

## **FOR IMMEDIATE RELEASE – 23 JAN 2025**

### **SINGAPORE RETAILERS ASSOCIATION – RECOMMENDATIONS FOR BUDGET 2025**

#### **Addressing Challenges in the Retail Landscape**

Singapore's retail sector continues to face significant challenges. Retailers are grappling with the pressures of adapting to the fast-evolving preferences of tech-savvy, environmentally conscious consumers who are looking for more immersive and experiential shopping. At the same time, retailers must navigate the complexities of maintaining profitability amidst rising operational costs and a tight labour market. Furthermore, market sentiment suggests that the impending launch of the Johor Bahru – Singapore Rapid Transit System Link (RTS) in 2026 could potentially further re-shape shopping behaviours given the anticipated increase in cross-border traffic and potential for intensified competition.

Mr Ernie Koh, President of the Singapore Retailers Association said “Despite the retail sector continuing to face headwinds, there are pockets of opportunities for us to reinvent ourselves and leverage on our strength in multi-cultural understanding, digital integration and operational efficiency. As we explore new retail innovations and concepts, a coordinated sector effort, supported by the Government's plans and policies, is crucial to overcoming these challenges to ensure the continued success and sustainability of Singapore's retail sector in an evolving market landscape.”

#### **Recommendations for Budget 2025**

SRA has proposed the following recommendations to tackle the immediate and long-term challenges and shaping the future of retail in Singapore:

##### **Adopt a Balanced Approach to Foreign and Local Manpower to help Businesses Effectively Meet Consumers' Needs**

Frontline retail is essential to delivering service excellence and a memorable retail experience. Given the nature of frontline retail employment — including shift and weekend work, extended periods of standing, and the ongoing demands of customer service — retail is generally not considered a career of choice for local workers. Despite sustained efforts to redesign frontline

retail roles and the integration of technological solutions (e.g., self-checkout systems, mobile point-of-sale devices, and data-driven sales analytics), a core level of staffing remains essential for the sector to continue to thrive. As of 2023, foreign workers make up an estimated 40% to 45% of the total workforce in frontline retail roles and remain a key aspect of the retail sector.

1. **Increase Dependency Ratio Ceiling (DRC)** With the current DRC for the services sector set at 35%, this presents significant challenges in terms of manpower resourcing. A relaxation of the DRC to facilitate the employment of more foreign workers to fill frontline retail positions would support Singapore's continued success as a leading retail hub in the region.
2. **Expand the Restricted Set of Occupations in the Non-Traditional Sources (NTS) Occupation List** The source countries could be expanded beyond the current NTS Occupation List to include countries with a service-oriented culture such as Philippines and Vietnam, especially. To ensure that our workforce continues to be highly skilled and productive, the proposed expansion of is contingent on the company's adherence to the Progressive Wage Model (PWM) and active participation in Workforce Singapore (WSG)'s Career Conversion Programme (CCP) for job redesign and reskilling.
3. **Transit Economically Inactive Singaporeans back into the Workforce** To encourage employers to hire Stay-At-Home Mothers and caregivers, the New Part-Time Re-Employment Grant (PTRG) could be expanded to support to the implementation of flexible work arrangements such as flexi-hours, staggered hours or remote work to allow this group to manage their caregiving responsibilities while contributing to the workforce. To provide a more structured framework for this transition, WSG's Career Conversion Programme could also be extended include part-time workers in addition to full-time employees. By bundling these initiatives, SAHMs and caregivers would receive job placement support, reskilling opportunities and flexible work arrangements to facilitate their smooth reintegration into professional] life. This approach would also encourage employers to hire individuals with career breaks, thereby expanding the available manpower pool.

