



Office-goers in Singapore. It does not make logical sense that when the external environment is highly favourable, the Government should curtail employment growth by tightening the labour market, and drive up business costs in a bid to slow economic growth. Such a direct interventionist approach would have serious repercussions for businesses and potential investors. ST PHOTO: TED CHEN

Growing pains in growing fairly

Economic growth in turbulent times requires smarter public policy and better productivity

BY TAN KHEE GIAP, TAN KONG YAM & QUEK XUAN YU FOR THE STRAITS TIMES

THE discussion about Singapore's growth strategies and the policies developed to achieve them raises three key questions we hope to address:

Has Singapore's economy expanded too fast and can problems such as income disparity, rising housing prices, public transportation and traffic congestion be avoided if growth is moderated?

Can the Government significantly mitigate these problems through fundamental policy changes even as it strives to be more inclusive?

Finally, as public discontent escalates, can Singapore avoid harbouring an economic underclass without resorting to a comprehensive social welfare system which will not only be a financial burden on the state but also a disincentive to taxpayers? This is especially so as Singapore's population ages.

Did we grow too high, too fast?

SINGAPORE still managed to achieve an average of 5.5 per cent gross domestic product (GDP) growth annually between 1998 and 2008, notwithstanding the 1998 recession, the 2001 bursting of the dot.com bubble and 2003's Sars outbreak. When the external environment was more favourable between 1987 and 1997, annual GDP growth was a robust 9.3 per cent.

That is an enviable growth rate unlikely to be repeated, for Singapore is a maturing economy. As much as Singapore reaped the benefits of globalisation, it

	SIMULATION OF GDP AND AVERAGE LABOUR PRODUCTIVITY GROWTH			
	1998-2008 Actual figures	2009-2019 Pessimistic scenario	2009-2019 Base case	2009-2019 Optimistic scenario
Employment growth (%)	2.92	1.00	1.50	2.00
Productivity growth (%)	2.52	1.79	2.67	3.61
GDP growth (%)	5.45	2.79	4.17	5.61

ST GRAPHICS

also bears witness to its unwelcome ills, such as widening income disparity.

Income disparity has rapidly worsened since the late 1990s, even with heavy subsidies in education, health care, public utilities and Central Provident Fund top-ups which came to \$2.6 billion a year from 2000 to 2009. Such special transfers were able to contain the Gini coefficient at 0.444, the same level as in 2000.

Social tensions can escalate when the Gini coefficient crosses 0.5. We have also seen a widening income growth gap between the top 20th percentile households and the bottom 20th percentile households over this period. The "globalisation driven-technology upgrading-skill obsolescence" thesis may not offer a complete account of this widening gap.

A comparison with Hong Kong is instructive. Singapore is not as fortunate as Hong Kong, which benefits from the Mainland China and Hong Kong Closer Economic Partnership Arrangement and World Trade Organisation Plus concessions as China rapidly becomes an economic powerhouse. While the People's Liberation Army takes care of Hong Kong's defence, Singapore reserves a substantial portion of its annual budget for defence.

Still, Hong Kong's GDP grew at 6 per cent a year between 1987 and 1997 and 3 per cent the following decade, about 40 per cent lower than what Singapore achieved over the same period.

Interestingly, whenever there was a recession, Hong Kong would sink deeper, and whenever the economy recovered,

Singapore would rebound higher. Singapore's GDP was only 42 per cent that of Hong Kong in 1987, on par in 2010, and is expected to surpass it by 16 per cent by 2017.

The positive interventionist approach enabled the Singapore Government to squeeze relatively more growth from the Singapore economy than was managed in Hong Kong. The latter economy was constrained by the rigid Hong Kong-United States dollar pegged exchange rate regime that prevented the economy from cost adjustments through the exchange rate, necessitating deep stock price corrections and severe real estate downturns during recession.

Another important aspect of Singapore bears repeating: its small, highly open economy.

According to the International Monetary Fund, Singaporeans are the third wealthiest in the world in terms of per capita GDP, after Qatar and Luxembourg. But such rankings are not meaningful as Singapore is among the world's most open economies, with trade being three times the size of its GDP. In the 2009 American sub-prime loans crisis, Singapore was among the first to tailspin into a recession, forcing the Government to significantly ease the costs of the economic downturn for companies and to minimise unemployment pain by deploying the untargeted Jobs Credit Scheme.

