



# **POSITION PAPER ON POPULATION**

**Singapore Business Federation  
December 2012**



## EXECUTIVE SUMMARY

1. **Local and foreign labour as integral workforce** - Both local and foreign labour are essential and integral to Singapore's workforce to ensure our continued competitiveness amidst growth in Asia and integration of ASEAN Economic Community in 2015.
2. **Ageing population will result in bigger employment gap** - Ageing population and an increasingly educated local workforce will result in a bigger employment gap for non-PMET jobs, especially in domestic-oriented sectors.
3. **Measures to foster a harmonious social and work environment** - In anticipation of more low-skilled foreign workers in Singapore to meet social and economic demands, there must be measures to better integrate the local and foreign workforce. Contributions by foreign workers should be duly respected and appreciated through provisions of appropriate welfare and a harmonious social and work environment.
4. **Tougher business environment with compromised service levels as a consequence** - As the Singapore economy feels the impact of an older population and more restrictive labour policy, businesses, especially SMEs, must prepare themselves for a tougher business environment. To ease the transition, the Government and businesses should work together in driving maximum local workforce participation and holistic productivity improvement initiatives. Government policies should be flexible and phased as businesses need more time to raise productivity in the short term. Consumers will also need to adjust to different service levels especially for service industries.
5. **Possible lower productivity and GDP growth from low workforce increment** - While it is important to move towards a productivity-driven economy, evidence from most developed economies indicate that 2 – 3% productivity growth set by the Economic Strategies Committee (ESC) may be a stretched target. Coupled with low workforce increase, Singapore must be prepared for a low growth scenario.
6. **Review Economic Strategies in light of new norm** - Government should review its ESC recommendations in the light of this scenario. With Asia's growth, our aging population and now, policy driven initiatives to limit labour resources, important issues such as how the economy can be restructured for better resource allocation and sustained inclusive growth should be reexamined. Increasing local constraints and lower domestic growth may require enhanced support for our businesses as they venture beyond Singapore for opportunities in the region.

## INTRODUCTION

Singapore Business Federation (SBF) has been invited by the National Population & Talent Division (NPTD) to give its views and suggestions on Singapore's population and related policies for its preparation of the policy paper. As the apex business chamber that champions the interests of the Singapore business community, we will focus our paper to discuss how Singapore can achieve a sustainable pool of high-quality workforce to continue driving Singapore's economy and competitiveness in the future.

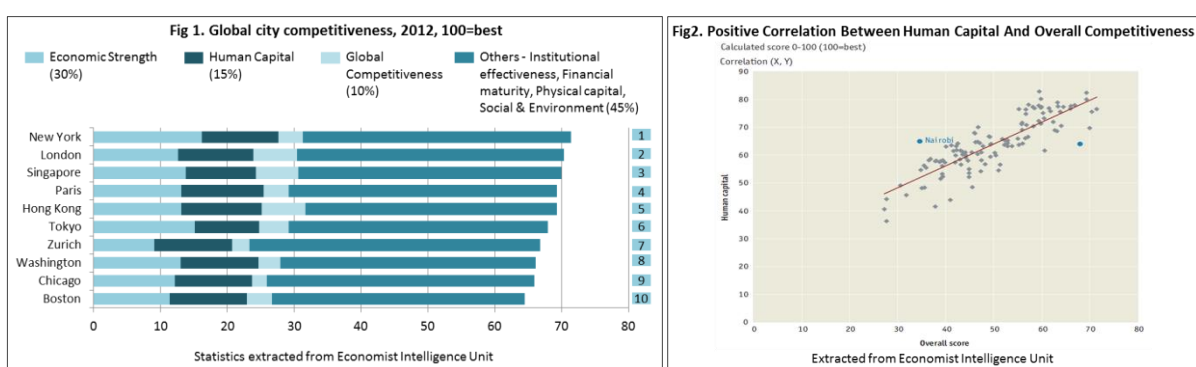
This paper will first discuss the impact of Singapore's population trends and the importance of a qualified and accessible workforce to businesses and the economy. The later part of the paper then shares the business community's position on population policies in the short, mid and long term.

## GLOBAL TRENDS AND LOCAL CHALLENGES SHAPE DEMAND FOR AN INTEGRAL LOCAL AND FOREIGN WORKFORCE

### 1. Foreign Investments and Talents are Important to Singapore's Success

#### 1.1. Attracting talents as a strong contributor to city competitiveness

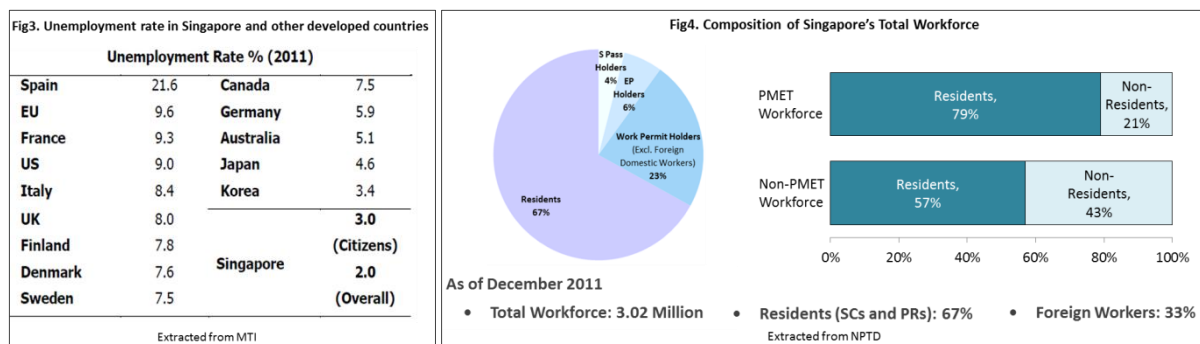
Population growth and prosperity is closely correlated to city competitiveness, especially for first tier cities which are shifting towards a more knowledge-oriented economy. Human capital has been identified as a strong contributor of competitiveness, accounting for 15 per cent of overall competitiveness based on Economist Intelligence Unit's *Benchmarking Global City Competitiveness 2012* report. The ability to attract and retain talents is becoming increasingly crucial in driving the economy, especially to secure high-value businesses and investment flows to a city.



