



“What is an inclusive society? It is one where everybody benefits from the progress of the nation. It is one where everyone has a say, a stake and a sense of belonging. And it is one where everyone aspires to do better through their own efforts and feels that he or she has a real chance to move up.”

- Prime Minister Lee Hsien Loong
at the Opening of Parliament, October 2011

OUR MISSION...

...is to build an inclusive society and a stronger Singapore.

It means upgrading and restructuring our economy so that we can sustain growth, create better jobs in every vocation and enable Singaporeans to earn better incomes.

We have to depend less on foreign labour and more on higher skills, innovation and productivity to drive our economy.

It means more help for children from poorer homes to overcome early disadvantages, find their strengths and develop to their fullest potential, so that we keep social mobility up.

Equally, we have to help our elderly live well, and provide stronger support for Singaporeans with disabilities – they all have a part in our nation’s progress and must share in its fruits.

An Inclusive Society...

Restructuring to Sustain Growth (page 2)

- Managing our Dependence on Foreign Workers
- Helping SMEs Make the Transition

Building a Fair and Inclusive Society (page 5)

- Helping our Seniors Live Long, Live Well
- Supporting Singaporeans with Disabilities
- Uplifting Lower-Income Families

Boosting Bus Capacity (page 13)

...a Stronger Singapore



Restructuring to Sustain Growth

Our first task is to upgrade and restructure our economy, so that we can grow by becoming more productive, and can rely less on expanding our workforce.

Our aim is **to achieve productivity growth of 2% to 3% per year**, or in total 30% productivity growth over a decade. It is a challenging target.



This Budget **takes important further steps to promote this upgrading and restructuring.**

Managing our Dependence on Foreign Workers

Foreign workers have been indispensable to many of our industries. Our businesses have complemented a core Singaporean workforce with foreign employees at all skill levels.

Singaporeans workers too have benefited from the presence of foreign workers here. As we took in more foreign workers in recent years, we also created many new jobs for Singaporeans. Incomes have gone up. In the median Singapore household, income per household member grew by 17% in the past five years, after adjusting for inflation. The lower end has not lost out either. Singaporeans at the 20th percentile of households experienced 14% real growth in income per household member – both because their individual wages have gone up, and also because more members of the household obtained jobs.

However, **our increasing dependence on foreign workers is not sustainable.** It will test the limits of our space and infrastructure, even though we are building more housing and expanding our public transport system. Too many foreign workers will also inevitably affect the Singaporean character of our society. Plus if foreign labour is too easily available, companies will have less incentive to upgrade, design better jobs and raise productivity.

We must therefore take **further measures to reduce the inflow of foreign workers**, and **help our businesses adapt** to the permanent reality of a tight labour market.

KEY MEASURES

Reduce Dependency Ratio Ceilings (DRCs) from 1 July 2012

- **Manufacturing** : 65% → **60%**
- **Services** : 50% → **45%**
- **S Pass Sub-DRC** : 25% → **20%**.
- Existing foreign workers will not be affected by the change until after June 2014

Reduce Man-Year Entitlement quota for Construction further by 5% from 1 July 2012

Helping SMEs Make the Transition

Our SMEs are in fact the most affected by the shortage of workers, and by our economic restructuring. The Government will extend special help to them, so they can reorganise and upgrade their operations, attract Singaporeans to work for them, and be viable and vibrant contributors to our economy years from now.

KEY MEASURES

Special Employment Credit (SEC)

To encourage employers to hire older Singaporean workers (see below)

Enhance Productivity and Innovation Credit (PIC) Scheme (see page 4)

To encourage smaller companies to invest in innovation and productivity

Enhance other existing schemes

- Increase training support for SMEs
- Step up grants to support SME upgrading and productivity

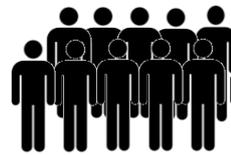
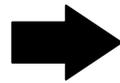
One-off SME Cash Grant

Pegged at 5% of company revenues in Year of Assessment 2012 (YA2012) (capped at a payout of \$5,000)

Special Employment Credit (SEC)

- Paid to employers who hire Singaporean workers aged above 50

Monthly Wages of Eligible Older Workers	SEC Monthly Payout to Employers
≤ \$3,000	8% of wages
\$3,001 - \$4,000	0 - 8% of wages



