

Foreign-local worker swap unproductive

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IS the Singapore economy close to a tipping point? Is the labour market here really tight? Is Singapore left with productivity as the only source of growth, going forward?

These were recurring questions raised on Friday at the latest Singapore Economic Roundtable hosted by the Institute of Policy Studies and The Business Times.

While there were more questions than answers at the twice-a-year forum, the questions touched on the key issues confronting the Singapore economy today.

And the discussions they sparked among participants, made up of private- and public-sector economists as well as the business sector, threw new light at what appears obvious or taken for granted.

For instance, robots, once seen as a threat to jobs, are now seen as an answer to labour shortage.

One participant, an economics professor (the event had requested anonymous quotes as it was a "closed-door" discussion) said replacing more foreign with local workers is unproductive. The input substitution between them is low.

With the economy in an uncertain state, a lot of the discussion was on whether the economy is near a tipping point.

A businessman said half the SMEs were already in trouble. A private-sector economist indicated that the PSA port terminals are virtually at a standstill.

But one panellist noted that the economy is not in danger, because there's no big external shock and the imbalances in the domestic market are not about to cause a collapse.

The roundtable concluded that there's a lack of timely indicators to provide a timely warning.

Those who doubted that labour supply is tight pointed to the big drop in job creation and the jump in residential unemployment. But a policymaker said many bosses still have a hard time finding workers.

And wage cost pressures are building up, he added.

In her presentation, Deyi Tan from Morgan Stanley said Singapore faces three economic challenges ahead: a highly leveraged economy; low fertility; and deflation. And these could undermine Singapore's growth.

She said the only way out is higher productivity growth - and local enterprises, rather than MNCs, must play a bigger role in the economy.

But others cautioned that the productivity push should be carefully managed or, like the earlier high-wage policy, it could drive away many companies.

What's more, the economics professor said Singapore must be competitive first. It's no use if it's productive in making goods it can't sell - it must be good at making products it can command a market share.