#### 1.2. Singapore's success is a result of past opened economic policies

In particular, given Singapore's limited resources, having open policies for foreign labour is one of the most crucial factors in the country's strong economic growth. As seen historically, the magnitude of foreigner influx is congruent to the growth of the local economy, such as during the fledgling colonial economy from 1819 to 1930 and rapid industrialization from the 1980s onwards. In return, economic attainment averaging 8 per cent per annum since independence has sustained Singapore's employment and affluence; we enjoy one of the lowest unemployment and highest GDP per capita in the world.

Today, about 1 in 3 people in the workforce is a foreigner. They make up 21 per cent of PMET workforce and 43 per cent of non-PMET workforce.





As a result of past opened economic policies, Singapore is ranked third globally and top in Asia in the aforementioned City Competitiveness index. Similar to other competitive cities such as New York and London, a key driver for Singapore's competitiveness is its openness to the flow of people, ideas, capital, goods and services from the rest of the world.

### **1.3. Essential traits of competitive workforce in Singapore businesses**

In Singapore, the foreign workforce can be categorized as foreign talents and foreign workers. Foreign talents possess higher skills, command higher salaries and hold employment pass or S Pass whereas foreign workers are lower-skilled work permit holders. To ensure Singapore's competitiveness, these two groups of foreign workforce have to be:

- **Diversified and rich in international experience**  
Complex global operations of MNCs and regional headquarters need to be supported by diverse group of employees who are able to perform specialized job functions. MNCs also need to be managed by leaders rich in international experience to serve their global markets.
- **Young, vibrant and innovative**  
The median age of Singapore's citizens is 39 years as of 2011. It is projected to increase drastically as post-war Baby Boomers turn 65 years old from 2012. This is exacerbated by a low fertility rate in Singapore. With a rapidly aging population, Singapore may track Japan's footsteps, whose economy has been described as having a 'demographic malaise' because of the fall in the supply of young workers. Foreigners are an alternative source of young labour which helps in inducing vibrancy and innovative culture into Singapore.

### **1.4. Complementary and sustainable foreign workforce**

A complementary and sustainable foreign workforce is integral to support Singapore's economic and social growth in the following areas:

#### **1.4.1. Attract Multi-National Companies (MNCs) to set up high-value operations in Singapore**

In the era of rapid globalization, there is fierce competition for global talents. MNCs are highly selective in their choice of locations to invest. Easy access to human capital and talent pool is an essential consideration amongst many factors. Foreign labour complements the local workforce in shaping a strong and highly qualified workforce that attracts global companies here.

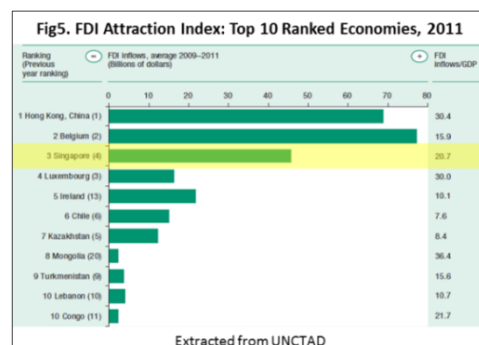
#### **Rolls Royce: Access To Human Capital Is Key In Attracting MNCs To Relocate To Singapore**



World renowned brand Rolls-Royce has chosen Singapore to be the regional hub for its aerospace, marine and energy businesses.

When the global marine business headquarters was opened here last year, John Paterson, president for Marine Rolls-Royce highlighted that besides access to transport and logistics, access to human capital is becoming increasingly important in the decision making process. He acclaimed that "the environment here is so conducive to attracting, retaining and developing such talent to support the needs of running a global business." (*Rolls-Royce opens global marine HQ in S'pore*, Channel News Asia, 16 Feb 2011)

Singapore is currently ranked third globally in FDI Attraction Index 2011 published by UNCTAD (United Nations Conference on Trade and Development), however, current restrictive labour policy might affect attraction and result in relocation of MNCs out of Singapore. This may result in loss of jobs, loss of technology diffusion, knowledge transfer and impact the growth of local subcontracting companies.



