

Report on Singapore's Human Capital Challenges and the Future Economy

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THIS WORKSHOP on Human Capital Challenges and the Future Economy was convened on 20 November 2017 by the Institute of Policy Studies. Participants included members of the public and private sectors, representing a range of views from small business owners, large corporations, and policymakers.

The objectives were to examine Singapore's demographic trends towards 2030 and beyond, and its implications for employers and workers. Discussions ranged from emerging skills deficits to training needs and foreign labour. The following is a summary of the views shared at the workshop.



Singapore's workforce is ageing, but also changing

Participants agreed that Singapore's rapidly ageing population would place tremendous stress on the economy. The behaviour of this workforce is also markedly different. Millennials who are now entering the workforce are expected to change jobs up to 25 times over a 40-year career. As life expectancy improves, with nearly half of the population expected to live up to 100 years old, we may see many remaining economically active for up

to 70 years. Singapore should therefore explore measures to both expand the labour pool, as well as optimise the human capital stock.

Increasing population of freelancers

Millennials were noted to be far more comfortable with freelance work than earlier generations, potentially swelling the population of freelancers in Singapore. Technological advances have also enlarged the pool of available freelance work, suggesting that freelancing may make up a permanent and sizeable portion of the workforce in the future.

Participants from the private sector also highlighted the increase in numbers of employees on term contracts, where people are hired on an ad-hoc basis when companies require additional manpower. Interestingly, a participant pointed out that statistics gathered by the Singapore government showed that millennials and employees over the age of 60 were more likely to engage in term contracts. Some participants also highlighted the need to recalibrate our social protection, with one pointing out that the NTUC had recently amended its Constitution to cover freelancers.



Around 100 participants attended the workshop on 20 November.

Certain sectors still face manpower issues

Participants agreed that, for now, Singaporeans appear to have accepted a trade-off of lower economic growth for a restrictive foreign labour policy, in favour of social considerations. However, many companies face problems in transforming their business model, such as through digitisation. Some participants pointed out that “high-touch” industries that require human interaction such as social work or healthcare, would face limitations in automation and in hiring local labour. In this regard, certain policies such as increasing foreign worker

levies and blanket foreign worker quotas have seemingly constrained growth for many companies, forcing them to shed experienced foreign workers, or shelve plans for expanding their company.

Acute difficulties in finding skilled workers

A participant brought up the Ministry of Manpower's job vacancy statistics from 2016, citing that nursing and general practitioner/physician occupations have had some of the highest number of long-term job vacancies (at least six months) among all PMET (Professionals, Managers, Executives and Technicians) jobs since 2012. This suggests that these sectors face a shortage of workers willing to pick up such skills, despite sufficient training capacity in our educational institutions.

Private sector should assume more responsibility

Participants also expressed concern over the planned nature of Singapore's economy. Given the rapid changes occurring in the digital economy, government policy may not be nimble enough to keep up. Private sector leaders should be allowed to assume broader roles in the economy, and take on larger responsibilities in terms of modernising their business models, or hiring choices. Comprehensive government spending in all manner of schemes, such as those helping SMEs to go digital or improving their business processes, ultimately decrease the rate of creative destruction in the economy, hindering future growth.

Employers have considerable influence on employee training

As a participant pointed out, Singapore has one of the lowest proportions of employees receiving funded training from their employers as compared to other developed countries such as Denmark, Norway, and Germany. There is room for improvement. Looking forward, local companies themselves have to step up and invest in training for InfoComm Technology (ICT) positions, and treat this as an investment for growth rather than optional expenses to be avoided.

Addressing skills deficits

A participant observed that resources in education and training are currently concentrated in tertiary and post-graduate education. Over-specialisation in narrow skills will be problematic in a fast-paced economy, and it was suggested that education and training resources could be spread more evenly across an individual's lifespan.

Some participants also spoke on the SkillsFuture Initiative, and expressed that they had not seen any discernible difference in labour market quality stemming from the initiative. While acknowledging that it was a good initiative to set workers on the path of lifelong learning, some participants felt that Singapore's focus should perhaps be on quickly improving labour market transitions for workers who lose their jobs.

Ultimately, there exists an opportunity for Singapore to improve our pool of skilled workers – a participant pointed out that around a third of the migrants within the OECD area were highly educated, with a fifth of them originating from India, China, or the Philippines. Further calibration and fine-tuning to our current immigration policies would thus potentially serve our twin interests of continued social cohesion, and faster economic growth.

Participants at the workshop agreed that Singapore is unique as a global city and nation state. It must remain open and responsive to global trends, and not become inward-looking. Ultimately, economic disruptions are not the unprecedented and unmanageable events that they are sometimes made out to be. The economy, however, will not benefit from a one-size-fits-all approach. Singapore's future economy may therefore see the government playing a less dominant role in shaping industries in Singapore, featuring a greater mix of public, private, and people sector efforts.

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