

Is the Singapore Economy Succumbing to “Credential Inflation”?

By Faizal Bin Yahya
IPS Research Fellow

Until recently, one commonly held belief about attaining a university degree from a reputable tertiary institution was that it would bring better career opportunities and prospects of higher wages and remuneration packages. As economies move towards knowledge-based industries such as information and communications technology (ICT), it is presumed that educational qualifications would still be a key factor in career opportunities and advancement.

In reality, a number of well-regarded professions such as legal, consulting and education, among others, will be affected by the advancement of the knowledge-based economy (KBE), to the extent that advancement in technology such as Big Data or open-sourced information platforms would override the need for high entry-level certification.

Nonetheless, one of the key challenges in the transformation towards a KBE is the creation of value-added employment for future industries. The adverse effect would be the displacement of employees for lack of relevant skills or certification. In the United States (US) some indicators of credential inflation are; first, the decline in the value of high school diplomas at the start of the 20th century when less than 10% of the population had them. Second, the relative decline in the wage gap between those with high school diplomas and those with college degrees (Collins, 2002).

In the US, while some jobs may not require a master’s degree, this has been used as a sorting mechanism among job applicants. According to Pappano (2011), the Master’s degree was “once derided as the consolation prize for not completing a Ph.D.” or a means to “kill time” while waiting out economic downturns. By 2011, it became the fastest-growing degree in the US. Moreover, professional science masters such as M.Sc. in supply chain management and in managing mission-driven organisations are skill-specific and utilitarian. At the same time, Master’s in Business Administration (MBA) courses have come under increasing scrutiny in the US because of their shift from providing a broad view education of many varied business functions such as marketing, finance and production towards a greater emphasis on mathematical models. This MBA trend has undermined the two hard-to-quantify but essential business skills: creating the conditions that will permit the design and production of high-quality goods and the ability to inspire, cajole, discipline and lead general employees towards a common cause (Fallows, 1985).

With more highly educated individuals entering the job market, bachelor’s degree holders will struggle to find attractive opportunities. Because there are so many individuals in the job

market with master’s degrees, employers are beginning to seek only master’s degree holders for positions that were previously meant for bachelor’s degree holders. In other words, over-qualified individuals are getting jobs that should be going to fresh graduates. Quite simply, this is a case of credential inflation where the bachelor’s degrees are losing their value while at the same time the expected advantage of a bachelor’s degree on the job market is decreasing (Fallows, 1985).

Is the Singapore economy exposed to challenges such as credential inflation and the marginalisation or displacement of Singaporean workers in favour of lower-cost educated foreign human capital?

Is Singapore Succumbing to Credential Inflation?

In 2012, the Manpower Research and Statistics Department of the Ministry of Manpower (MOM) reported that the educational profile of residents in the labour force continued to improve as younger cohorts entering the labour force were typically better educated, given the increased opportunities to pursue higher education. Tertiary-educated human capital, including those with diploma and professional qualifications, comprised nearly half of the resident labour force at 48% in 2012 — compared with nearly one in three, or 32%, in 2002. Among the tertiary educated, degree holders formed 29% of the resident labour force in 2012, up from 19% in 2002.

Is a more educated workforce beneficial for the economy and society? Larger numbers of a better-educated workforce would ideally require better employment opportunities, and the lack of opportunities for “better” jobs could frustrate individuals in that the degree they had invested in does not really provide the knowledge or skills employers seemed to want to pay for.

The requirement for more certification could also de-value skills. For instance, a craftsman with many years’ experience would now be instructed to acquire a certificate to prove his competency. He would have to pay to enrol in certification programmes and complete them in order to keep making a living with his experience and skills. However, the coursework of the programme itself could have added nothing to the skill sets of the craftsman.

What is the economic cost of credentialism?¹ In terms of economic vision and an educated workforce, the Population White Paper published by the government had aimed to “build a globally competitive and vibrant economy, one which sustains inclusive growth, creates opportunities and good jobs...” (Standard Chartered, 2013a). The aim is to increase the proportion of Singapore citizens in the professional, managerial, executive and technical (PMET) jobs to 65.8% in 2030 from 50% in 2011 (Standard Chartered, 2013a). As human capital costs comprise a large part of business costs, the government has introduced a Wage Credit Scheme (WCS) to which it will allocate S\$3.6 billion from 2013 to 2016. Under the WCS, the government will co-fund 40% of the wage increases given to Singaporean employees earning a gross monthly wage up to S\$4,000 (Standard Chartered, 2013b).

1. Credentialism refers to the hiring of staff based on earned credentials. It could also be applied to the assignment of social status.

With the increasing focus and resources allocated on developing a more educated workforce, this should expand the pool of degree holders in the job market. However, it could also be argued that certification alone without a matching fit for jobs available in the market or future employment would reduce the ability of degree holders to access value-added jobs.

Regardless, companies especially those in the high-tech industries such as information technology would provide on-the-job training for their recruits as part of their induction programmes. However, in the event that applicants who have paper credentials possessing the creativity, skills and sequential logic but are not cultivated by prospective companies, this would lead to a waste in human capital potential.

Some of the concerns that employers have are: the employability of new recruits, and hiring someone lacking in proper skills or someone who does not gel with existing employees or the work culture. This would mean time and money lost in the job search.

In this regard, there is a clear need for the employers to provide feedback to tertiary institutions on the skills and knowledge needed in specific sectors. The Workforce Development Agency under the MOM and SPRING Singapore are but two of several institutions that are looking into investing the required and necessary skills to have a better fit between potential employers. It is also important to understand the need for Continuous Education Training (CET) as this is one of the core pillars of the economy.

In Singapore, small and medium enterprises (SMEs) have a leading role to play in the employment sector. SPRING Singapore is collaborating with partners such as the National Trades Union Congress (NTUC), Singapore Institute of Retail Studies (SIRS) and Nanyang Polytechnic to provide job applicants with the skill sets and certification to work in the Food and Beverage and Retail industries (SPRING, 2012). This joint initiative is called the Core Executive Programme for Food Services and Retail Sectors. NTUC's Hospitality and Consumer Business Cluster and SPRING will match and place suitable professional and managerial executives (PMEs) into a pilot pool of participating employers prepared to employ diploma holders on full-time employment terms. Under the programme, new hires will attend a range of accredited training and development courses that are aimed at building their core skills sets.

While Singapore has taken great strides in ensuring the education attainment of her citizens, the continuation of the above initiatives and tripartite effort are imperative to prevent the formation of credential inflation in Singapore.

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