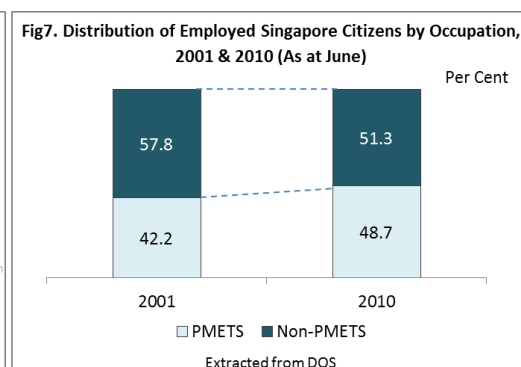
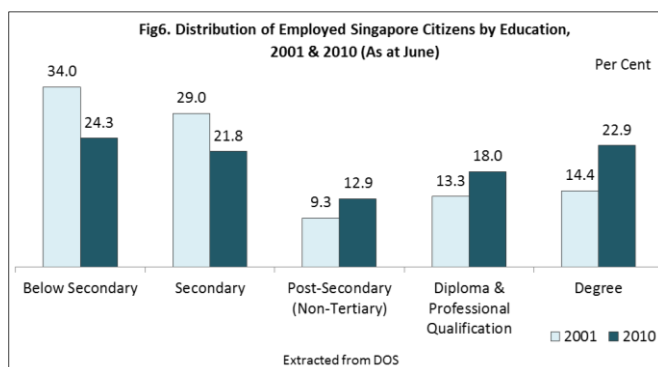
#### 1.4.2. Catalyse growth of new and strategic sectors

Foreign talents bring to Singapore their invaluable knowledge, experience, skills and connections. They help to catalyze the growth of new and strategic industries which include knowledge-based sectors such as aerospace engineering, alternative energy, pharmaceutical, biotechnology, media and digital entertainment.

For example, Lucasfilm set up its first facility outside of United States in Singapore in 2005. It has since invested in its first purpose-built overseas production facility which will be completed in 2013. According to Lucasfilm, Singapore is their location of choice for many reasons, one of which is the growing multinational talent base. In another example, Rolls Royce has invested in a new facility to manufacture state-of-the-art Wide Chord Fan Blades, a technology which has played a key role in the success of the Trent engine family. Within this new facility in Singapore, it will assemble and test large civil engines, starting with the Trent 1000 for the Boeing 787. The Rolls-Royce Seletar campus will include the Advanced Technology Centre and a regional training centre. This will require foreign talents, engineers and technicians to service the state-of-the-arts investment, as well as knowledge transfer to the local workforce.

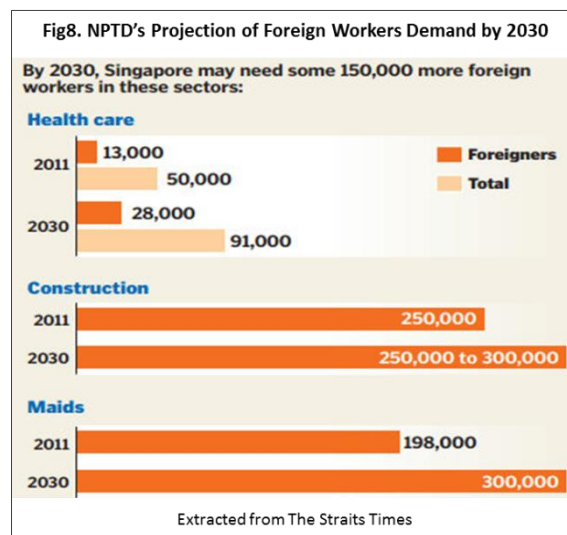
#### 1.4.3. Meet labour shortage for non-PMET jobs

Singapore has a high literacy rate of 96 per cent with an average of 10.2 years of schooling in 2011. Nearly 41 per cent of citizens employed in 2010 hold a degree, diploma or professional qualifications, up from about 28 per cent in 2001. As Singapore's workforce becomes increasingly educated, there is a decrease in employed residents taking up non-PMET jobs from 2001 to 2010. Some commonly cited reasons for locals' reluctance includes 'below their dignity or status', 'long hours' and salaries that fall short of expectations. (*Some view frontline jobs as 'inferior'*, The Straits Times, 13 September 2012).



Foreign workers, on the other hand, fill the employment gap by taking up lower-skilled non-PMET jobs that locals avoid. They help to ensure continuity in labour intensive and service-oriented operations, especially in sectors such as manufacturing, construction, food and beverages, retail and healthcare.

In a recent newspaper article, the NPTD reported that Singapore may need some 150,000 more foreign workers in healthcare, construction and maids by 2030. The increase is predominantly due to the ageing population and an increased demand in building transport infrastructure and housing.



An adequate inflow of foreign workers to top up the local supply pool is critical to support growth in our domestic-driven sectors and meet our future demographic demand.

## 2. Constrained Workforce and Its Dire Consequences

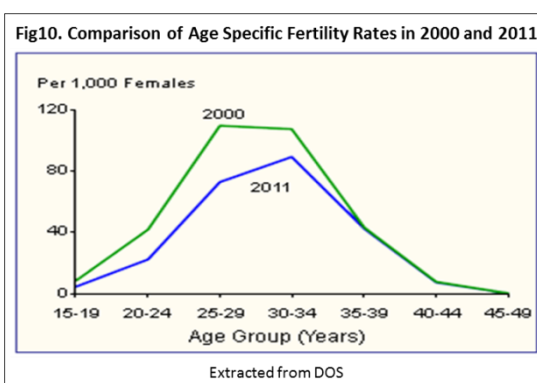
### 2.1. Shrinking and ageing Singapore population and workforce

Moving forward, the business community is increasingly concerned with a shrinking and ageing local population and workforce. Singapore's TFR is ranked one of the lowest, recorded at 1.2 in 2011. From 2000 to 2011, women aged 25-29 in Singapore experienced the biggest reduction in fertility rates.