#### Support Sector-Wide Reskilling and Upskilling for Singapore to Preserve Its Status as a Leading Tourism Hub

4. **Reduce Foreign Worker Levy (FWL)** We propose a 20%-30% reduction in the FWL for service workers who have obtained at least the WSQ Certificate in Retail Operations, to address the shortage of skilled workers in this sector for migrant workers who minimally obtain the WSQ Certificate in Retail (Operations). This would help to upskill the retail workforce for the next leap of growth in the retail sector as we continue to digitalise and transform the sector.
5. **Use of Foreign Worker Levy (FWL) for Upskilling of Foreign Workers (FWs)** As we continue our efforts to reskill the sector and lift Singapore's service standards, upskilling only locals may not result in a needle-moving change to the industry. Our foreign workforce makes up a key proportion of the retail ecosystem and will also need to be upskilled in pace with the local

workforce for a consistent customer experience and increased sector productivity. The defrayment to overall training costs while building up the capabilities of our overall workforce in alignment with the Progressive Wage Model (PWM) would help lower the additional operational costs. At the same time, skilled FWs will also be compensated fairly and competitively as compared with other hiring countries that do not impose any levy on FWs, thus giving the Singapore the ability to better compete internationally for quality manpower.

#### Coordinate Efforts to Alleviate Business Costs

The cost of operating in Singapore is increasing exponentially for the lifestyle trades, and these are businesses that cannot easily transfer the increased cost (nor is it in the benefit of Singapore's social fabric and wellness to do so) to local consumers. Easing the business costs to provide a rate that is feasible for lifestyle companies would avoid an exodus of retailers out of Singapore.

6. **Top-Up and Extend the Validity of the SkillsFuture Enterprise Credit (SFEC)** An extension of the SFEC initiative and top-up of the SFEC for companies that have fully-utilized their credits would encourage businesses to continue to pursue workforce upgrading and business transformation. The revised initiative could not only cover more customised training but also include competency building in the form of overseas learning missions and attachments or programmes in more nascent topics (e.g. Sustainability for specific sectors) that employers deem as relevant to the business.
7. **Relax the 60/40 Rule for Industrial Properties** Relaxing the 60/40 rule could support the relocation of large-format retail to less densely populated industrial zones, thereby optimizing space utilization and enhancing operational efficiency. This adjustment would also promote more effective use of downtown retail spaces. By reclassifying certain B1 zones, such as Woodlands Industrial Park, Serangoon North Industrial Estate, and Sungei Kadut Industrial Estate, as retail warehousing zones, it could also improve retail distribution efficiency, foster better land use, attract large-format retailers to these areas, and facilitate the development of specialized precincts.
8. **Review the Commercial Property Tax Structure** The robust Singapore dollar, coupled with high inflation rates, has intensified pressure on businesses as Singapore is no longer considered a cost-competitive environment. A re-assessment of the tax structure could help **mitigate the effects of the recent increases in property tax.**
9. **Understand the Johor Bahru (JB) – Singapore Retail Dynamics** The market sentiment surrounding the upcoming RTS suggests that easier access to Malaysia may encourage more consumers to shop across the border, potentially leading to reduced foot traffic and sales in certain sectors in Singapore. Retailers in Johor Bahru may also become more appealing to Singaporean consumers due to the lower prices and a diverse range of offerings, further diverting business away from Singaporean retailers. While SRA is organising a learning and

networking trip to JB for the retail sector stakeholders in Feb 2025 to identify cross-border strengths and synergies, better sight on the potential plans and government policies for the Johor – Singapore Special Economic Zone (SEZ) would better enable local retailers to strategically prepare for the RTS launch.

### **Outlook for the Sector**

Despite the challenges, the outlook for Singapore’s retail sector remains optimistic. The sector is poised for transformation driven by innovation, workforce rejuvenation, and collaborative growth. SRA believes that a unified approach, supported by government policies and industry-wide initiatives, will enable Singapore’s retail sector to remain a cornerstone of the economy and a vibrant part of Singapore’s cultural identity.

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### **About Singapore Retailers Association**

The Singapore Retailers Association (SRA) is a not-for-profit organization dedicated to representing and advancing the interests of the retail industry in Singapore. Established in 1977, SRA provides a platform for retailers to collaborate, innovate, and thrive in a dynamic and competitive landscape. For more information, visit <https://www.sra.org.sg>.