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Headline: Singapore's Growing Success Sparks a Backlash

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BY JANE A. PETERSON

Wild Rocket Group started ten years ago in Singapore and now has four restaurants serving modern Singaporean cuisine. But sometimes it's forced to turn away guests because it can't hire enough staff. "It's incredibly frustrating," sighs 43-year-old Willin Low, the owner and, at his flagship restaurant, the head chef. "All of my expansion plans have halted."

Investors want him to open outlets in Jakarta, London or Tokyo, but Low refuses. He can't build a competent staff to expand his \$3.7 million business in Singapore, let alone launch overseas. Tightening government limits on foreign workers oblige Wild Rocket to hire Singaporeans for 60% of its openings, even though most locals shun restaurant work. Add to the mix an extremely tight labor market (the unemployment rate is just 1.9%) and rising taxes on each foreign worker hired. "You end up hiring Singaporeans who are not good," laments Low, "and you can't fire them"—at least not without losing a competent foreign worker to maintain the same balance.



Service crunch: Most Singaporeans aren't interested in waiting on tables or working in kitchens. And robots can't do it—at least not yet. Credit: Jeremy Hoare Food and Drink Photos/Newscom

Bigger players are frustrated, too. Loh Lik Peng owns the Unlisted Collection of 20 restaurants and 7 hotels in Singapore, Shanghai and London. He'll open another hotel in Sydney in July. "We were hoping to expand in Singapore, but we can't," says Loh, who instead plans to grow overseas. "Every time we open something in Singapore we're cannibalizing our staff or someone else's. It's not sustainable."

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This crunch can be seen as a price of success. Singapore boomed under the late Lee Kuan Yew and his successors, becoming a magnet for global capital. The fast growth outstripped the local labor market and foreign workers arrived in droves, dampening productivity.

So, this being Singapore, the government is in the middle of a formal, ten-year program to restructure the economy. The limit on foreign workers, which ratchets up year by year and affects all sectors, is a key component. The goals include across-the-board productivity gains, more high-skilled jobs, and wage hikes for low-skilled workers. Productivity is 13% higher since 2010, but it fell last year in most sectors, including construction, retail and restaurants. Even if wages rise, most Singaporeans still wouldn't build high-rises, wait on tables or clean rooms. And robots can't do it—at least not yet.

Meanwhile, the country struggles with a public backlash against the huge jump in the foreign population. In 1990, when 3 million people lived on the island, foreigners made up just more than 10% of the total and 16% of the workforce. By last year nearly 30% of 5.5 million people were classified as foreign, including one in three workers.

Professor Eugene Tan of Singapore Management University points to 2013 as the tipping point for public resentment. First, a government white paper proposed planning for a population as high as 6.9 million by 2030. Later, a riot broke out in Little India between overseas construction workers and police after a bus accident killed a worker. "The desire to be a global city—open to foreign investment and people—created a perfect storm," says Tan. "Everything conspired to make Singapore more congested and increase the cost of living. Immigration became the convenient scapegoat."

As the country's political season draws closer—parliamentary elections could be called as early as this month—the government wants to continue restricting the supply of foreign workers without hurting foreign investment. "Squaring this circle is of utmost importance in ensuring Singapore remains an attractive destination for talent," says Tan. "There are real concerns about Singapore hurting its reputation as business-friendly. We need to decide how wide we want to keep the doors open."



Because of labor shortages, "My expansion plans have halted," says restaurateur Willin Low.

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To be sure, many companies still have little trouble getting work passes to hire expats. "We will continue to have inflows into selected labor markets as long as the people are skilled and can add value," says Saktiandi Supaat, who heads foreign exchange research at Maybank. Fund management companies, for instance, encounter a "relatively pragmatic" approach from the government, while entrepreneurs are offered special employment passes. "We work every day with companies from all sectors that are still coming to Singapore," says Managing Director Toby Fowlston of recruiting firm Robert Walters Southeast Asia. "A lot of people recognize increased costs but know this is an extremely good place to do business."

Still, complaints reverberate across the business community as the growth in foreign manpower shrinks, from 6.8% in 2012 to just 2.6% last year. "When I started Singapore was a very welcoming, pro-business environment," says Australian Chris Wanden, who owns the 12-year-old Dimbulah coffee chain. "Now it's under threat. [Foreign-worker limits] undermine growth. Labor-market controls are not part of a free-market economy." Companies also routinely beef about locals who job-hop relentlessly. "Singaporeans can be very picky," explains Tan. "They see it as a birthright to get good jobs. The good life here may well have contributed to the lack of perspective on global competition, and this has curbed their hunger."

In fact, the number of Singaporeans entering the workforce each year is dropping quickly, even as the demand for more services increases. Not only will Singapore have 7,000 additional hotel rooms to clean by 2017, but the health care and elder care sectors are also expected to grow rapidly and clamor for the same pool of service workers.

To stem complaints about falling standards of service, Low, of the Wild Rocket Group, tweaks his traditional waiter model where he can. At Relish, his upmarket cafe near the Botanic Gardens, he's closed Mondays. For the other days he posts a warning sign in the lobby: "Due to a shortage of manpower, we regrettably have to keep the menu short; we also regret service may not be at a level we want." And at Wild Rocket, his flagship restaurant tucked behind the Istana, where dinner without wine runs \$60 to \$75 a head, he closes off a wing, hires students part-time and tells guests to find extra cutlery in the table drawers.

At Timbre Group live music keeps five restaurants full, and generous government innovation grants help buy extra technology to offset the lack of labor—faster-cooking ovens, iPads for all tables and, set to launch by year-end, drones to fly food from kitchen to table. "Right now it's two steps forward, one step back," says owner Edward Chia, referring to the demands on his business. "It takes time and capital."

Some are trying new models. Longtime local restaurateur Andrew Tan is joining with All Nippon Airways to soon open Eat at Seven, a cluster of seven restaurants at Suntec City mall that will each offer a different menu while centralizing dishwashing, accounting, cleaning, marketing and taking payments at cash registers.

Many analysts applaud the government for managing an economic restructuring in which the fittest companies survive and the least productive fold. "With time, things like service standards can be repaired," says economist Manu Bhaskaran of Centennial Asia Advisors, a research and advisory firm. "The real threat to Singapore's tourist trade is high costs. Singapore needs a period of cost-adjustment before it regains competitiveness, whether in tourist services or other areas. [Before,] there was no incentive to upgrade and become productivity-driven. Now companies have no choice." Leading Singapore companies are beginning to reengineer, he says, through higher capital-labor ratios, more innovation and downsizing. Some companies are relocating offshore to Iskandar and Batam, while others, such as Procter & Gamble and Unilever, are expanding their local operations.

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So Singapore's vibrant food-and-beverage sector is changing. "Singapore is touted as one of the world's best dining destinations," says Wild Rocket's Low, "but if service is patchy and prices are higher, today's travelers are mobile. Our unique dining hub will suffer."

Job Machines

As in Singapore, businesses in many parts of Asia can't fill openings fast enough.

Country Unemployment Rate

Thailand 1.1%

Singapore 1.9%

Malaysia 3.0%

Hong Kong 3.3%

Japan 3.5%

Taiwan 3.7%

South Korea 3.9%

China 4.1%

Indonesia 5.9%

Australia 6.3%

Philippines 6.6%

India 8.7%

Rates are for the latest month or quarter reported. Sources: Trading Economics; Euromonitor.