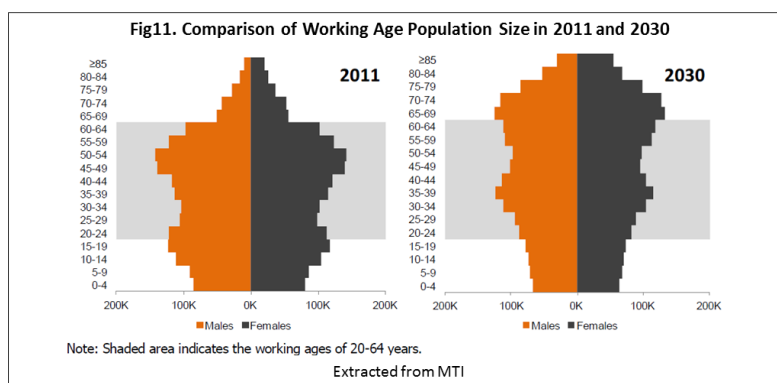
**Fig9. Total Fertility Rate in Singapore and Other Developed Countries**

Total Fertility Rate (TFR) (Children Born Per Woman)			
France	2.02	Germany	1.39
US	1.93	Japan	1.39
Sweden	1.90	South Korea	1.23
Norway	1.88	Hong Kong	1.13
Finland	1.87	Taiwan	0.9
Denmark	1.76		
Italy	1.42	Singapore	1.2

Extracted from Population.sg



Institute of Policy Studies (IPS) projected that if Singapore's Total Fertility Rate (TFR) remains at 1.24 births per woman and there is zero net immigration, Singapore's resident population will decrease from 3.62 million in 2010 to 3.03 million in 2050. In the long run, this will have a much negative impact, leading to a downward spiraling effect of young people entering both the work and reproductive ages.



### 2.2. Tightening manpower policy aggravates business operations

Fewer residents entering the workforce squeeze businesses' access to manpower twice as hard, as the number of foreign workers they can hire is tagged to their local workers.

Businesses are already experiencing difficulties in hiring or renewing their foreign workers passes due to the recent tightening of foreign manpower policies in 4 areas:

- Reduced Dependency Ratio Ceilings (DRCs)
- Increased Levy Payments For Work Permit
- Tightened Qualifications For EP Holders
- Higher Qualifying Salaries For EP & S Pass Holders



From Jan 1 to July 31 this year, 30 per cent of foreigners applying for an Employment Pass (EP) and S Pass were rejected. With increasing emphasis from the government that there is “no U-turn” in its efforts to slow foreign labour growth, it is considering to tighten the tap further by limiting the growth of S pass holders.

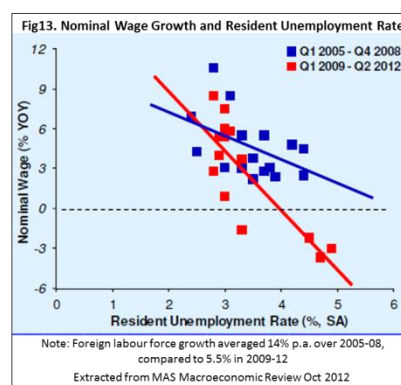
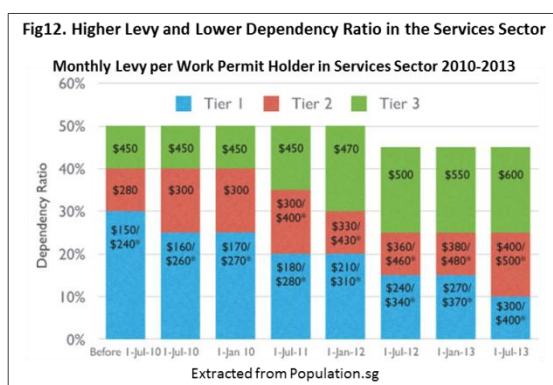
### 2.3. Dire consequences of constrained labour supply

Constrained growth in both local and foreign labour supply had led to the following consequences:

#### 2.3.1 Escalate business and living cost

Restrictive foreign labour policies and a tight labour market can lead to inflationary wages and place upward pressure on business costs in the following areas:

- Higher foreign worker levies directly aggrandizing business costs
- Bidding up of wages due to greater competition for locals in a tight labour market



**Higher business costs** - Businesses may absorb the higher labour cost either by squeezing their profit margin or reducing other expenses, such as training budget for existing staff. This can negatively impact the company’s growth and productivity in the long term.

**Higher cost of living** - Businesses that cannot absorb the higher labour costs will cascade these costs to consumers, leading to higher cost of living in Singapore.

**Survivability of businesses affected** - Furthermore, higher labour costs will exacerbate the rising cost of doing business in Singapore alongside other cost increases such as rental, utilities, transport and cost of immediate goods and services. It would undermine the survivability, performance and growth of both SMEs and larger businesses.

#### 2.3.2 Hamper innovation and productivity

Singapore is facing an accelerated aging population and workforce. Inability to attract younger and innovative talents will impact on Singapore’s vibrancy.

Studies have shown that the median age of the population is negatively correlated with innovation and productivity. Evidence from high-income OCED countries suggests that total factor productivity is much higher in a population with median age less than 35 than those beyond. In addition, fluid

intelligence, the ability to develop new techniques to solve complex and unusual problems, is highly associated with age with decline setting in rapidly from age 40 onwards.