Covers 80% or 350,000 of older Singaporean worker population



\$ SEC Payout

\$470 million per year

more than covers

\$

Higher Wage Bill

\$190 million per year

(due to CPF changes)

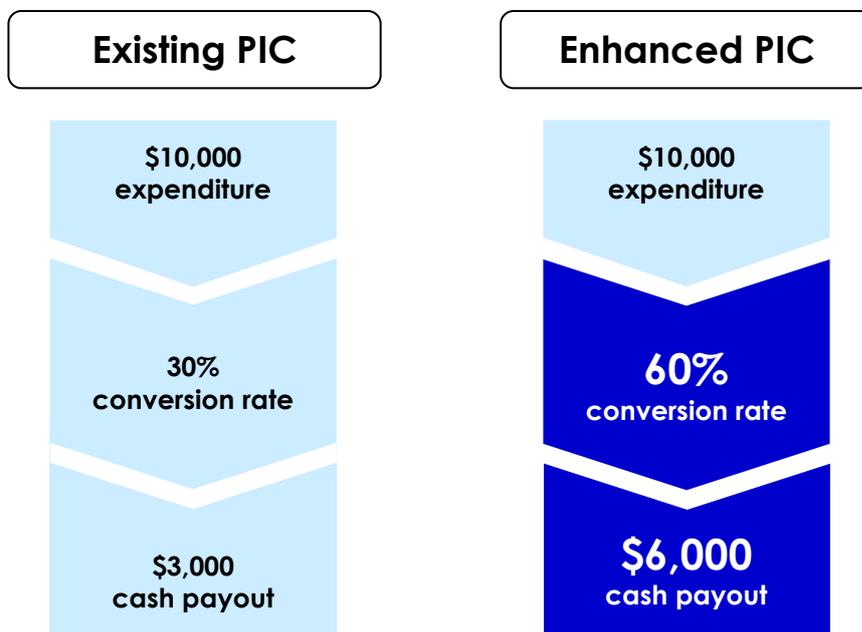
- We will set aside **\$2.4 billion** for the SEC payouts for the next five years.

Enhance Productivity & Innovation Credit (PIC) Scheme

- Increase cash payout from 30% to 60% for up to \$100,000 of firms' PIC expenditures per YA. This will apply for YA2013 to YA2015.
- Companies can claim and obtain cash payouts on a quarterly basis instead of at the end of the financial year. This will apply from 1 July 2012.
- Claims for in-house training costs of up to \$10,000 per year will not require external certification. This will apply from YA2012.

How can you benefit?

Example: You spent \$10,000 to train your staff.
Under the enhanced PIC, you can get a \$6,000 cash payout.



We have in fact seen major improvements in productivity as our economy developed. This is why the median Singaporean worker now earns three times as much as 30 years ago, after taking inflation into account. However, while growth in the past has relied equally on productivity improvements and increases in the labour force, in future **productivity improvements must be the key driver of our growth.**

If we succeed in transforming our economy and achieving productivity growth of 2% to 3% per year, we should be able to sustain economic growth at 3% to 5%, and build competitive enterprises. More importantly, it is **the only way our workers can enjoy higher incomes and our society can be strong and cohesive.**



Building a Fair & Inclusive Society

To build a fair and inclusive society, we also have to create more opportunities for lower- and middle-income Singaporeans, and provide stronger help for families who fall on difficult times to pick themselves up.

We have taken major steps in this direction in the last five years. The Workfare Income Supplement (WIS) scheme is a major Government programme, topping up the wages of low-income workers by as much as 25% each year. In addition, we have a one-off Workfare Special Bonus that will last till next year. These two Workfare schemes are benefiting 400,000 Singaporeans by a total of \$590 million per year.

Lower-income families are getting bigger grants to buy their own homes.



We have continued education reforms to broaden the pathways to success, and increased education subsidies for students from lower-income families, from pre-school through to university.

Medifund has more than doubled the help that it provides.

And we have provided strong incentives for better-off Singaporeans and companies to give back to society and help preserve our social compact.

We have to do more. Our population will age quickly over the next two decades. We must get ready for that. We also have to do everything we can to keep up social mobility in each generation, and prevent a permanent underclass from forming.

We will address these challenges in this year's Budget, and over the next five years.

