



Building a nation: It is crucial for the public to understand that, if the total number of jobs created is more than the resident workforce can fill, highly skilled white collar foreign professionals will be needed – as will blue collar foreign workers to work on infrastructure projects. PHOTO: YEN MENG JIN

Hard questions to answer for S'pore's development

Rational public policies must always prevail over irrational public pressures

By TAN KHEE GIAP

AFTER the 2008/2009 global financial tsunami, several rounds of quantitative easing (QE) worked for the American economy, starting a broad-based recovery since the fourth quarter of 2012.

European and other high-income economies including Japan are also going through their respective QE and have since recovered from their lows. They started to show positive quarterly GDP growth from early 2013, although their growth has yet to stabilise and is not yet broad based.

In most developing economies, led by China, growth has been reasonably strong, notwithstanding recent stresses faced by the currencies of some big emerging economies such as Brazil, India and Indonesia.

Singapore should benefit from the external demand rebound from major export markets which should remain resilient at least up to 2016, according to the World Bank.

The Singapore economy has been through a steady recovery since the second half of 2013 with an optimistic outlook for manufacturing and the financial, tourism and other services sectors. The Asia Competitiveness Institute (ACI) at the Lee Kuan Yew School of Public Policy has forecast 2014 GDP growth for Singapore to be higher than the official upper band of 4 per cent. However, as international business cycles are getting shorter and discontinuities in growth have been a feature of the Singapore economy since the 1997 Asia Financial crisis, maintaining steady growth will be a challenge.

After the robust GDP growth of 15.1 per cent for 2010 following a one per cent contraction in 2009, Singapore has registered GDP growth at an average rate of 4 per cent per annum between 2011 and 2013 which is lower than the potential rate of 5.5 per cent per annum estimated by ACI. This low growth performance was mainly due to the government's labour supply adjustments to improve productivity coupled with public pressure to scale down the number of foreign workers. Companies with orders were, therefore, not able to expand their business activities, with some companies even considering relocating – which would pose more risks for Singapore. Once multinational corporations (MNCs) make a decision at their headquarters to relocate, and especially if they view the current tight policies on labour – with

more tightness to come – as the new normal of Singapore's foreign manpower policy, they are unlikely to return. Singapore thus needs to calibrate its labour policies very carefully.

Narrowing income disparities and building an inclusive society is a national commitment, but how to go about achieving this requires consensus: Should we build an inclusive society through investing in a pragmatic education curriculum and sharpening Singapore's competitive edge through a productivity drive, or should we create a "mini welfare state" to begin with, as argued by some, so as to guarantee help to those who need it, or both? Pertinent questions here include: what are the basic principles for improving inclusivity? How costly and sustainable would this be? How will initiatives for inclusivity be funded and who will pay for them?

Public housing is an important social equaliser, in many ways unique to Singapore and an integral part of the asset enhancement programme within a land-scarce city state. But house ownership will be meaningless if the value of homes does not appreciate or worse, if they stagnate or depreciate over time. Discounted prices and incentives are necessary for first-time would-be house buyers. The key here is how to distribute fairly the fruits of land and asset property appreciation to not only existing property owners but also to those citizens who aspire to be property owners.

Another part of inclusivity lies in managing the wage framework. An effective tripartite relationship among workers, employers and the government is a cornerstone of Singapore's harmonious industrial relations and productivity drive. It also facilitates employment stability and production efficiency. But such tripartite arrangements should not be taken for granted. Maintaining them needs continuous work.

Public services including education, healthcare and public transportation account for a significant portion of the cost of living for average citizens. Should such essential services be privatised or nationalised? After the 2011 general election, the Singapore government has quite rightly abandoned the cost-recovery market pricing model for public services. But such a policy U-turn cannot come free of charge as it would mean bigger government expenditures which have to be funded from somewhere by someone, presumably from tax payers, directly or indirectly. Taxpay-

ers must ask themselves: are they prepared to do so, especially if the burden may get heavier over time, given our rapidly ageing population – unless it is shared by a younger population that includes productive new immigrants?

A transparent tracking of affordability indices would assure and mitigate public concerns. Periodically disclosed Transparent Affordability Indices (TAIs) may be computed for essential public services for average Singapore residents which could stand up to public scrutiny. This would help reinforce public confidence and trust towards the government.

Constructing annual international benchmarking indices to compare Singapore's cost of living with that in the world's major cities, as well as purchasing power and wages – as ACI in Lee Kuan Yew School of Public Policy has just completed – would be a useful complement to TAIs.

For Singapore's continued development and growth, some reliance on foreign workers is a reality. But there are trade-offs involved. The government is committed to a steady state under which not more than one-third of Singapore's total workforce will be foreigners, so as to better manage and accommodate people's needs in terms of housing, transportation, social spaces and other infrastructure. The government is also committed to ensuring that all Singaporeans who want to work can find decently paid jobs with the help of a more practical education curriculum, internships, subsidised productivity training and the workfare income supplement scheme – all of which should give Singaporeans confidence when competing with foreigners in the workplace.

Trade-offs

But it is important for the public to understand and accept that, so long as the trend is moving towards the targeted one-third, some fluctuation of the foreign workforce to above or below that level should be tolerable, especially when the external economic environment is favourable and Singapore needs to tap into strong external demand – both for growth and to help balance government budgets which may have incurred deficits during global economic downturns.

It is also crucial for the public to understand that, if the total number of jobs created is more than the residence workforce can take, highly skilled white collar foreign professionals will be needed – as will blue collar foreign workers to work on infrastructure projects.

As a policy objective, the government has projected that professionals, managers, executives and technicians (PMETs) would increase from the current half of the occupation profile to about two-thirds by 2030 so that Singapore would need less employment passes and S-pass holders.

In the event of a protracted low growth economy, either due to companies relocating or/and worsening external demand, would Singapore still be able to create quality jobs for PMETs? Does it make sense that when the external environment is favourable, the government should curtail employment growth by tightening the labour market such that it raises business costs and discourages "unwanted extra business growth" just to force the economy to slow down?

The right approach would be to seek quality immigrants who can contribute to the economy, to tax revenues, and are able to integrate locally, without disturbing the racial status quo or undermining social harmony.

As Singaporeans become better educated, they are quite rightly keen to participate in public policy formulation. However, there is an emerging danger of citizens becoming so inward looking – as is happening in Taiwan, Thailand and Malaysia, where citizens get so engrossed in domestic politics and social debates that they distract and tie down the government and the bureaucracy. As a cosmopolitan city and an open economy, can Singapore afford to take such a path? While all politics and cultural debates are ultimately local, any economic discourse for Singapore should always include a global perspective. Rational public policies must always prevail over irrational public pressures. Most of all, public trust in institutions and the civil service must be maintained.

Increasing public participation in public policy is a positive development. However, the type of citizen participation needs careful consideration. The big question we must ask ourselves is: Do we want the confrontational political process of a two-party system or a system where opposition parties provide checks and balances on an incumbent government which has a strong and proven track record?

The author is co-director, Asia Competitiveness Institute, Lee Kuan Yew School of Public Policy, National University of Singapore and chairman, Singapore National Committee for Pacific Economic Cooperation