

Speech by Heng Chee How (27 May 2009)

Mr. Speaker, thank you for allowing me to speak on this Motion of Thanks to the President.

A reporter asked an old Communist revolutionary to describe the merits of his system. The comrade says : “Our system is great! Everyone has a job.” So the reporter asked, “That is wonderful. And how is your pay related to your work?”. The comrade answered: “It is straightforward. They pretend to pay me, and I pretend to work.”

Sir, this is of course a joke. But it tells us something about how the design of political systems interplay with basic human motivations to produce outcomes.

Singapore has come a long way since independence, economically, socially and politically. Our strategic choices have mostly paid off. That is why we are in a better position today compared with most of the other small colonies that gained independence after the War.

We have to make new strategic choices in the face of fast changing circumstances. The Chinese saying “ 进则 ” (if we cannot advance, we back slide) describes the difference between getting it right and wrong.

For today, I will focus on 3 areas that have the potential to disrupt our social fabric, and undermine our economic strength:

- A Employment of older workers
- B Lower wage contract workers
- C Treatment of foreign workers

First, I will speak on the employment and re-employment of older workers. There is now a new term in the US. It is called “Un-retirement”. This is the phenomenon where retired workers are forced by circumstances to return to the workforce to seek a living. What happened? These retirees have run out of savings, or lost their savings through stock market plunges. They have also seen the value of their homes collapse.

Un-retiring is proving to be much more difficult and frustrating, sometimes heart-wrenching, than retiring. Just because you are broke and need money does not mean that you will be given priority for a job. This is especially so when the economy is itself shedding jobs in the face of a recession.

But where does that leave the distraught?

Singapore is also facing our most serious recession since the War. Thankfully, we have avoided the worst outcomes in the labour market so far. Although GDP fell from 7.8% in 2007 to 1.1% in 2008 and to an expected (-6% to -9%) for 2009, the rise in the quarterly (as at 1Q09) unemployment rate to 3.2% overall and 4.8% for the local workforce has not been as steep. This is partly because of the unemployment retarding effects of the Jobs Credit Scheme, the SPUR programme and socially responsible company-level cost cutting on the one hand, and active job searching and job retraining and placement efforts by entities such as the CDCs and NTUC E2i on the other.

On the re-employment front, the total number of unionized companies committed to re-employment of older workers stands at 726 as at end April 2009. The total number of workers in unionized companies employed beyond age 62 has also gone up from around 4600 in (month) to more than 5000 in the first quarter of 2009.

Does this mean that we need not worry about the prospects for re-employment of older workers? Does Un-retirement hold any lessons for Singapore?

In my view, we should take seriously the difficulties of workers attempting un-retirement. When we study the write-ups, we see that many of these retirees are stuck because they cannot convince employers of their employability. Those who have left work for a number of years are particular out of touch, skills-wise and in a lack of confidence. Others are ruled out because of the healthcare cost that prospective employers do not want to shoulder. Yet others rule themselves out because they continue to look for work in sectors and at terms that they were used to, but are no longer realistic. These are descriptions not unfamiliar to us.

To try to remedy these weaknesses and close these gaps quickly for large numbers in a moment of crisis would be a most difficult challenge for any country to tackle.

The key lesson is that we must do our best not to end up in that situation as far as possible. And that is by going upstream and helping as many of our workers stay employed and employable for as long as possible.

Hence, our efforts in the area of re-employing older workers must not slacken, even in the face of the downturn. To be realistic, we must expect that it would not be easy securing re-employment in a downturn. But we must also recognize that the alternative to that would be a growing pool of financially strapped old citizens, and that is something much worse for the individuals and the country as a whole.

Here, I want to call attention to 2 aspects:

A In recent days, we hear of media reports of “green shoots” of economic recovery in the US and then, globally. This is more on the basis of suddenly exuberant stock market behaviour. Whether this exuberance has a firm basis in the real economy or is irrational remains to be seen. We must not let this talk of “green shoots” distract us from investing time and effort in the upgrading our workers’ skills and employability. We are dealing with a structural issue, not a cyclical one.

The recovery, when it comes, will require Singapore companies to compete ever more fiercely with the survivors of the global shakeout. These survivors are the fittest of the lot, and the need for the Singaporean worker to be not only job-ready but fighting-fit cannot be over-stated. Older workers would have to secure their employment through the value that they create at work, just like everyone else. They must actively improve their job-worth and continued employment chances through upskilling.

B The first batch of baby boomers – those born after the War in 1946, have just aged past 62. This is only the beginning of the bulge. This means that the number of workers reaching 62 will swell in the coming years before reaching a peak. Companies will have to step up their efforts to design and match suitable jobs to their older workers, in anticipation of the growing numbers of positions needed, year after year. The expected enactment of the Re-employment Law in 2012 will make this requirement mandatory. The choice facing companies is one of turning this requirement either into a value-add or a cost burden.

With the enactment of the re-employment law getting close each day, I hope that companies will make maximum effort to prepare themselves for it, and not leave it till the last moment or hope to arrive ship-shape by muddling through. I also hope that companies will not resort too readily to outplacement or converting their aging

workers to contract service before retirement age as ways to side-step this need.

