.

F11. Ultimately, the Government must know when to step in, and when to step back. We must not inadvertently undermine the spirit of enterprise and the natural workings of markets, or undermine the spirit of caring and resilience such that we weaken the bonds of family and community.

F12. Instead, we must reinforce critical values and our spirit as a society. Resources – hard won and wisely managed – will nourish us for the road ahead. Our values and our spirit – these are what will truly energise our journey.

Keep Our Eyes Out For The People We Journey With

F13. Madam, I believe that none of us want to reach that destination alone. The purpose of this journey is to journey together, and to reach our destination together as one united cohesive people.

F14. To me, there is no meaning to this journey, unless it is a common journey. So we must look out and care for one another as we journey. Is someone getting tired? Is someone struggling? What

can we do to keep all of us going together? At the heart of this, we must recognise that every member of our society is not just valuable, but precious.

- a. We must have that resilience in us to face each challenge as an opportunity, to learn and grow, to emerge from setbacks better and stronger.
- b. We must have that humility in us, to respect and learn from everyone no matter what their paper qualification or job title.
- c. And, we must have the generosity to share, be it in actual things, time, or ideas.

F15. I do believe, Madam, the more we share, the richer we are for it. By giving and sharing, that is how we transform our world, and how we ourselves may be transformed for the better. We have sought in Budget 2016 to strengthen our resilience, and bring out the natural instinct for care and partnership in all of us. So, keep our eyes on the road. Keep our eyes on the horizon. And keep our eyes out for one another.

F16. Madam, we have a long road ahead. I thank this House for the attention it has given to Budget 2016: our first step in our journey towards SG100. It will be bumpy; it will be full of unknowns.

- a. Amongst the unknowns are not just challenges, but victories!
 - i. There are many innovations ahead of us that we cannot yet imagine;
 - ii. Many personal and shared triumphs;

iii. Many moments of humanity, unity, and beauty that will keep defining our Singapore.

b. Through all the good and bad unknowns of the years to come, I hope our spirit of enterprise and caring will run strong.

F17. I am honoured, and excited, to partner fellow Singaporeans on this journey.

F18. Let's get to work together.