



2001 OFF-BUDGET PACKAGE

INTRODUCTION

On 25 July 2001 the government unveiled a package of measures to cushion the economic slowdown. The package delivered some cost cuts for businesses and pump-priming through accelerated infrastructure projects. However, the main focus was on helping the unemployed workers through retraining schemes.

OFF-BUDGET PACKAGE FOR BUSINESSES

Government projects

The Government will take advantage of low tender cost and bring forward the building of Singapore's economic and social infrastructure projects. At the same time, it will boost the economy. The development of the Jurong Island, drainage and sewerage works, roads and commuters facilities, upgrading of IT projects at polytechnics and universities are some of the projects that the government can take work on. These projects will inject S\$240 million into the economy in this fiscal year and S\$512 million in the fiscal year 2002.

Deferment of CPF restoration

Labour cost is a key component of every business organisation's operation cost. During the recession in 1998, the Government cut the employers' CPF contribution rates by 10% to help companies reduce operation cost, stay afloat and thus saving jobs.

If not for the current economic downturn, the Government would have restored the employers' CPF contribution rates by the end of this year. However, the first priority of the government in the present difficult conditions is to save jobs though helping companies keep wage down. It is therefore decided that the employers' CPF contribution rates of 16% will stay and not be increased. This will be reviewed in the middle of year 2002.

The Government strongly feel that adjusting the CPF contribution rates is a measure of last resort and not to be done lightly. The situation will be monitored closely and if the economic situation deteriorates further, the Government is willing to consider 'all possibilities'.



Foreign worker levy

The Ministry of Manpower (“MOM”) will keep the current reduced foreign worker levy rate till June 2002. Current controls on the intake of Work Permit holders remained unchanged.

Property Tax Rebates

In the last Budget Statement made by The Minister for Finance, tax rate for all commercial, industrial and residential properties was reduced from 12% to 10%. This reduction took effect from 1 July 2001. The 25% rebate for commercial and industrial properties which ended on 1 July 2001 will be extended till 30 June 2002.

Rental Rebates

Rental rebates which the Jurong Town Corporation (“JTC”) and Housing Development Board (“HDB”) introduced in the 1998 package and partly withdrawn in the month of January 2001 will be re-introduced.

JTC will grant an additional 10% rental rebate, bringing the total rental rebate to 20%. HDB will give an additional 5% on top of present 5% rebate, totalling 10% and for those who are paying above the market rates will be given 20% rebate.

Civil Aviation Authority of Singapore (“CAAS”) will be offering a 15% basic rental rebate for warehouse, office, and concession space in the airport. CAAS will also not increase service charge.

The Ministry of Environment, HDB and JTC will be giving a 10% rental rebate for market and hawker stallholders who are paying market rents. An additional rental rebate up to 20% will be given if the rent after the 10% rebate is still higher than the prevailing market rent.

The above rebates will be effective from 1 July 2001 till 30 June 2002.



Port dues

As of 1 July 2001, the Maritime and Port Authority of Singapore will give 20% port dues concession for container ships and commercial harbour craft. This concession will be in effect till 30 June 2002.

Access to finance

Singapore Productivity and Standards Board will raise the Government's risk-sharing of the Local Enterprise Finance Scheme ("LEFS") from 50% to 70% from 1 August 2001.

The coverage of LEFS will be extended to cover enterprises with at least 30% local equity, fixed asset investment of up to S\$50 million and employment size of not more than 300 workers for service companies.

Additional grants will also be set aside under the Enhanced Local Enterprise Technical Assistance Scheme ("Letas") to enhance specific programmes which help local companies strengthen their capital structure, trim cost, improve cashflow management and streamline operation.

OFF-BUDGET PACKAGE FOR WORKERS

Help for the Jobless

With the expected increase in the number of retrenchments, the MOM will continue to expand its employment assistance programmes.

The MOM will start a series of community-based job fairs to bring employers and job seekers together. It is targeting to organise an average of one job fair per month for the rest of the year.

To help workers acquire new skills required in different industries, the MOM would pilot a new programme called the "People for Jobs" Traineeship Programme. The programme is similar to an apprentice programme for mid-career workers.

Under this programme, the MOM will provide financial support of up to S\$3.80 per hour or S\$600 per month for 3 months for companies which employ these retrenched workers, and have agreed to put in place a mentorship or traineeship arrangement to help these workers acquire new skills.



Skills development

The MOM and National Trade Union Congress (“NTUC”) currently operate the Skills Redevelopment Programme (“SRP”) to help lower educated workers to acquire certifiable skills. They will further enhance this programme.

The list of approved courses will also be expanded significantly in order to benefit more workers and employers. Should there be greater demand, MOM is ready to expand the programme even further.

Employer incentives in respect of staff training

For workers sponsored by employers, the Skill Development Fund (“SDF”) funds up to 80% of the course fees incurred for workers less than 40 years old. For workers aged 40 and above, SDF funds up to 100% of the course fees.

In addition to course fee support, the absentee payroll support provided to employers will be increased from S\$5.10 to S\$5.40 per trainee hour for workers less than 40 years old, and from S\$6.15 to S\$6.50 per trainee hour for workers older than 40 years old. This will be in effect from 1 August 2001.

During the SRP training, workers will receive S\$3.80 per trainee hour or S\$600 per month as training allowance. Participating companies, which might otherwise have retrenched their workers, need not top up the training allowance.

Together with its partners, MOM has introduced 2 programmes, the National IT Literacy Programme and the community-based Critical Enabling Skills Training (“Crest”) programme to help workers who still lack basic skills that are increasingly required at the workplace. MOM will invest S\$8 million for the first year and another S\$19 million over the next 2 years to ensure that the training courses are kept affordable for all Singaporeans.

Currently, only workers sponsored by employers are given funding support through SDF for attending training courses. With effect from October 2001, the Lifelong Learning Endowment Fund will give funding support through community self-help groups for individuals without employer support.



CONCLUSION

The package aims to help businesses and workers in coping with the crisis. The Ministry of Trade and Industry will also monitor the economic situation closely and will be ready to do more if the global economic situation worsens.

Reference: The Business Times, 26 July 2001.

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