With the US economy's weak recovery, Singapore can expect an externally driven recession this year, as it becomes more expensive to finance European sov-

ereign debts and painful austerity measures are resisted by the European public. No amount of job credit schemes can avert a recession. As a small and open economy, Singapore can only be better prepared to deal effectively with exogenous outcomes, over which we have very limited control.

Singapore is simply a price taker given its full capital mobility. Arguments over whether the Singapore economy has been growing too fast and growing at all costs inappropriately assume that the Government can easily control and decide the speed and magnitude of such GDP growth.

Even if this were true, it does not make logical sense that when the external environment is highly favourable, the Government should curtail employment growth by tightening the labour market, and drive up business costs in a bid to slow economic growth. Such a direct interventionist approach would have serious repercussions for businesses and potential investors. If multinationals conclude such government measures are the official mode of economic management, they may decide to shift their investment plans elsewhere, and would be most unlikely to relocate back to Singapore.

What policy changes are needed?

THE Government would be unwise to resist robust economic growth during good times by curtailing employment growth because of public resistance to a large foreign workforce or other social-political considerations. Such populist approaches could spell trouble for a prudent government.

When growth averaged 5.5 per cent between 1998 to 2008, it masked the volatility of recessions followed by near double-digit growth rates. This performance was just over half the previous decade's annual growth rate of 9.3 per cent. Singapore achieved actual annual employment growth of 2.9 per cent and annual average productivity growth of 2.5 per cent.

The question is not whether Singapore's GDP has expanded too fast, or if growth has been pursued at all costs.

Regardless of the growth quantum, government agencies should better manage anticipated infrastructure demand, identify and understand the types of jobs being generated, the suitability of skill sets required of the local workforce, while forecasting public housing need, providing affordable and accessible health care and sustaining an environment for a bigger population. We should re-examine public policies and the Gov-

ernment's new role in pursuing an even more inclusive society.

The Housing Board should revamp the affordability index for public housing pricing and rentals in order to appropriately reflect weights assigned according to room-types and income brackets. The National Environment Agency can look at the Government's defined Monthly Living Wage when setting the rental and base-price bidding for hawkker stalls.

The Public Transport Council could re-examine the formula for setting public transportation fares by indexing it to affordability according to household income, age groups and inflation.

JTC Corporation could review land costs, factory rentals and selling prices for small and medium-sized enterprises, based on business proposals judged by an independent private sector-led committee.

The Ministry of Manpower may need declarations from human resource directors that they have actively sourced the local workforce before approving their applications for employment passes, S passes and work permits.

These suggested approaches would lead to lower revenues or bigger subsidies for statutory boards, ministries and government-linked companies. But they also translate into higher income and employment for Singaporeans. It is certainly superior to the fiscally debilitating comprehensive social safety nets proposed by some. These inclusive approaches are also more cost-effective than the current Workfare Income Supplement Scheme, which cannot significantly mitigate income disparity unless the income supplement is raised and linked to up-skill programmes.

Expectations and pursuing the right public policies

WE HAVE simulated three medium-term GDP growth scenarios achievable under various required productivity growth targets, assuming a certain level of employment, labour share, total factor productivity, labour and capital quality growth. Based on the actual economic performance of the economy over the period 1998 to 2008, we have simulated for pessimistic, optimistic and base case scenarios, which are most likely to prevail for the period 2009 to 2019, as shown in the table.

Our base case simulation suggests that for 1.5 per cent employment growth coupled with other assumptions on capital and labour quality, the Singapore economy would grow at an annual rate of 4.2 per cent between 2009 and 2019, with required productivity growth rate of 2.7 per cent. Such a growth scenario would mean that Singapore's workforce must be prepared to deliver at the top end of the National Productivity Target (NPT) band of 2 to 3 per cent, as set by the 2009 Economic Strategies Committee.

However, if the authorities constrain employment growth to an average 1 per cent per annum, annual GDP growth would be 2.8 per cent, with productivity at 1.8 per cent, marginally under the NPT. Such a pessimistic scenario would mean fewer special transfers as compared to those experienced in the past decade, unless the Government puts together additional resources from the Net Investment Returns on the reserves.

If the annual average employment growth is 2 per cent, the Singapore economy would be able to achieve an average annual GDP of 5.6 per cent with productivity growth at 3.6 per cent. This would mean a productivity level well above the NPT - a tall order! The implications of such growth include continued public discontent as it requires a large foreign workforce especially during the good years.