Innovation is important for Singapore to compete as a knowledge-based economy and in attracting research and development investments and other higher value added activities. Without ample supply of foreign talents to help spur innovation with their diversity, Singapore could lose its competitiveness as an innovative economy.

### **2.3.3 Increase risk of industries and companies hollowing out**

**Risk of closure and relocation of businesses** - Tight foreign labour policies and labour constraints can lead to both SMEs and larger companies down-sizing, closing down or relocating their operations overseas.

A recent study by the Association of Small and Medium Enterprises found that almost 30 per cent of SMEs are thinking of relocation due to the labour crunch.

#### **In The News: Impact of Foreign Labour Curb on SMEs**

- Mr Andrew Tjioe, president of the Restaurant Association of Singapore and executive chairman of Tunglok Group, said “all restaurants are suffering right now” and many may be forced to shut down due to difficulty in applying/renewing foreign workers permit and higher levy (*SMEs feeling pain of cuts in foreign-worker passes*, The Business Times, 12 September, 2012)
- Ms Nancy Lim, president of the Spa Association, said the worker shortage has prevented many of its members from expanding, and forced some to downsize. This is illustrated by Aramsa Spa, which can only open its outlet three days a week and turn away customers due to the shortage of therapists. (*Spa operating below capacity*, The Straits Times, 13 September 2012)
- Chinese medicine maker Hockhua Tonic is forced to consider relocating as there are no machines which can differentiate Chinese medicinal herbs the way human beings do. (*Foreign worker quotas to hit SMEs badly*, AsiaOne, 11 June, 2012)

In comparison to SMEs who are more locally attached, MNCs can pull out of Singapore more quickly if they are affected by the tighter foreign labour policies. In fact, Mr Manoj Vohra, director for Asia-Pacific at the Economist Intelligence Unit believed that some MNCs may have slowed their growth here, or had their investments in new sectors impeded because of the policy tightening (*Have we gone too far?*, 3 November 2012, The Straits Times).

At the SME Convention organized by the SME Committee of SBF, Mr Philip Overmyer, the Chief Executive of the Singapore International Chamber of Commerce (SICC), warned that some MNCs may invest and make their commitments elsewhere if the tightening continues with no end in sight.

#### **2.3.4 Compromise service level and experience to locals and tourists**

With the lack of resources at various industries and sectors, service level at the national-level will be compromised. This ranges from the cleanliness of Singapore's environment, essential public transportation, restaurants, retail outlets, hotels and tourist spots. Singapore's famed efficient, seamless and holistic service level will face deterioration.

#### **2.3.5 Suppress economic growth**

A constrained workforce growth with tight foreign labour policy, can impede Singapore's economic growth. According to Dr Chua Hak Bin, economist at Bank of Merrill Lynch, Singapore's tight foreign labour policy could cost the economy 1.3 percentage points of growth this year.

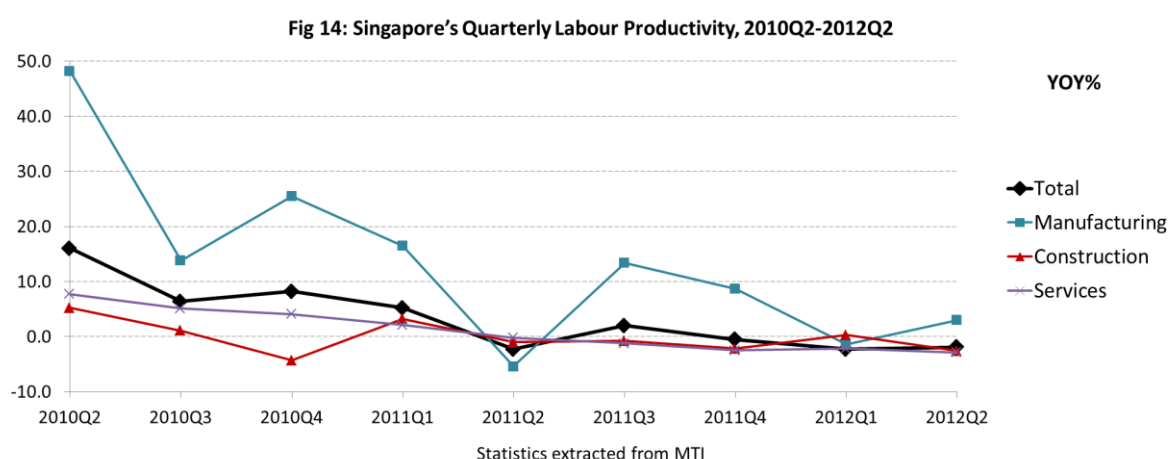
A further decline in economic growth can lead to further degradation in Singapore's competitive landscape with ailing businesses, higher unemployment and inevitably lower standard of living for Singaporeans.

### 3. Productivity Cannot Compensate For Labour Shortage In The Short Term

The government's goal is to drive companies to raise their productivity and move up the value chain. While a productivity-driven economy is an important goal, the business community feels that labour productivity needs time and resources to take effect and it is difficult to increase productivity in some jobs.

#### 3.1. Productivity needs resources and time to take effect

While the increased emphasis and intervention on productivity is worth supporting, Singapore's labour productivity growth showed lackluster performance since Q2 of 2010.



