Growth steroids for flagging productivity

S'pore aims to raise productivity growth to 2-3% a year over the next decade: PM Lee

Chuang Peck Ming
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(SINGAPORE) Singapore has its work cut out as it aims to crank up its productivity growth and restructure its economy over the next 10 years. Otherwise, it will be in trouble, Prime Minister Lee Hsien Loong said yesterday.

The changes will be tough to make, but they are doable -- and Mr Lee told participants at an Institute of Policy Studies (IPS) conference that the government was 'reasonably confident' of making the transformation.

He said that it was largely a matter of having the right economic policies, investing in education and infrastructure and putting in place an effective system of taxation.

The Economic Strategies Committee (ESC), which is looking into these changes, will unveil its recommendations next week -- and Mr Lee said that the government would respond to them in the Budget.

Singapore's declining productivity is likely to be a key issue tackled by the ESC. Economists have been saying that Singapore's rapid growth in recent years was driven mostly by a massive import of foreign labour -- and this can't go on for long.

Singapore must boost its productivity growth, which has been lagging behind that of developed economies such as the United States, France, and Norway, and Asian neighbours that include Hong Kong and Taiwan.

Singapore's poor showing in the productivity stakes was again underscored yesterday, when Mr Lee noted that this had been growing only at the rate of one per cent a year over the past decade.

'We must improve this to 2-3 per cent per annum,' he said. 'This will take a major effort. But we must do it, so that progressively but inexorably our economy will be transformed.'

His exhortation came a day after Senior Minister Goh Chok Tong said that Singapore's productivity growth must double to 2 per cent a year to achieve economic growth of an average 3-4 per cent yearly in the next 10 years.

That 3-4 per cent will be lower than the 5 per cent average growth posted in the past 10 years.

Mr Lee yesterday said that it would be an uphill task to make 5 per cent growth in the next decade because the economy is now more developed and the growth in workforce is slower.

'(But) even if our total GDP (gross domestic product) grows more slowly, our workers can become more productive, so that income per capita can continue to rise.'

Mr Lee, who said that Singapore must shift to 'quality growth', indicated that the Ministry of Trade and Industry is now studying what Singapore's realistic long-term growth target will be.

'Our economic policies must foster this transition, enable the economy to perform to its limits and help Singaporeans to thrive in the world.'

Simply working harder is not enough, to boost income and profit also requires restructuring and change -- and the global crisis has made this a more urgent task, according to Mr Lee.

So businesses must innovate non-stop, shed unproductive activities and shift into more fruitful areas, and be bold to seek out opportunities in distant lands.

'Workers cannot expect to be carried along by a generally rising tide,' Mr Lee said. 'They must be psychologically prepared to adapt and change and to make the effort to upgrade themselves not just once, but throughout their working lives.'

The IPS conference, branded the Singapore Perspectives 2010, sought to examine the challenges and answers through the prisms of 'home', 'heart' and 'horizon'.