

## **Economists discuss downside of fast growth**

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SINGAPORE may have posted strong economic growth lately, but some economists worry about an emerging 'dual economy' - in which low-income earners are losing out.

They say the globalised part of the economy is thriving but the other, mainly reliant on the local market, is not.

This sort of income divide is a common symptom of globalisation abroad, but it should not be swept under the carpet here, a high-powered conference heard yesterday.

In what some economists call a worrying trend, low-end incomes here have fallen and the median household wage has stayed nearly stagnant, leading one of them, Mr Manu Bhaskaran, of the Centennial Group, a consultancy, to ask: 'Who is this growth for?'

This has also prompted calls to study the pros and cons of Singapore's large-scale unskilled labour imports, which have added to higher economic growth.

The idea of a dual economy was a hot topic at Singapore Perspectives 2007, an annual conference organised by the Institute of Policy Studies (IPS) at the Shangri-La Hotel.

Addressing an audience of policymakers and business executives, Citigroup economist Chua Hak Bin said changes in the economic landscape here mean the economy can grow faster than before.

Instead of being over-reliant on electronics, the economy is being powered by more industries, from pharmaceuticals to private banking, he said.

This 'new economy' came about partly because of relaxed policies on immigration and foreign workers, he said.

But not all Singaporeans are more prosperous in this new economy. Said Mr Bhaskaran: 'There are more losers in the new phase of growth.'

The phenomenon is what Dr Chua called a 'dual economy'. He said businesses serving overseas markets are thriving but those that rely on selling to locals are lacklustre.

'Embracing globalisation has had disproportionate effects on different income groups,' he said.

The Government has made narrowing the income gap one of its priorities, promising to tilt the balance of public spending in favour of lower-income Singaporeans.

Prime Minister Lee Hsien Loong has announced measures such as Workfare bonuses and skills retraining.

The Workfare bonus, which is targeted at helping low-wage workers, will be made a fixed feature.

Yesterday, the economists quoted a recent Department of Statistics survey that showed the average monthly incomes for the bottom 30 per cent group of households here declined from 2000 to 2005, while top-earning households had the biggest increase.

Mr Bhaskaran said: 'What is worrying is that there is a group of people in Singapore whose real income has fallen in the last few years. That is much more worrying than just the income gap widening.'

'They are not things we can sweep under the carpet because they have very important social, political and economic implications.'

Chairing the talk, IPS economic cluster adviser, Mr Yeoh Lam Keong, agreed the divergent income patterns need attention, as stagnating or falling median and low-end wages are 'poisonous'.

'If median wages continue to stagnate or maybe even fall, in spite of the strong growth, we will have the makings of social instability in Singapore, because which population can sustain five-, 10-year periods where the majority of Singapore is not getting better off but a good section getting worse?'

Speaking to reporters afterwards, Mr Yeoh said of importing unskilled labour: 'It has to be studied more carefully, in terms of cost and benefit analysis.'

'Yes, there is a benefit from the faster growth. Let's try and see where the benefit is. There is also a benefit if you restrict huge unskilled labour flows. You get benefits in rising real wages.'