This shows that even with emphasis and investments in productivity, it needs time to take effect, with some possible reasons including:

- **Resource constraint for productivity initiatives** - Businesses face difficulties in productivity implementation as they are unable to spare their already over-loaded employees to participate in productivity training programmes. Resources have been deployed to deliver other critical services. This could be a spill-over effect from the tightening of foreign manpower policies and a tight labour market. According to the recent survey conducted by the Singapore Chinese Chamber of Commerce & Industry (SCCCI), 69% of companies cite manpower crunch as a factor that hinders their restructuring and productivity activities.
- **Productivity takes time to materialize** - For companies who have initiated their productivity programmes, they have noted that training workers, acquiring technology and process streamlining need time to take effect. Based on preliminary discussions from our SME Committee's focus group study and SME Convention, majority of companies will take an average of about 1 year to reap tangible benefits from their productivity initiatives.

### **3.2. Some jobs cannot be automated or re-engineered**

Some jobs, especially service-oriented jobs, require the human touch and cannot be substituted by machines. For example, it is not possible to replace hairdressers with machines. The same is true for chambermaids and hospital attendants. CYC tailors has highlighted that it is the skilled handicraft and expert workmanship which strengthen the value add of its shirts against the mass produced shirts. Automation will not apply to its business model.

In addition, the nature of some jobs and amount of demand make it difficult to re-design them for higher productivity. For instance, using a tunnel oven which can make 1,000 cakes in an hour is unsuitable for a small bakery, as cited by Mr. Chan, Business Development Director of Pine Garden's Cake. (8 in 10 SMEs having trouble hiring: Survey, Today, 13 October 2012)

### **3.3. Productivity growth is lower for mature economies**

**Stretched target of productivity growth** - In the Economic Strategies Committee (ESC) recommendations, Singapore has set its strategic goal to achieve productivity growth of 2 to 3 percent a year with labour growth of 1 to 2 percent. As most developed economies usually experience slower productivity growth averaging 1 to 2 percent, the productivity growth target of 2 to 3 percent is a stretched target for the next decade.

**Trade-offs in standard of living and drop in service level** - If we are not able to meet our productivity target, Singapore should be prepared for a lower growth situation especially if we continue to restrict access to foreign labour. Singaporeans need to accept major trade-offs such as a lower standard of living and a drop in service levels. Alternatively, we may need to tweak our foreign manpower policy to engineer higher growth and sustain high standard of living.



## BUSINESSES' POSITION ON POPULATION

Singapore population policy is a complex and challenging issue that needs to be addressed carefully and holistically involving economic and social aspects. SBF has gathered many feedback and deliberations from the business community pertaining to population and workforce. The Federation has taken a multi-pronged approach in suggesting how Singapore can strategically plan its population policies in the short, mid and long term to meet Singapore's economic and social needs.

### **4. Short Term Approach: Continual Access to Local And Foreign Labour**

In the short-term, businesses need access to sufficient manpower to meet operational demands and to meet the growing demand in the region. The workforce should continue to be fueled by a healthy supply of both local and foreign labour.

#### **4.1. Help businesses maximize local workforce participation**

To increase the existing pool of local workers, the government has introduced various measures to incentivize the economically inactive back into the workforce:

- **Extend retirement age to retain locals in the workforce longer**  
Since 1 January 2012, the Retirement and Re-employment Act (RRA) specifies that employers are now required to offer re-employment to eligible employees who turn 62, up to the age of 65. This allows businesses to tap on the increasing pool of experienced and skilled older workers to supplement their workforce.
- **Schemes to incentivize lower-wage and older workers to join the workforce**  
The Workfare Income Supplement (WIS) Scheme and Workfare Training Support (WTS) Scheme were conceived to enhance the income and CPF savings of low-wage workers, encourages work and enhances their skills and employability for the future.

**Advocate "Singaporeans as Core"** - Businesses strongly advocate "Singaporeans as core" and are supportive of government's efforts in boosting local workforce participation. They are also positive towards hiring economically inactive citizens such as retirees and housewives. On the other hand, businesses need to develop capabilities to align their human resource policies and infrastructure to the needs of the economically inactive. For example, businesses may need to develop flexible work-hour schemes, transportation and upgrading of infrastructure to accommodate older workers.

**Continue tripartite collaboration to engage business and workforce** - SBF can play a role in working through a tripartite collaboration to engage businesses and workforce to increase awareness of existing schemes to encourage recruitment of economically inactive citizens. The Government may wish to consider providing more capability and financial assistance in facilitating businesses to identify and implement adjustments needed.

#### **4.2. Remain open to foreign labour and calibrate foreign manpower policy in targeted approach**

While pushing for productivity growth and maximising local workforce participation, Singapore must continue to keep its door open to foreigners and calibrate its foreign manpower policies in a targeted approach. For instance, the government can consider relaxing its manpower policy for industries that address our demographic challenges and social demands, as well as potential growth.

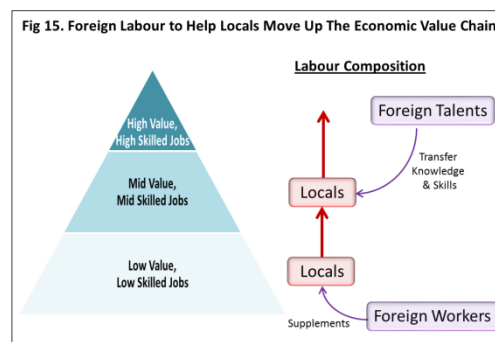
These sectors could include construction, healthcare, transportation and some services sectors which are high-value added.

#### 4.3. Leverage on foreign labour to help locals move up the economic value chain

Foreign labour not only fill the labour gap in Singapore, but their presence also enable locals to take up higher value jobs in the economic value chain.

