SBF National Business Survey 2012/2013

1. Key Respondent Characterises

In the 2012 survey, there was a 4% increase in the number of *Local Companies* who have responded to the survey. This is an indication that more *Local Companies* are keen to share their views on issues concerning their business.

Business Sector	2012 Respondents	2011 Respondents	2010 Respondents
Local Companies*	85%	81%	74%
MNC	13%	16%	23%
GLC/TLC	2%	3%	3%
Grand Total	100%	100%	100%

Table 1: Breakdown by Company Categories

* Non MNC/ GLC/ TLC, consisting of SMEs and Companies with >$100million in Turnover

Amongst the SBF members, 65% employ foreign workers.

Company Category	% with Foreign workers
Local Companies	65%
MNC/GLC/TLC	68%
Overall	65%

Table 2: Breakdown by Foreign Employment

2. Budget 2012/2013

In the face of the foreign labour policy changes, 2 in 5 (44%) will be taking concrete steps to upgrade operations so as to be less dependent on foreign workers.

Another 1 in 3 (36%) are taking a wait and see approach before taking the next step.

Only 1 in 5 (20%) will not be upgrading their operation.

By Company Categories, more *Local Companies (44%)* will be looking at upgrading their operations in the near term, as compared to the 39% of *MNC/GLC/TLC*. The results suggest the higher impact the recent foreign employment policies have on the *Local Companies.*

Upgrade operations so as to be less dependent on foreign workers	No	Not Sure	Yes	Total
Local Companies	19%	36%	44%	100%
MNC/GLC/TLC	27%	34%	39%	100%
Overall	20%	36%	44%	100%

Table 3: Company will upgrade operations to be less dependent on foreign workers

67% of respondents are looking to upskill their workers as a way to overcome the manpower crunch. Companies are not only facing more restrictions with foreign workers but also a shortage of local workers willing to take up their job offerings.

Both *Local Companies* and with *MNC/GLC/TLC* are seeing the need and the benefits to upskill their workers, with more than two thirds (67% and 65% respectively) planning to upskill their workers. And with the government pushing for businesses to improve their productivity, companies seem to be heeding that advice.

10% replied that they will not be looking to upskill their workers. Of those who will not be upskilling their workers, 32% do not see the relevance of such a move to their industry/business. 27% are not significantly affected by the changes in foreign worker policy.

Upskill my workers (including foreign workers)	**No**	**Not Sure**	**Yes**	**Total**
Local Companies	9%	24%	67%	100%
MNC/GLC/TLC	13%	22%	65%	100%
Overall	10%	23%	67%	100%

Table 4: Company will upskill workers (including foreign workers)

Notwithstanding the hiring restrictions and increasing levies, only 14% are contemplating the need to relocate their operations, in part or completely out of Singapore.

Amongst the MNC/GLC/TLC, the number that consider relocation is even lower at 10%. The lower percentage of suggest that Singapore continues to be attractive in the area of infrastructure, connectivity, sound legal and political framework that facilitate business and growth.

Company Category	**Relocate operations (complete or partial) to another country**			**Total**
	No	**Not Sure**	**Yes**	
Local Companies	41%	45%	14%	100%
MNC/GLC/TLC	48%	42%	10%	100%
Overall	42%	44%	14%	100%

Table 5: Company will relocate operations (complete or partial) to another country

As a result of the government's effort to moderate the number of foreign workers, more than half (55%) believe that they will face a drop in their profit margins next year.

*MNC/GLC/TLC*s are more resilient to the uncertainties in the market and increased business costs than Local Companies 61% do not expect a drop in profit margins as compared to 44% of *Local Companies*.

Company Category	**Drop in profit margin**					**Total**
	10% - 20%	**30% - 40%**	**Over 50%**	**Cease operations**	**Not affected**	
Local Companies	46%	7%	2%	1%	44%	100%
MNC/GLC/TLC	31%	6%	1%	1%	61%	100%
Overall	45%	7%	2%	1%	45%	100%

Table 6: Extent of drop in profit margin by Company Category

The top 3 schemes/initiatives that respondents are aware of are *Enhancements to the Productivity and Innovation (PIC) scheme* (73%), *SME Cash Grant* (58%) and *Enhanced Special Employment Credit (SEC)* (50%).

The percentage of businesses that do not find these 3 schemes applicable have fallen thus indicating that these scheme have been made more available to businesses in Singapore.

	Not aware	**Aware**	**Not applicable**	**Not Answered**
Enhanced Special Employment Credit (SEC)	22% (14%)*	50% (65%)*	12% (16%)*	16%
SME Cash Grant	14% (18%)*	58% (57%)*	16% (18%)*	13%
Enhancements to the Productivity and Innovation (PIC) Scheme	8% (13%)*	73% (65%)*	9% (16%)*	10%
Enhanced Training Support for SMEs and Self-Employed Persons (SEPs)	19%	45%	21%	15%
Grants to support SME upgrading and Productivity	19%	45%	20%	16%
Innovation and Capability Voucher (ICV) Scheme	31%	32%	21%	17%
Renovation and Refurbishment Deduction Scheme	31%	36%	17%	16%
Mergers and Acquisitions (M&A) Scheme	29%	25%	30%	17%
Double Tax Deduction for Internationalization	23%	37%	24%	15%
Internationalization financing and incentives through Project Financing Company (PFC)	31%	22%	29%	17%
Overall	4%	85%	4%	7%

Table 7: Breakdown of New Initiatives or Enhancements by Respondents
*figures in the brackets are for similar initiatives from Budget 2011

As compared to last year, more respondents have used the *Enhanced Special Employment Credit (SEC)*, *SME Cash Grant* and the *Enhanced Productivity and innovation (PIC)* schemes. A wider coverage and more relaxed requirements might have contributed to this.

