

CIVIL SERVICE PAY

Primed for a cut

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Still, civil servants TODAY spoke to understood the rationale for the smaller pay packages.

The floundering global economy has spawned retrenchments and pay cuts in the private sector, and while civil servants typically do not have to fear lay-offs, it would "not be logical" for them to be similarly shielded from pay cuts, a 24-year-old civil servant said. "If you manage to stay employed, you are luckier than a lot of people out there who are retrenched."

In fact, Singapore National Employers Federation vice-president Bob Tan feels any salary adjustments would correct a current "misalignment" with the private sector. "The public sector works on a slightly different basis, you don't see them going out of business ... (but) you can't have a situation when the public sector is earning so much more than the private sector."

In the circular to civil servants, Ms Ong said in such difficult times, "all Singaporeans must stand together".

"We look forward to your active contribution to helping Singapore and Singaporeans overcome the current challenges and return as quickly as possible to better times," she wrote.

Soon after the downturn's onset, the Government had announced in November changes affecting civil servants' annual pay package for last year. They did not receive the special Growth Bonus and saw their Annual Variable Component (AVC) — which is also linked to economic performance — halved.

Under the pay formula, a substantial part of the annual pay of Senior Permanent Secretaries and Ministers is linked to the GDP growth rate. Noting that the official GDP forecast of minus five to minus two

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PSD's Ms Ong Toon Hui in the circular to civil servants

per cent for this year "will most likely be revised further", Ms Ong said there would be "zero GDP bonuses" this year, with the AVC to be cut further.

With the National Wage Council set to meet next month or May for its annual deliberations, Ms Ong said the civil service would follow its guidelines "in deciding the exact adjustments to salaries". She added: "It is safe to say that if economic conditions continue to deteriorate, further adjustments in salaries will likely become necessary."

COMPANIES TO FOLLOW SUIT ... OR EXPLOIT?

As Singapore's largest single employer with more than 60,000 staff, the civil service's announcements on salary adjustments are closely watched by the private sector.

Companies that have resisted cutting pay so far might "take direction" from the public service, said Mr Josh Goh, a senior manager at recruitment agency The GMP Group. But he cautioned against firms — especially those that have already implemented pay cuts — from exploiting the situation.

"If the company, after the first round of cuts, can manage the cost well, there's no necessity for them to go for a second round," he said.

When better results mean lower rates

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Over the next six months, the programme may be extended to at least 10 schools, including the MBA programme at the National University of Singapore and the varsity's Risk Management Institute.

How attractive are the unusual loan terms? A final-year, part-time MBA student at NTU, Siti, 32, said that while the loan provides "an incentive to do well", it is "very hard" to get a GPA of 4.5.

Those who are working have to juggle their studies and work, she said, adding that perhaps full-time students would be more in need of a study loan.

An MDIS spokeswoman told TODAY the scheme would "give students more options and make them work harder to get good results".

Typically, undergraduates at the three public-funded universities who need education loans get them from the Government administered through banks, or from the universities themselves.

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Postgraduate and private institution students, however, would usually need a commercial loan.

"The market for such loans is a sizeable one," noted Citibank Singapore's head of secured finance solutions Vibha Coburn.

Last December, TODAY reported on the increase in applications for MBA courses at various business schools, with working adults looking to possibly hit the books during the recession.

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Women protest against AIG, which was bailed out using \$272 billion in taxpayer money. EPA

AIG BONUSES

The buck stops with me: Obama

Some executives return bonuses as role of Obama administration surfaces

AS ANGER over the huge bonuses at American International Group (AIG) snowballed into an avalanche of fury, some of the insurance company's executives have begun returning all or part of their bonuses totalling US\$165 million (\$250 million) and it has emerged that despite President Barack Obama's public displays of outrage, his administration made sure that the payments were allowed.

In a tense Congressional hearing on Wednesday, AIG chief executive Edward Liddy said he had asked recipients of more than US\$100,000 to return at least half of their bonuses, but offered no details.

According to a Wall Street Journal report yesterday citing an unidentified source, among those who have agreed to refund the bonuses was Mr Douglas Poling, who received the largest payout of more than US\$6.4 million.

An executive vice-president at AIG, Mr Poling is one of the 418 current and former employees from the insurer's disgraced financial products unit who had received bonus payments. Mr Poling declined comment.

In a shocking twist on Wednesday, Senate Banking Committee chairman Christopher Dodd told CNN he was responsible for language added to last month's US\$800-billion federal stimulus Bill to make sure that the bonuses were paid out.

Mr Dodd said Obama administration officials had asked him to insert the clauses because they were afraid the government would face numerous lawsuits without the new language, CNN reported.

Mr Obama said he will take responsibility for the bonus fiasco.

"Listen, I'll take responsibility. I am the President," he said at a town hall meeting on Wednesday in Costa Mesa, California.

"We didn't draft these contracts. We have got a lot on our plate — but it is appropriate when you are in charge to make sure that stuff doesn't happen like this," he added.

The large payouts to the executives set off a wave of public fury because the insurer needed to be bailed out four times since last September at a cost of US\$180 billion to American taxpayers.

In his testimony, Mr Liddy said he feared for his employees' lives if Congress goes through with a threat to name and shame recipients of the lavish bonuses. Reading out death threats received by AIG, Mr Liddy said he could only release the names of the bonus recipients if Congress promised to keep them confidential.

Mr Liddy, who took over at AIG in September and is paid only a token US\$1 salary, said the financial products unit blamed for the group's fall from grace was still sitting on US\$1.6 trillion in shaky investments that need expertise to unwind. So the company had to accept "the cold realities of competition" and honour the pay and bonus contracts for senior staff and traders.

But that argument was unacceptable to lawmakers, who gave vent to their constituents' fury at a time when millions of Americans are living in fear of losing their jobs, homes and healthcare.

After the day-long grilling, Democrats announced late on Wednesday plans to slap a 90-per-cent surtax on executive bonus

payments by companies receiving more than US\$5 billion in federal bailout funds. AGENCIES

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