NUS National University of Singapore

Source: *The Straits Times*, pA24
Date: 18 December 2022

S'pore's lifting of some firms' foreign worker quota is no free lunch

Opportunities abound as tectonic shifts in the global economy are under way, but firms must prove deserving

Faizal Yahya

It is go time for Singapore in the race to soak up foreign investments before higher lending rates dent business confidence and lead firms to tighten belts.

The small and open economy relies heavily on external demand to generate growth and create good jobs for Singaporeans. Attracting investments from established industry titans and high-growth enterprises that will become tomorrow's new captains of industry is a big part of that strategy.

But there is a nagging challenge holding investors back from saying yes that crops up in most conversations with corporate leaders: manpower shortages. Eighty-four per cent of employers in Singapore reported difficulty in filling up positions, according to a survey by global recruitment firm ManpowerGroup Singapore released in June.

This burning issue is a function of demographics – as workforce growth slows – and public policy. Limits on manpower passes, tightened over the years to reduce reliance on foreign labour, improve automation and speed up the localisation of jobs, may be taking their toll.

So it was little surprise to read the Ministry of Trade and Industry's (MTI) announcement that firms which advance Singapore's key economic priorities would temporarily be allowed to hire more S Pass and work permit holders than currently permitted by the existing quotas, under a new Manpower for Strategic Economic Priorities (M-SEP) scheme.

These are firms that are making huge investments here, add to our innovation and research agenda, or are internationalising aggressively, all of which advance Singapore's competitiveness as a business hub and a gateway for foreign multinationals and investments into South-east Asia.

The shipping, logistics and hospitality sectors are assessed to benefit from this move – sectors where shift work, location and long hours can be intuitively off-putting to young Singaporeans despite commensurate remuneration, generally speaking. But so, too, will large manufacturers intending to increase their footprint here as well as rapidly growing start-ups and firms in the information, communications and tech (ICT) space providing digital services.

TECTONIC SHIFTS IN THE GLOBAL ECONOMY

Singapore senses opportunity in these dangerous times. Events unfolding over 2022 have reshaped the global environment.

The continuing disruption to trade arising from China's open-and-shut Covid-19 lockdowns and the war in Ukraine has prompted multinational corporations (MNCs) to take active steps to enhance the resilience of their supply chain networks.

The brewing US-China trade war has intensified, with companies looking to "friend-shore" and anchor a plus-one strategy to create spare capacities outside of China.

In this context, neutral global trading nodes and major regional transhipment hubs that do not take sides, like Singapore, have a golden opportunity to ride the waves and catch the winds of opportunity to soar higher.

The authorities recognise this and have therefore hatched a Singapore Economy 2030 plan released by MTI earlier this year, where they are preparing to up both trading volume and the value of offshore trade.

There are plans for Singapore to be a global maritime hub and locate more shipping operations here. Freight container shipping firms and port operators will need talent in big data analytics, self-piloting ships and monitoring systems to manage port congestion as the new Tuas port progressively opens up more berths.

Singapore knows it needs more skilled foreign talent to bolster its economy, but fears of foreign manpower stealing jobs from locals or depressing wages unnecessarily politicise this needed economic lever, says the writer. ST FILE PHOTO

A second opportunity lies in the chips war. With the United States imposing a de facto silicon blockade, chipmakers are seriously reconsidering relocating research, design and production facilities. And yet, despite such headwinds, the global semiconductor market is poised to more than double in size to US$1 trillion (S$1.36 trillion) over the next decade.

Home to 11 per cent of the global semiconductor market and making 20 per cent of the world's semiconductor equipment, Singapore, too, wants to prod chipmakers and the electronics sector to upgrade existing manufacturing capabilities here so these facilities can make the advanced nano-chips used in 5G, the Internet of Things and advanced artificial intelligence (AI).

A third force under way is the rise of the digital economy, accelerated by the pandemic. Singapore has worked tirelessly to ink digital economy deals with other countries to facilitate digital trade exchanges, smart contracts and data flows. With the need for more skilled manpower to drive the transformation of firms in the digital economy, supporting digital service providers is another key prong of this industrial policy.

The reality is that Singapore is already an attractive target for investments, ranked in the top three in IMD Business School's 2022 World Competitiveness Index. It has already attracted 80 of the top 100 tech firms in the world here. It has also secured billions in investments during the pandemic, including from the big boys like Micron and Thermo Fisher Scientific, which all plan to hire more people in the next few years. But where will these people come from?

But before firms relocate manufacturing, research and development, or regional headquarters to Singapore, they need assurances that they will have the requisite manpower to drive business. MNCs are more likely to have a greater headcount requirement. And if start-ups are to seize these opportunities, they will also need people to power growth. This is where the M-SEP comes in.

THE URGENT NEED FOR MANPOWER

Singapore knows it needs more skilled foreign talent to bolster its economy. There is a growing recognition that moves to aggressively reduce the inflow of skilled foreign manpower since 2012 have curbed the development and innovative drive of the Singapore economy. But fears of foreign manpower stealing jobs from locals or depressing wages unnecessarily politicise this needed economic lever.

Reality cannot be further from those scenarios. Take, for example, the ICT industry. Singapore produces slightly fewer than 1,400 graduate students each year for this sector in information technology. Adding in ICT students at polytechnics and the Institute of Technical Education increases the number by about 5,500.

Yet between the last quarter of 2021 and the first quarter of 2022, 6,800 new jobs were created in this industry alone. The inflow of big tech firms has only increased the demand for tech workers.

Ramping up such courses in tertiary institutions is not an optimal solution. IT jobs still need engineers who understand older systems based on Java but new local talent remains limited in this area. Reskilled local talent could fill these talent gaps and help drive the move towards blockchain, AI and machine learning as they receive training.

Paring back manpower needs in labour-intensive sectors like hospitality might be another way. With Chinese curbs on outbound travel still in place, this transformation in tourism should take place now, before visitorship to Singapore recovers fully to pre-pandemic levels.

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A TEMPORARY SOLUTION, AN UNDERLYING SHIFT

The foreign worker quota increase is likely a temporary solution for Singapore's limited capabilities to produce enough skilled workers. But it follows a string of policy moves designed to surgically loosen the tap for key companies in strategic sectors that offer Singapore the best chance of thriving in this uncertain global environment.

The M-SEP follows schemes with similar objectives like the Global Investor Programme rolled out in 2004, which grants Singapore permanent resident status to entrepreneurs and investors who "intend to drive their businesses and investment growth from Singapore" and attempts to ground them here.

More recently, the One Pass announced this year aims to attract top players in key industries where they may set up businesses or helm fast-growing firms, while the Tech.Pass visa, announced in 2020, welcomes 500 established tech entrepreneurs, leaders and technical experts from around the world to come to Singapore to drive the development of frontier technology.

Taken together, the M-SEP scheme may be a sign that Singapore's industrial policy will take a more surgical and merit-based approach to support industry leaders and give them access to rare resources like foreign manpower while further differentiating them from laggards that will continue to be constrained by foreign manpower curbs.

Still, the increase in skilled foreign labour quota should be viewed in a positive light as a stop-gap measure to maintain Singapore's importance as a global node in Asia. But this temporary increase comes with the understanding that companies should also invest in Singaporeans and provide opportunities for their career development. There is no free lunch.

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