Even as we pursue the base case scenario, the biggest challenge remains how the Government can best mitigate income disparity through the careful allocation of resources, and avoid building an economic underclass.

Globalisation and inclusive growth are not mutually exclusive. Positive interventionist policies for inclusiveness have their place. The Government's challenge is to show how income disparity can be addressed by enhancing inclusiveness without retreating from globalisation in trade and finance. As a small, highly open economy with no direct hinterland, Singapore probably does not have too many choices.

The writers are from the Asia Competitiveness Institute at Lee Kuan Yew School of Public Policy, NUS.

A lift for freedom: That little blue bra

BY SALLY QUINN

THERE have been jillions of atrocities against women all over the world, many much worse than what happened to the young Egyptian woman who was beaten, stomped on and nearly stripped by the military during a recent demonstration. Aside from the sheer brutality, what stood out was that she was wearing this gorgeous, sexy, bright blue bra. Under her abaya.

There was something so shocking about it, so unexpected. This person covered from head to toe demonstrated her beliefs through her choice of underwear. The blue bra said what I imagine her to be feeling: "I may be oppressed. I may not have rights. I may have to cover up my body and face. But you cannot destroy my womanhood. You can't rob me of my femininity. You can't take away my power."

That blue bra, to me, was the ultimate symbol of women's power, the one thing that threatens men above all. It makes them so crazy that over the centuries they have encoded it into their religions that women are kept down and denied the same freedoms that men have. There are very few religions where women have not been oppressed.

Men know that women's sexuality is something they cannot live without; it is something that renders them powerless. Women can have babies, women can breastfeed, women are the lifegivers. The blue bra is a bold statement of that.

The blue bra resonated with demonstrators in Egypt. Some have replaced the eagle in the centre of the Egyptian flag with a blue bra. When the incident incited a protest by women two weeks ago, the hashtag #BlueBra was used on Twitter to help organise it. More and more there are blue bra moments, not just in Egypt but around the world.

A young woman in Egypt who was given a "virginity test" when she was arrested last March has courageously filed a criminal case against the military. The Egyptian court has just banned virginity tests in jail.

A woman is running to be president of Egypt.

In Israel, there have been protests after a young woman was asked to sit at the back of the bus in an ultra-Orthodox neighbourhood. She refused and has become a heroine among moderate Israelis.

In Iran, women can be arrested if they are not totally covered. Even President Mahmoud Ahmadinejad, seeing the writing on the wall, is trying to promote attractive government-approved fashions for women. "Again we face a situation in which a small group will decide for all women what is allowed and what is not," one Egyptian designer told The Washington Post.

The Egyptian woman in the blue bra

has not come forward. She has been criticised for protesting in public and for not wearing more clothes under her abaya. (She was also wearing jeans.)

In a brilliant new book, *The Meaning Of Mary Magdalene: Discovering The Woman At The Heart Of Christianity*, author Cynthia Bourgeault argues that Mary Magdalene may well have been Jesus Christ's lover, life companion, "soulmate" and first among apostles. This despite the fact that the official teachings of the Roman Catholic Church for almost 1,400 years said she was a prostitute. That was rejected by the Vatican in 1969. "A powerful and faithful apostle is transformed into a repentant whore," writes Bourgeault. "There is certainly more than a fair share of misogyny and slander."

In the Gospel Of Mary, in a dialogue where she is represented by "The Soul", Mary responds to criticism from Peter: "You never truly saw nor knew me. You took the garments that I wore to be me,

but you never recognised my true self." This plaintive cry for recognition could well be echoed by billions of women across the globe, many of them hidden under their garments. "You never recognised my true self." If only Mary Magdalene had had the blue bra.

It's time for all women to own the blue bra, either a real one or one of the spirit. Let's not allow that young woman in Egypt to have been beaten, stripped and exposed in vain. Let us make her humiliation our triumph.

A very successful friend of mine, who is often the only woman on the many medical boards she serves on, comments that everyone, herself included, wears dark suits to work, but she knows that underneath she's also wearing pastel lace underwear. "It always gives me such a feeling of confidence and power."

The great thing about it is that when women go into the workplace, or the public square, or anywhere else, the men are always going to wonder, does she have on the blue bra?

Let the answer always be yes.

The writer is the moderator of Washingtonpost.com's On Faith section, a conversation on religion and politics.

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