Budget 2012 marks a significant step up in our support for three groups of Singaporeans:

Helping our Seniors Live Long, Live Well

For older Singaporeans, including those in the middle-income group, we will introduce a comprehensive set of measures **to help you work, to build up your savings, and to stay healthy and have a greater sense of security in retirement.**



Encourage Work

Increase CPF contribution rates of older workers and self-employed persons from 1 September 2012

Age	New Contribution Rates* (increases are in brackets)		
	Employer	Employee	Total
> 50 - 55	14 (↑ 2.0)	18.5 (↑ 0.5)	32.5 (↑ 2.5)
> 55 - 60	10.5 (↑ 1.5)	13 (↑ 0.5)	23.5 (↑ 2.0)
> 60 - 65	7 (↑ 0.5)	7.5	14.5 (↑ 0.5)

Age	Allocation of Increase in Contribution Rates*		
	OA	SA	MA
> 50 - 55	+0.5	+1.5	+0.5
> 55 - 60	+0.5	+1.0	+0.5
> 60 - 65	-	+0.5	-

* % of wages

- In addition, the Medisave Contribution Rate for self-employed persons aged 50 and above and annual net trade exceeding \$18,000 will **increase by 0.5% to 9.5%**.

Double the Earned Income Tax Relief for older Singaporeans from YA2013

Age	Current Relief	New Relief
55 - 59	\$3,000	\$6,000
60 and above	\$4,000	\$8,000



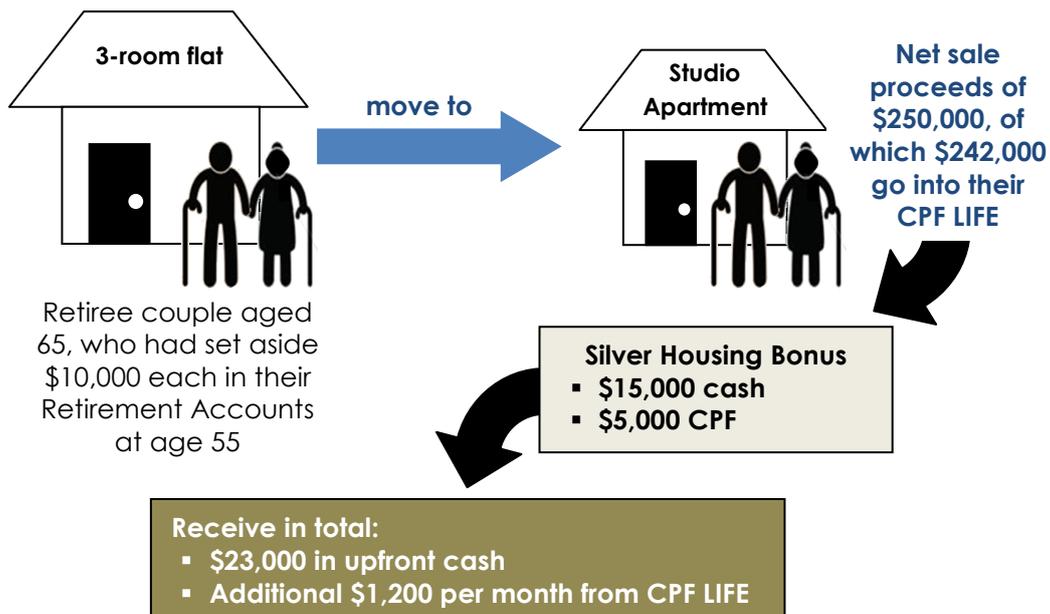
Help Seniors Unlock Savings

Introduce a new \$20,000 Silver Housing Bonus for older Singaporeans to unlock their savings by moving to smaller flats

- Elderly Singaporeans aged 55 and above who sell their existing flats and move to 3-room and smaller flats or Studio Apartments will receive a bonus of up to \$20,000 per household (\$15,000 cash; \$5,000 CPF).

Key Features:

- Sale proceeds used to top up their CPF Retirement Account up to the prevailing CPF Minimum Sum. The bonus will match the proceeds committed to their CPF dollar for dollar, up to \$20,000.
- The top-up, along with all other monies in the Retirement Account, will be used to purchase a CPF LIFE annuity, which will provide a lifelong monthly payout. The remaining proceeds beyond the prevailing Minimum Sum can be taken out in cash.