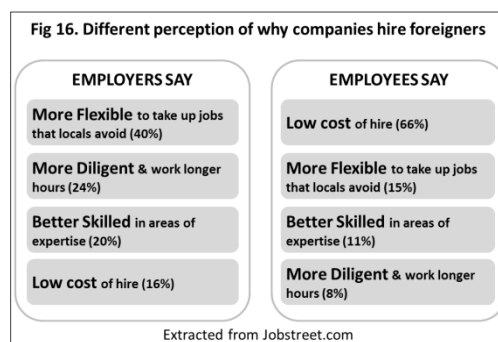
Over time, *Foreign Talents* will transfer their international experience, technical knowledge and skills to locals and help them build capacity to assume higher value and skilled jobs. Businesses are supportive to this as employers generally prefer hiring locals over foreigners, *ceteris paribus*. This is due to their familiarity with the local market, culture and language.

As we encourage and facilitate locals to take up mid to high value jobs, we should supplement low value and skilled jobs by allowing sufficient *Foreign Workers* inflow. In addition, we need to adopt a sectorial approach in understanding the magnitude of their demand for foreign workers.



#### 4.4. Integrate local and foreigners in both social and business environment

Clouded by the negative impact of the influx of foreigners such as over-crowding of our public transport systems, the public may not understand and appreciate the contributions of foreign labour to businesses and Singapore's economy. According to a recent survey conducted by Jobstreet, employers and employees have contrasting perspectives about why companies hire foreign workers.



**Greater publicity on contributions of foreign workforce** - It will be useful to have greater publicity and media coverage on the contributions made by foreign labour to our economic growth and the complementary roles they play in the workforce. In addition, the government should also highlight the trade-offs and social consequences of not having foreign labour. For example, locals will be exposed to a much dirtier environment and poorer service standard for dining and transport if Singapore does not have enough cleaners, waitresses and drivers.

**Strengthen businesses to build harmonious and integrative workforce** - Singapore has always pride itself as multi-racial society with people of different races, languages and culture living harmoniously together. Stability and social order are also important aspects of the business climate. Businesses should be equipped with the capability to manage the integration of locals and foreigners through the provision of more human resources courses and information on foreigner integration at the workplace. All stakeholders of the Singapore community must be aligned in recognizing and appreciating foreigners' contributions through giving them due respect, welfare and a harmonious social and work environment.

## **5. Mid Term Strategy: Greater Focus on Productivity-Driven Economy**

### **5.1. Slower productivity growth as a developed economy**

While most developed economies usually experience slower productivity growth averaging 1 to 2 percent, the target of 2 to 3 percent productivity growth target set by the ESC seems like a stretched target for the next decade. This is evident from our lackluster performance in productivity after more than two years of restructuring efforts.

### **5.2. Review economic growth strategies**

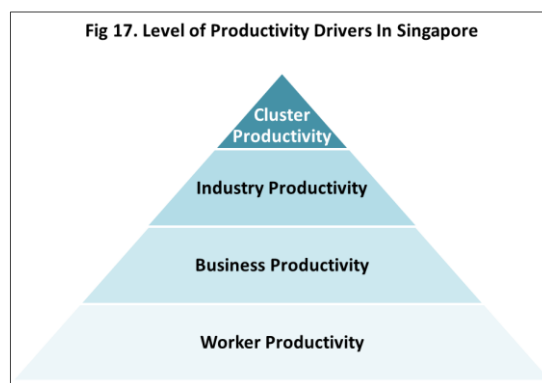
In light of current global and domestic situation, especially taking into account Asia's growth, our aging population and tight labour market, it is timely for the Government to review the ESC recommendations. Some important issues to be reconsidered include:

- Setting a more realistic productivity target with consideration for current constraints of an older workforce and lower workforce growth
- Mapping out how the economy can be restructured for best allocation of resources and sustained inclusive growth. While it is important to channel labour resources to sectors such as Healthcare and Construction to build the infrastructure to support our aging population, other supporting sectors of the economy such as Manufacturing and Logistics should not be neglected. Productivity must also be driven as a core sectorial activity to help these sectors cope with a smaller labour pool.
- Maintaining the business vibrancy and sentiments amidst a lower growth scenario

### **5.3. Continuous improvement in productivity**

SBF is supportive of the Government's various productivity initiatives targeted at various industries and companies. The Federation will work with the government, unions and TACs to facilitate companies' restructuring through relevant initiatives.

In addition to existing efforts, Singapore can drive productivity more holistically by exploring ways to improve productivity at the workers and clusters-level.



### **5.4. Productivity focusing on mindset change and engagement**

Besides technology adoption and redesigning processes, sustaining productivity momentum requires fundamental mindset change, right competencies and commitment which are the "heart ware" to drive productivity and innovation. Therefore, it is important for businesses to enhance their human capital management, such as effective engagement and empowerment in order to cultivate highly committed workforce.

### **Helping Employees Achieve Higher Labour Productivity**

Businesses should understand the productivity drivers of their employees, and implement changes in their policies to move towards a productive culture in the organization. Some recommendations include:

- **Clear goals in productivity performance**  
Businesses should set clear strategies to drive productivity growth and empower staff to implement innovative and productivity initiatives. Such efforts could be measured and remunerated to drive sustainable behavior and performance.
- **Less rigid organization policies and work-life balance programmes**  
Policies such as flexible office hours, work arrangements and employee benefits can be considered to incentivize employees to focus better at work and increase their commitments to their companies.
- **Children-friendly workplace**  
Programmes such as on-site daycare for children, parental leave and extended maternity leave, can have a significant impact on the productivity of working parents. Although these programmes are a cost item, they can generate net productivity gains for companies, given the scarcity and high cost of recruiting professionals.

