Grow productivity, not just GDP: PM
Past 5% annual growth will be difficult to sustain, he says

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SINGAPORE is to adopt a new economic growth strategy focused more on improving productivity than pursuing growth at all costs.

The reason boils down to the country's land and labour constraints, Prime Minister Lee Hsien Loong said yesterday.

'Our total land area is finite, and very little of it is lying fallow,' he told a conference examining the challenges facing Singapore.

'Our own population is growing slowly, and we cannot indefinitely expand our workforce by importing more and more workers from abroad.'

Mr Lee said Singapore would have to adjust its growth strategy and find new ways to continue to do well.

And, with that change, it has to shift to growing qualitatively not just by expansion, but by upgrading.

He said: 'We have to extract maximum value from the resources that we have; every piece of land must be put to optimum use, activities which are no longer competitive or productive have to be gradually phased out.'

Similarly, he said, workers, both local and foreign, need to be upgraded.

His call for higher productivity came a day after Senior Minister Goh Chok Tong spoke on the same topic - a clear sign that raising productivity is high on the Government's priority list this year.

The Economic Strategies Committee report, due for release next Monday, is expected to focus on it.

The Budget statement, on Feb 22, will respond to the committee's recommendations.

The general target outlined by both Mr Lee and Mr Goh is to double productivity growth to 2 per cent to 3 per cent a year, from the present 1 per cent.

Productivity growth is usually considered critical to improving living standards. It means getting more value from each worker, resulting in more income being available to be distributed.

Such a change will take a major effort, said Mr Lee. 'But we have to do it so that progressively and inexorably, our economy will be transformed.

'Then, even if our total gross domestic product grows more slowly, our workers can become more productive and our income per capita can continue to rise.'

Previously, Mr Lee has warned that Singapore would not go back to pre-crisis growth levels. Yesterday, he said the average annual growth of 5 per cent enjoyed in the past decade would be difficult to sustain.

This was due to how much Singapore had progressed, and the push for higher productivity would result in slower expansion of the workforce.

'We must acknowledge that we are now more developed economically than we were 10 or 15 years ago, and we can no longer grow as rapidly as before,' he said.

'There will be good years when we should go faster. There will be other years which are tough, where we will do more poorly, but overall, if you take it over the next decade, I think 5 per cent will be a stretch,' he told about 900 people from academia, business, civil society and government sectors who attended the conference.

Called Singapore Perspectives 2010, it was organised by the Institute of Policy Studies.

Mr Lee also disclosed that the Trade and Industry Ministry is studying what a realistic long-term growth target would be.

He was careful to stress that the push for productivity did not mean just working harder.

Businesses needed to innovate relentlessly and be bold in seeking opportunities overseas, he said.

Workers, on the other hand, had to be psychologically prepared to upgrade their skills over and over again throughout their working lives.