Enhance Lease Buy-Back Scheme (LBS)

- Beneficiaries may cash out the proceeds after setting aside the prevailing Minimum Sum in their Retirement Accounts.
- The LBS bonus will be increased from \$10,000 to up to \$20,000 per household (\$15,000 cash; \$5,000 CPF).



Better Healthcare
From Hospital to Home

Scale up care capacity

- The number of beds will be increased by 2020.

Acute hospitals : ↑1,900 beds (30%)
Community hospitals: ↑1,800 beds (> 100%)

- Long-term care services ranging from nursing home care to home- and community-based care will be expanded significantly by 2020.

Enhance affordability of healthcare

- **Increase subsidies for lower- and middle-income groups** for services in the intermediate and long-term care (ILTC) sector. This means

- All patients in community hospitals will now qualify for government subsidies. The **middle income group will receive the largest increase in subsidy rates, getting a subsidy of 20% to 50%** when they previously did not receive any.
- Subsidies for nursing homes, home- and community-based care will be increased. **Two-thirds of Singaporean households will now qualify for subsidies.**

- **Provide a \$120 grant per month to help lower- and middle-income families who may prefer to hire a foreign domestic helper** to care for an elderly member at home (if the senior cannot perform three or more Activities of Daily Living, or has severe dementia).

- **Absorb GST for all subsidised patients using ILTC services.** This will include community hospitals, nursing homes and home-based care.

- Introduce a new **Enhancement for Active Seniors (EASE) Programme**, which will give a subsidy for installing elderly-friendly features at home. The subsidy will cover up to 95% of the cost of modifications (around \$2,000).

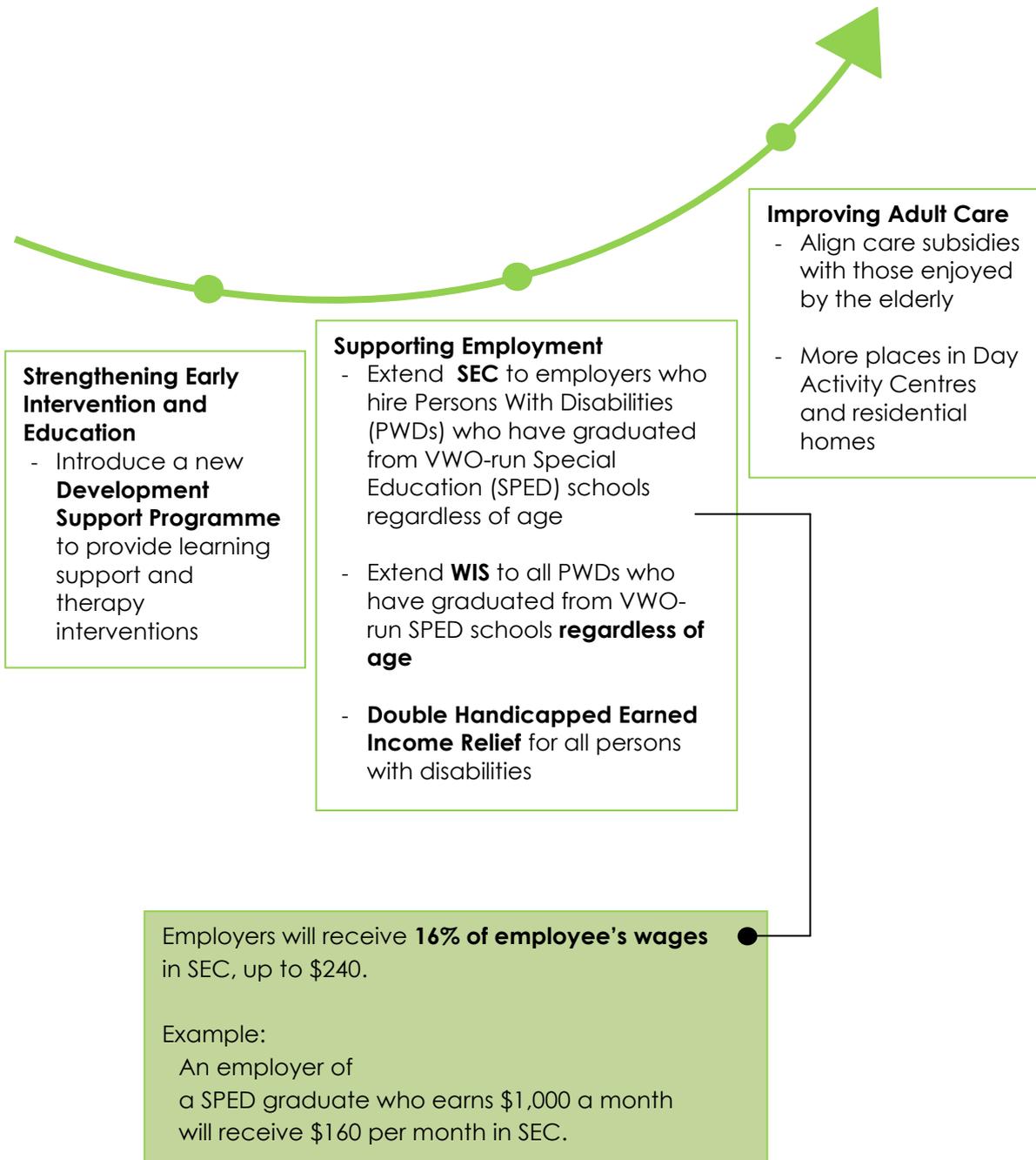
- **Top up Medifund** by \$600 million. This enables \$20 million (over 20%) more help to be disbursed each year.