### **5.5. Productivity improvement through cluster and supply chain development**

**Improving productivity through supply chain** - Besides driving productivity by sector and enterprises, the government can consider driving productivity at the supply chain across clusters where big organizations help to transfer knowledge and raise productivity in their smaller suppliers across different sectors. Government can consider strengthening industry clusters through centralisation of processes and services. For example, food and beverage outlets can be upgraded through central kitchen concepts. Retail chains can leverage on shared services from logistics sector for transportation and storage. Related enterprises can also pool their requirements for economy of scales. In the past, National Productivity Board (NPB) has a grant programme called Domestic Sector Productivity Fund (DSPF) which helped to promote industry-wide projects. Some of these industry-wide projects have provided deep and permeating productivity gain through projects like a single electronic system for construction sector like CORENET, promote industry-wide GPRS adoption, scheduling system amongst Port Authority, Container Depots and the transportation companies. More such industry wide projects should be initiated and incentivised through Government and private sector partnership to ensure better productivity permeation and adoption at the industry level by the business community.

**Streamlining trans-border collaborations** – As many Singaporean companies are regionalizing with overseas value chain partners, productivity can be enhanced if the government go beyond the Singapore geography by facilitating trans-border collaborations within clusters so that Singapore-based companies can be competitive across national borders.

**Building productivity through cluster and consortium** - In addition to building capabilities in our businesses, increased cluster collaboration encourages more tightly-linked consortium formation and allows local businesses to be more globally competitive.

## **6. Long Term Approach: Ensure Continual Supply of Good Quality Local Workforce through Increasing Government's Support In Marriage & Parenthood**

Evidence from other developed countries with higher TFR shows that government support in child bearing and rearing is one of the key features in helping residents to procreate. The government can consider the following measures to encourage procreation in Singapore:

### **6.1. Introduce incentives for employers**

Employers can be incentivized to innovate flexible work arrangements and balance the operational losses they suffer when their female employees go on maternity leave. For example, the government can give tax incentives to employers when their female employees go on maternity leave. Tax savings can go to covering the expenses for hiring replacements or rewarding employees for taking up additional workload. In addition, the government should recognize and reward companies with best practices in helping their employees cope with child-bearing and child-caring.

### **6.2. Promote work-life balance for citizens to procreate**

Singaporeans work one of the longest hours in the developed world with little time and energy left for their life and family. Through promoting work-life balance, the government essentially provides an overall environment conducive for procreation. Greater work-life management will also increase employee satisfaction thereby improving staff retention in companies. Businesses should attempt to evolve their human resources policies to adapt to the changing social demands and needs. Some examples of industry practices include:

- **Career Break Scheme** – Employees of OCBC and its subsidiaries are eligible to take three consecutive months of unpaid sabbatical leave, up to a maximum of two Career Breaks during their time of employment.
- **Primary School Leaving Examination (PSLE) Leave** – Employees of OCBC and its subsidiaries can carry forward up to three weeks of leave if their children are sitting for the PSLE examination in the following year.
- **Flexible work schedules** – IBM allows flexible start and finish times, and part-time work in appropriate circumstances

### **6.3. Provide more affordable childcare**

Singapore needs a strong social support system to provide conveniently located, good quality and affordable childcare. Singapore can learn from child-care support in developed countries such as Japan, Denmark, Finland and Sweden who have reversed their TFR downward trends in the recent years. This will also help to draw current stay-home mothers back to the workforce.

### **6.4. Possible Proposal for Marriage and Parenthood Measures**

As the Government considers introducing more Marriage and Parenthood measures, businesses acknowledge that they have a key role to play in this important development. Businesses generally are supportive of approaches that allow either parents to spend time to look after their family and children, introduce a limited amount of government-paid paternity leave and extend current child care leave to children beyond 6 years old.



## CONCLUSION

**Population challenges as a critical issue** - Singapore's population challenges constitute one of the most critical issues which affect business survivability. Businesses perceive an aging and shrinking population size as a development which will result in uncompetitive workforce with low innovation. While businesses generally prefer to hire local workforce, its availability remains generally low. It is even tougher to seek locals to fill the manual and laborious jobs.

**Foreign manpower is integral to the workforce** - Given the shortage of local workforce, foreign manpower is integral to the workforce. Singapore should continue to keep its door open to them. This approach will enable the Singapore economy to remain competitive and dynamic to fuel higher standard of living for all Singaporeans. Therefore, a more targeted approach in calibrating foreign manpower demand and supply across various industries should be carried out.

**Sufficient time required for businesses to adjust** - While it is important that Singapore focuses on economic restructuring and improving productivity, it is equally important that these initiatives be phase-in progressively in a reasonable and realistic duration. Businesses should be given sufficient time to adjust and reap benefits of productivity initiatives.

### The Next Step

Following this position paper on population, SBF-led SME Committee (SMEC) will be submitting its Budget 2013 recommendations to the government beginning next year. The SMEC will be proposing more specific measures for manpower and productivity, in addition to three other major areas of business issues impacting small businesses: cost of doing business, financing, and internationalisation and market access.