Although awareness of the *Merger & Acquisition scheme* (79%) and the *Internationalization financing and incentives through Project Financing Company (PFC)* (77%) is high, a high percentage of respondents are not using it.

	Aware, but Not Using	Aware and Planning to Use	Have used, Find it Effective	Have used, but Not Helpful	Total
Enhanced Special Employment Credit (SEC)	26% (42%)*	21% (24%)*	45% (26%)*	8% (8%)*	100%
SME Cash Grant	28% (30%)*	20% (23%)*	46% (41%)*	6% (6%)*	100%
Enhancements to the Productivity and Innovation (PIC) Scheme	14% (24%)*	30% (35%)*	53% (37%)	3% (3%)*	100%
Enhanced Training Support for SMEs and Self-Employed Persons (SEPs)	43%	29%	25%	3%	100%
Grants to support SME upgrading and Productivity	46%	34%	19%	1%	100%
Innovation and Capability Voucher (ICV) Scheme	60%	27%	11%	2%	100%
Renovation and Refurbishment Deduction Scheme	50%	26%	22%	2%	100%
Mergers and Acquisitions (M&A) Scheme	79%	14%	4%	3%	100%
Double Tax Deduction for Internationalization	48%	20%	30%	2%	100%
Internationalization financing and incentives through Project Financing Company (PFC)	77%	15%	6%	2%	100%

Table 8: Breakdown of those who are aware of New Initiatives or Enhancements by Respondents
*figures in the brackets are for similar initiatives from Budget 2011

More than two thirds (70%) of the respondents are unsure if Budget 2012 has helped to lower their business costs. In addition, 18% have feedback that this year's budget has not lowered their business costs.

This uncertainty towards the usefulness of Budget 2012 could be partly due to the fact that the new initiatives introduced / enhancements to existing schemes under Budget 2012 may not have an immediate impact on lowering the direct costs of businesses.

On the other hand, disincentives to moderate the foreign worker population in Singapore and promote productivity such as restrictions on the foreign worker quota and increasing levies have pushed up business costs, affecting 65% of businesses.

Company Category	**Budget 2012 lowered business costs**			
	Not at all	**Up to 20%**	**30% to 40%**	**Not sure**
Local Companies	17%	11%	0%	72%
MNC/GLC/TLC	20%	12%	2%	66%
Overall	18%	12%	0%	70%

Table 9: Extent in which Budget 2012 has lowered business

Given the mixed bag of incentives and measures introduced by Budget 2012, it is perhaps not surprising that a higher percentage (51%) of businesses are unsure of this year's budget as compared to 46% that felt the same about last year's budget. The percentage of companies that have found Budget 2012 useful has also fallen to 34%.

Company Category		**Was this year's Budget useful?**		
		No	**Not Sure**	**Yes**
Local Companies	2012	14%	52%	34%
	2011	10%	45%	44%
MNC/GLC/TLC	2012	14%	52%	34%
	2011	11%	47%	41%
Overall	2012	15%	51%	34%
	2011	11%	46%	41%

Table 10: Breakdown of Usefulness of Budget 2012 by Company Category

Of the 15% that do not find Budget 2012 useful, it is therefore not surprising that a quarter felt that Budget 2012 has not helped to reduce the costs of labour/ foreign workers.

Top 5 reasons	**%**
No significant impact observed yet	18%
High foreign worker costs	14%
Grants/initiatives/rebates/subsidies does not cater to all industries/businesses	13%
High rental costs	12%
High labour costs	12%

Table 11: Reasons for Budget 2012 not being useful

Reducing Business Costs (72%) remains the top concern for companies.

Reflecting the impact of the changes in foreign worker policies and the tight labour market, we note an 8% increase in the number of companies who are seeking help in the area of *Employment/HR*.

2 other areas that saw an increase in businesses requesting for help are *Investment in Technology* (up 4%) and *Investing in Training & Development* (up 3%).

Measures for improvement	**2012**	**2011**
Reduce Business Costs	**72%**	76%
Employment/HR	**48%**	40%
Investment in Technology	21%	17%
Investing in Training & Development	25%	22%
Overseas Business Expansion	17%	18%
Financing Issues	12%	Na*
Local Business Expansion	10%	13%
Reduce legislative/compliance relating to business competitiveness matters	11%	Na*

Table 12: Measures for improvement breakdown

Other than reducing business costs, companies have also asked for more government assistance and incentives to help them cope with the increasing costs of Rental and Manpower.

Measures for improvement	**Top 1**	**Top 2**
Reduce Business Costs	Rental (35%)	Workers levies (20%)
Employment/HR	Foreign worker quota related (44%)	Cost related (40%)
Investment in Technology	Incentives – Tax & Rebate (82%)	Quality and cost of software/hardware (8%)
Investing in Training & Development	Incentives & Assistance scheme (88%)	Scope of T&D programme (7%)
Overseas Business Expansion	Tax reliefs/ incentives (58%)	Biz matching/ networking related (25%)
Financing Issues	Cost of govt scheme/ borrowing (52%)	More govt scheme (38%)
Local Business Expansion	Funds/ Incentives/ Tax (28%)	Biz Opportunities (26%)
Reduce legislative/compliance relating to business competitiveness matters	Streamline processing (44%)	Reduce associated costs (33%)

Table 13: Top 2 by measures

*not asked in the previous survey

In essence, the following are the top 3 issues that SBF members have highlighted for the government to give more focus to.

Top 3 wishlist	**2012**
Rental	16%
Foreign worker quota related	15%
Other Cost related	14%

Table 14: Top 3 in the wishlist

Generally, the wishlist for Budget 2013 is leaning towards more cost related issues.