- Provide a **one-off Medisave top-up** to all MediShield-insured Singaporeans. This will benefit more than three million Singaporeans.

Age Group	Medisave Top-up
1 - 40	\$50
41 - 50	\$100
51 - 60	\$200
61 - 75	\$300
76 and above	\$400

Supporting Singaporeans with Disabilities

For Singaporeans with disabilities, we will do more to help you **maximise your potential at each stage of life** – in early childhood, in school, and as adults, to work and to be cared for.



Uplifting Low-Income Families

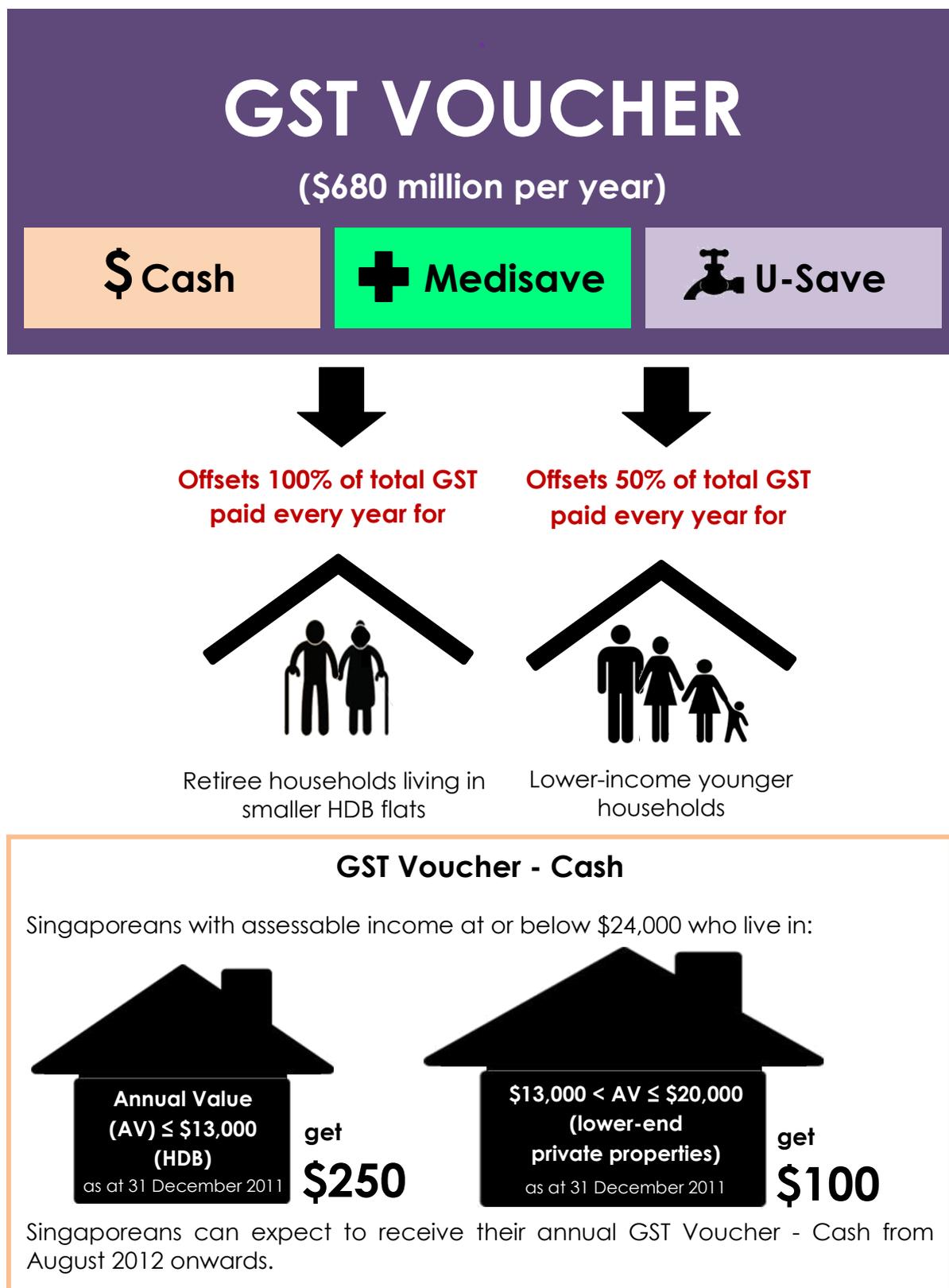
For lower-income Singaporeans, we will do more **to support your children's education**, and help you acquire skills as adults, hold good jobs and improve your incomes over time.