I say this because I note that the percentage of our resident workforce that is on term contracts has continued to rise. Between 2007 and 2008, it grew by 4.9% to 189,000 workers, and comprised 12.4% of the total resident workforce. This figure does not include those on contracts for service.

This brings me to the subject of Contract Workers. Among lower wage Contract workers – one key danger facing them and the economy as a whole is cheap-sourcing and its impact on their earnings, employability and productivity. Instead of being value conscious and productivity conscious, still too much emphasis is placed on price consciousness alone. This has contributed partly to the decline in labour productivity. Even if one takes into account the intentional move to keep down unemployment in this recession, the trend for labour productivity is still adverse.

Why is this so? For a long time, the argument has been that for the sake of economic competitiveness, cheaper labour is one way for companies to keep down the cost. The upshot of this way of thinking is to bring in cheaper foreign labor and to outsource at lower rates. There are two problems with this. The first is the Race to the Bottom challenge, where cheap-sourcing will tend to drive down the earnings especially of lower wage workers. Workfare payments go some way toward topping up the income of local low-wage workers, and lower the chances of their being sucked into the downward spiral, but only to a point. The cheap-sourcing mentality among buyers give rise to a lowest quote mentality among suppliers of services and goods, and the ensuing cut-throat competition will press down wages over time.

The second problem with accepting this argument too readily is that there would be little motivation to think about raising

competitiveness through raising productivity. Water flows toward the lower level. When there is a simpler solution for the immediate, the important is sacrificed at the altar of the expedient. This will wreak greater damage on the economy, even though short term gains may be reaped. And the statistics are already telling us this.

To survive the downturn, we have to cut costs to save jobs. But to prosper in the upturn, we cannot hope to be competitive just by being cheaper than others in our inputs. We must be more value-for-money, or productive, than others.

This means we have to carefully consider the following:

A With outsourcing and contract service becoming ever more common place, and with many companies pursuing those approaches as ways to save money and increase flexibility, how do we ensure that the growing pool of contract and free lance workers across different industries do not become less and less employable, and more and more vulnerable to cheap-sourcing?

Many contract workers also work outside the boundaries of companies. Their needs would increasingly have to be met beyond measures targeted at companies. This applies not only to low-wage workers but also increasingly to PMETs who free-lance or are on contracts for service.

I want to underline this point – that more solutions in the future would have to come from measures and arrangements that are not company-based. This is because more and more companies will operate using a mix of a small internal core workforce and a large flexible external or temporary workforce. Therefore, productivity, professional development and individual employability cannot be achieved by addressing companies alone.

This also means that the way statistics and interpretation of statistics would have to adapt as well, because the share and scale of non-company-based data will increase over time.

B How do we ensure that companies and organizations in Singapore that embrace outsourcing are smart-sourcing and not dumb-sourcing – in that they pursue productivity enhancement in outsourcing as a way to derive value-for-money instead of being penny-wise-pound-foolish? There are still sectors in our economy whose productivity levels have not improved much over the years, and have also lagged the levels attained in other countries. This is the nub of the problem.

NTUC's efforts in highlighting and countering cheap-sourcing over the past few years have shown us how tough this problem is. I think it transcends the question of business tactic. It is a question of entrenched mindset that is very hard to dislodge. We have to find ways of cutting this Gordian Knot so as to fundamentally transform our economy and the capability and worth of all in our workforce.

One thing for sure - regardless of the transformation path that we take, the Singapore economy will always need migrant workers to help fuel it.

Today, foreigners constitute 37% of the workforce. The numbers of foreign workers will grow in the recovery. Migrant workers bring with them the numbers, skills and energy to complement and supplement our local workforce, at a cost that companies find viable.

While foreign talent should have less problems negotiating appropriate terms for themselves before accepting contracts, lower wage foreign workers are more prone to finding themselves at the receiving end of unequal arrangements.

More cases of such unfair, unsafe and unlawful practices have surfaced over the past months and reported in the media as the economy skidded. These are warning signs for us to take seriously.

We should proactively address questions of fair treatment – e.g. prompt payment of the right wages, adequate health coverage, decent accommodation, safe transportation, and enforce strictly against labour suppliers and employers who flout legislation and regulations. Profits and greed cannot be allowed to over-ride basic decency. It does Singapore's reputation and attractiveness as a working location no good to be associated with shabby treatment of migrant workers.

I would also like to point out that if such workers are not perceived to be treated properly, source countries or provinces may have cause to ban their people from coming, thereby damaging our economic resilience.

Moreover, I believe that how employers choose to treat their foreign workers has a knock-on effect on how they treat local workers, especially those at the lower end of the economic ladder.

At the same time, as the numbers of foreign workers here grow, we must expect that there will be increasing tendency for them to organize among themselves to seek their own protection and rights, as well as increased action by groups to lobby on their behalf. The more recent gatherings and group appeals at the MOM are not just as a reflection of the downturn. They are indicative of a deeper trend of behavioural change.

We should hasten to do the necessary, so as not to be misconstrued as passive or lax. Instead, we should show ourselves to be decisive, proactive and enlightened in regulation.

Mr. Speaker, as we focus our attention and efforts on tackling these and other emerging trends, and work them to our advantage, we will strengthen ourselves against the competition while ensuring that Singapore coheres and continues to be one of the best places in the world to live, work and play.

In this way, we will together build Our Home, Our Future and Our Singapore.

Thank you.