Some quick thoughts on DPM Heng's ministerial statement on continued support for workers and businesses

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Highlights:

DPM Heng announced an up to 7-month extension to the Jobs Support Scheme to cover wages paid up to March 2021 to provide continued support for businesses and workers amidst the protracted economic downturn. The move did not come as a surprise given the weak state of the S'pore economy. The intent was clear, namely to help protect jobs, while recalibration to 50%/30%/10% was also rational since the S'pore economy has exited the Circuit Breaker restrictions even though it had not fully normalised to pre-Covid conditions. In particular, 7 more months is quite generous and will help distressed companies tide over this still challenging period. Hopefully by March 2021, there will be greater clarity on the economic outlook, namely if things are turning around, especially if a vaccine has been found and more global economic activities have normalised.

The JSS is essentially buying time for stressed companies, especially for the industries that have been badly impacted by the Covid-19 pandemic. However, the JSS cannot reverse the demand slump per se, but is just helping to head off the worst of the local retrenchments that could have taken place otherwise. Still if demand conditions do not improve soon, some firms may still go under and the number of local workers being laid off may still rise in coming months. The overall unemployment rate is still likely to rise from the current 2.9% reading. It looks like a fair amount of thought has gone into the tiering of support distributed across the industries, with the key considerations being which ones have been hardest hit, which ones still see a long hard road ahead, and which ones are managing better. Even the sectors that are doing well get an extension till December 2020, so it's a bonus or icing on the cake for them. That said, some sectors and companies may have been hoping for other types of relief apart from labour cost. Specifically, more rental relief, especially for the SMEs whose business has slumped and need the cashflow to sustain a little longer. One "nuclear" option may even be a reduction in employer CPF contribution rates, which is a possible topic of discussion for the National Wage Council when it reconvenes? The S'pore government had earlier announced an additional $0.9b of Foreign Worker Levy waivers on 1 August 2020.

It is very telling that DPM Heng said the labour market is likely to remain weak beyond 2020. Hence, the approach to save workers and save jobs is multi-pronged – the JSS extension to keep local workers employed, the Jobs Growth Incentive (JGI) to create new jobs for local workers, especially mature workers, and the Covid-19 Support Grant (CSG) extension to

December 2020 to help displaced workers and low-wage workers. The $1b JGI will focus on creating new employment opportunities for local workers, with a special focus on mature workers aged 40 and above. The JGI, which provides co-payment of up to 25% of salaries for all new local hires for one year subject to a cap, is skewed more to mature workers that will see up to 50% co-payment. This may help level the playing field for older workers as they may have higher salaries and face perceived disadvantages during this period when there is significant labour slack. The CSG extension will be open to both existing and new SDG applicants while the $3,000 Workfare Special Payment will be widened to include those who were not on Workfare last year but have received or will be receiving Workfare for work done this year.

From a fiscal perspective, since the $8b does not require a further draw on past reserves as it is fully funded by reallocating earlier planned expenditure from other areas. Nevertheless, the option may still be on the table to reassess in 1Q2021 to see if there's a further need to do more. The revised FY20 overall budget deficit will be $74.2b, assuming lower operating and total expenditure of $63.7b and$102.1b respectively, with higher special transfers of $54.5b and an unchanged NIRC of $18.6b. This essentially reflects lower revenue projections due to a weaker economic outlook, expenditure savings from Covid-disrupted projects.

Date	Budget Title	Amount S$bn	% of GDP
18-Feb-20	Unity	6.4	1.3%
26-Mar-20	Resilience	48	9.9%
06-Apr-20	Solidarity	5.1	1.1%
26-May-20	Fortitude	33	6.8%
17-Aug-20	5th Budget	8	1.7%
Total		**100.5**	**20.8%**
Budget Deficit FY 2020		74.3	15.6%
Past reserves drawn		52	10.9%

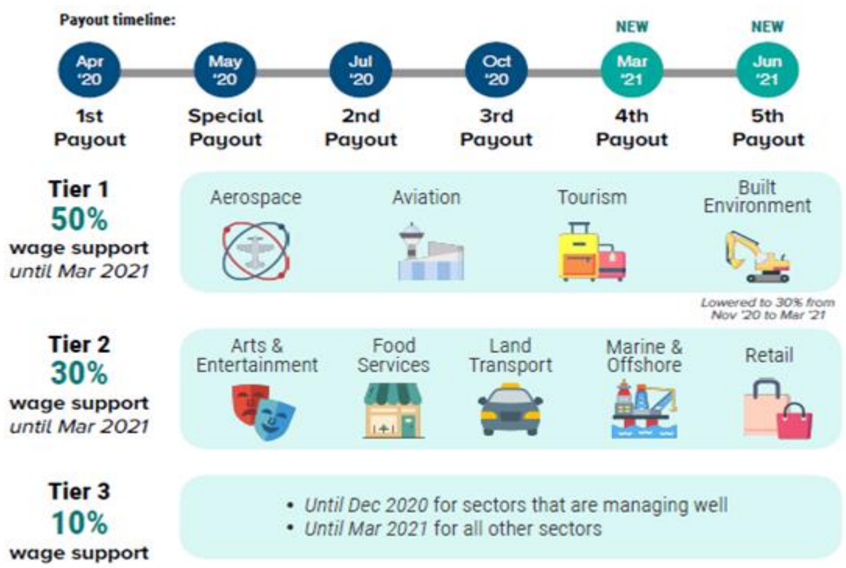

Table 1: Revised JSS Schedule

<table>
<tr><th>Month of Payout</th><th>Payout based on wages paid in</th><th>Tier 1</th><th>Tier 2</th><th>Tier 3</th></tr>
<tr><td>Apr 2020</td><td>Oct - Dec 2019</td><td>75%</td><td>50%</td><td>25%</td></tr>
<tr><td rowspan="2">Jul 2020</td><td>Feb - Mar 2020</td><td>75%</td><td>50%</td><td>25%</td></tr>
<tr><td>Apr 2020 (Circuit Breaker)</td><td>75%</td><td>75%</td><td>75%</td></tr>
<tr><td rowspan="2">Oct 2020</td><td>May 2020 (Circuit Breaker)</td><td>75%</td><td>75%</td><td>75%</td></tr>
<tr><td>Jun – Aug 2020</td><td>75%</td><td>50%</td><td>25%</td></tr>
<tr><td>Mar 2021 [Extended]</td><td>Sep – Dec 2020</td><td rowspan="2">50%</td><td rowspan="2">30%</td><td>10%</td></tr>
<tr><td>Jun 2021 [Extended]</td><td>Jan – Mar 2021</td><td>10% (0% for sectors</td></tr>
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