More Support for Lower-Income Families

- **Enhance pre-school subsidies**
 - Introduce new per capita household income criterion to the Kindergarten Fee Assistance Scheme and the Centre-based Fee Assistance for Childcare
- **Raise household income ceiling of the MOE Financial Assistance Scheme**
 - All families with a gross household income of \$2,500 or less, or a per capita income cap of \$625 will qualify for subsidies
 - 40,000 more students will benefit
- **Top up School Advisory Committees / School Management Committees Fund by \$10,000 to \$15,000 per year for the next three years**
- **Enhance and extend Student Care Fee Assistance Scheme to help more lower-income families with a monthly household income of up to \$3,500**
 - 3,700 children will benefit
- **Top up Edusave Endowment Fund by \$200 million**
- **Top up ComCare Endowment Fund by \$200 million**

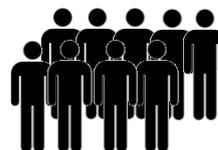
We will also introduce a new and permanent feature in our tax system: GST Vouchers, which will provide continuing assurance of **a fair system of taxes and benefits**. We will set aside **\$3.6 billion** to finance the GST Vouchers for the first five years.



GST Voucher - Medisave

Singaporeans aged 65 and above who live in HDB flats or lower-end private properties will receive:

Age	AV of Home as at 31 December 2011	
	Up to \$13,000	More than \$13,000 and up to \$20,000
65 - 74	\$250	\$150
75 - 84	\$350	\$250
≥ 85	\$450	\$350



About 85% of all elderly Singaporeans will benefit.

Singaporeans can expect to receive their annual GST Voucher - Medisave from August 2012 onwards.

GST Voucher - U-Save

All HDB Households will receive U-Save rebates to offset their utilities bills.



HDB Flat Type	Annual GST Voucher - U-Save
1- & 2-Room	\$260
3-Room	\$240
4-Room	\$220
5-Room	\$200
Executive	\$180

The GST Voucher-U-Save rebates will be given out in January and July each year, starting July 2012.

These changes and new measures continue the process begun five years ago, of making our system of taxes and benefits more progressive, and strengthening our social safety nets. Through education, work, housing and healthcare, we are giving more help and support to lower- and middle-income Singaporeans.

However, we must **strike the right balance in our public finances**. Singapore's system of spending only what we can afford, unlike many other countries, is a real strength. We must preserve this advantage, so that we can build and maintain a fair and inclusive society not just for 10 or 15 years, but for our children's generation and beyond.

Boosting Bus Capacity

Reliable and convenient public transport is critical to the liveability of our city and daily life for the majority of Singaporeans. We will significantly ramp up bus capacity so as to relieve daily congestion in public transport.

We will set aside \$1.1 billion in a Bus Services Enhancement Fund to increase bus capacity, and reduce crowding and waiting times.

