

SINGAPORE'S PRODUCTIVITY PROBLEM

WHAT IS PRODUCTIVITY?

In economic terms, it is defined as the value of output produced by one unit of input, but most of us understand it as how much work a person has done in a given time. A car salesman's productivity is how many cars he has sold in a single working day. For a property agent, it may be how many dollars of commission she has earned per hour of work.

Productivity can be increased in two ways - either increase the amount of output, or reduce the number of workers used.

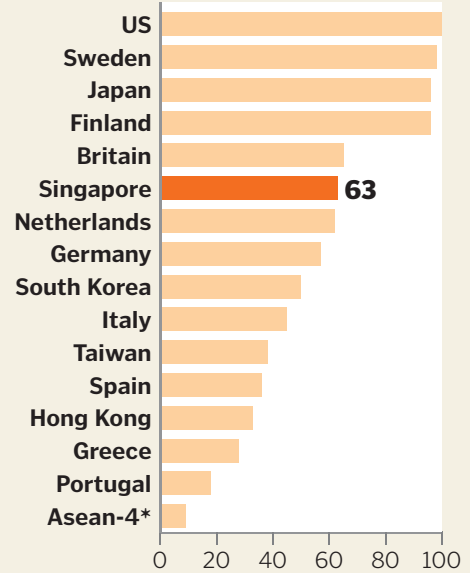
- Using machines or automating processes is one example of how companies can increase output per worker.
- Improving teamwork is one way that the same amount of work can be done by fewer workers, also increasing productivity.

WHY IS SINGAPORE'S PRODUCTIVITY SO LOW?

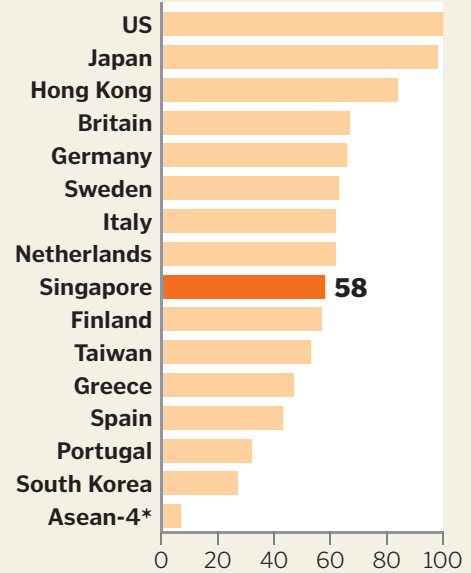
Singapore's productivity growth has averaged just 1 per cent in the last decade. Its productivity in manufacturing is 55 to 65 per cent of that in the United States and Japan.

In retail, it is 75 per cent of that in Hong Kong and just one-third that of the US. In construction, the situation is even worse.

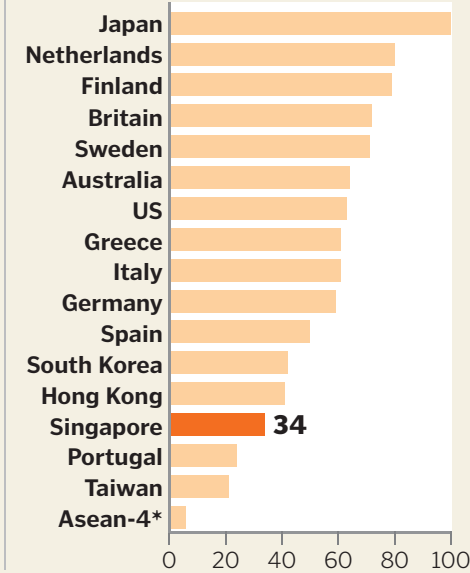
Manufacturing



Services



Construction



Note: These graphs show how productive Singapore is on a scale of 1 to 100, with 100 being the most productive.
 * Asean-4 refers to Indonesia, Malaysia, Philippines and Thailand

Source: MINISTRY OF FINANCE

Economists have pointed to one key reason for this: the abundance of cheap foreign labour. In sectors such as construction especially, Singapore companies tend to employ lots of low-wage workers to do the job, while firms in other economies may employ fewer but higher-skilled

workers or use more automation in their processes. Singapore workers are also not as well-educated as in some other economies. About 60 per cent of Singapore's workers never made it past secondary school.

HOW HAVE OTHERS RAISED PRODUCTIVITY?

HONG KONG



Hong Kong's services sector grew in productivity by 3.1 per cent per year between 1999 and 2008. This was made possible by having more knowledgeable and experienced workers, higher business investments, and a shift towards higher value-added services such as financial services.

FINLAND



Phasing out inefficient factories and getting more competitive plants to invest in technology helped Finland's manufacturing productivity grow by 5.8 per cent from 2000 to 2008. Industry leaders like Nokia lent a hand to smaller companies by becoming their customers and helping them build an impressive track record.

AUSTRALIA



Industry reforms helped to improve the construction sector's productivity significantly earlier last decade, after two decades of stagnant productivity growth. Contractors were given incentives to use more technology and fewer workers, and they are also generally more willing to invest in training and upgrading their workers.

DENMARK



Making expensive, quality furniture allowed Denmark to grow the productivity of its manufacturing sector by 2.7 per cent per year from 2000 to 2008. Investing in such high-value niche areas, as well as restructuring industries and doing more research and development, paid off in increased productivity.