Call for shift in mindset to raise productivity in S'pore

One economist at roundtable says issues go beyond foreign labour amid low growth

By Prisca Ang
prisang@sph.com.sg
Singapore

PRODUCTIVITY gains should be achieved by enhancing skillsets and driving entrepreneurship, not just among workers but at higher levels of management.

This view was shared at the 23rd Singapore Economic Roundtable jointly organised by the Institute of Policy Studies and *The Business Times*.

Tom Sonnen, managing partner of global management consulting firm Partners in Performance, said that MNCs (multinational corporations), as compared to GLCs (government-linked corporations), tend to be more innovative in implementing and driving best practices.

More global exposure may be needed as it will help Singapore workers become more open-minded, and open-mindedness is integral in driving entrepreneurship and indigenous technology, he added.

"Productivity is not just about spilling skills," said Mr Sonnen. "It's about allowing people to work in an entrepreneurial way."

If Singapore is to drive entrepreneurship and indigenous technology, it needs to re-skill workers at every level, he said.

Associate professor Shandre Thangavelu, regional director at the University of Adelaide's centre for international economic studies, said that while MNCs tend to adopt "high management practices", SMEs are often left out of the equation.

Singapore needs to focus more on developing its SMEs, especially when its service linkages are growing in global value-chain activities, he said.

According to a report released by the Ministry of Trade and Industry (MTI), Singapore's labour productivity dipped 0.6 per cent year-on-year in the first quarter of 2015.

The finance and insurance, construction as well as wholesale and retail trade sectors registered the highest productivity growth rates.

Meanwhile, the accommodation and food services as well as the business services sectors recorded the sharpest declines in productivity, in line with a moderation in their value-added growth.

Singapore's slowdown in productivity has not been a new phenomenon. From 2010 to 2014, the productivity of Singapore's domestically-oriented sectors dipped 0.1 per cent per annum, even as export-oriented sectors achieved per annum productivity growth of 2.2 per cent.

Productivity levels may rise as Singapore takes time to get used to the "adjustment pains" of a rapidly changing workforce size, said associate professor Randolph Tan, director of Singapore Institute of Management's (SIM University) centre for applied research, citing quarterly output and employment data from the Department of Statistics.

"One reason why Singapore has taken such a long time to adjust to a rapidly changing workforce size is that we're a relatively young economy. Our work processes may therefore be less developed than those in a high-income OECD economy."

Due to Singapore's reliance on foreign manpower, it needs to continuously improve its mechanisms to regulating foreign labour inflow, said Prof Tan.

"I believe the system of levies and quotas we now have has worked very well," he added.

"However, policymakers will not be able to ignore the calls from some that it has been too punitive, despite the government flowing back the proceeds from levy collections to businesses."

It may be time to start looking for a formula that is not too financially punitive on firms, he added, especially since Singapore will need it in the long run.

Singapore's competitive advantage has also been eroded in the face of greater regional liberalisation, said University of Adelaide's Prof Thangavelu.

In particular, a burgeoning middle class has strengthened demand for cheaper products, rather than for expensive and sophisticated ones. This may be at odds with Singapore's push to create more high-end, value-add products, he said.

"Singapore's productivity story may be overplayed," said an economist at the roundtable during the discussion of Singapore's macro-economic outlook and its policy implications.

The issues involved go beyond foreign labour, as Singapore settles down to a lower growth trajectory than expected, he said.

In addition, economists and analysts questioned the propriety of the exchange rate as the key instrument of Singapore's monetary policy.

As the economy's leverage rises, interest rate management might be more effective as a policy instrument, said one observer.

However, Singapore's exchange rate policy is still the "key price in the system", said a discussant, as it enables Singapore to manage inflation while keeping its exports competitive.

> 'I believe the system of levies and quotas we now have has worked very well. However, policymakers will not be able to ignore the calls from some that it has been too punitive, despite the government flowing back the proceeds from levy collections to businesses.'
>
> **Randolph Tan, director of Singapore Institute of Management's centre for applied research**