

Tackling Singapore's labour crunch

Companies and consumers alike have no choice but to adapt to the labour shortfall that will be with Singapore for the foreseeable future. **Janice Heng** and **Toh Yong Chuan** report on the extent of the problem and possible solutions.

By **JANICE HENG**
 and **TOH YONG CHUAN**

MANY countries around the world create far fewer jobs than they have workers for.

Singapore's problem is different - it has more jobs than it can find workers for.

A report by the Association of Small and Medium Enterprises (Asme) this month sums up the situation: "There are still many jobs available out there for locals but many SMEs still have difficulty recruiting local manpower in the market and hence find it difficult to meet the foreign labour quota."

Since the end of 2009, the Singapore economy has added between 20,000 and 37,000 new jobs every three months. This is not matched by the number of locals entering the workforce.

For decades, the city state has been heavily reliant on foreign labour to top up its local labour supply. But since 2010, the Government has tightened the inflow, as foreign worker numbers had grown so large as to put a strain on public transport and housing.

The trouble is, locals shun certain jobs - namely those that are labour-intensive, low-paid and tiring.

Asme, which represent SMEs that employ two in three workers here, says: "Many locals are not committed and are unwilling to work especially in the lower-tiered jobs, such as drivers, waitresses, and so on."

Sectors that rely on foreign workers to do such jobs have been hit by tighter foreign labour policy. From July, the share of foreign workers which service firms can have has been cut from 50 per cent to 45 per cent. In manufacturing, it is now 60 per cent, down from 65 per cent.

Foreign worker levies have also gone up.

But even sectors which do not rely on foreigners are feeling the strain. The security sector, which hires only locals and Malaysians, has a shortage of at least 14,000 guards now.

Dishwashers made the news when restaurant chain Sakae Sushi said it could not find locals willing to wash dishes for 12 hours a day - with breaks - and six days a week, for \$3,000 a month.

And in Parliament last week,

Environment and Water Resources Minister Vivian Balakrishnan said Singaporeans will have to return their trays at hawker centres and "learn to cope with fewer cleaners". He added: "There is going to be a structural and chronic shortage of cleaners in the future."

Yet more jobs

THE demand for workers is not about to dry up any time soon.

The Government's own projections point to tens of thousands of new jobs over the medium term in sectors such as transport, housing, health care and education, to meet the needs of a growing and ageing population.

With the ramp-up of flat building by the Housing Board, the total number of construction workers needed could hit 45,000 in the next few years, up from 18,000 last year.

Of similar magnitude are the needs of the health-care sector. With two more public hospitals on the way, along with more community hospitals and nursing homes, the sector will need 35,000 more staff in the next eight years. These include doctors, nurses and attendants.

Other sectors which will need thousands more workers are eldercare, childcare and hospitality.

The 200 new childcare centres to be built by 2018, for instance, will call for 1,000 more teachers.

And with 10,400 more hotel rooms expected in the next four years, the sector will need about 7,000 more workers.

In a market where labour is scarce, wages rise. Workers who can, will move to sectors that pay better. Firms too may move - in search of lower-cost labour. Indeed, more than 60 per cent of

SMEs in Asme's recent survey were thinking of relocating to neighbouring countries where labour, land and raw material costs are lower.

Construction material firm Eng Seng Cement Products has already done so. It set up a factory in Kota Tinggi in Malaysia last month to make prefabricated concrete walls for Housing Board flats.

The firm's director Chow Hoo Choong took insight to his sprawling factory about the size of a soccer field in Kota Tinggi. The typical daily wage of a Malaysian worker is RM40 (S\$16), he said, adding: "In Singapore, a worker costs at least three times more, provided we can find them to hire."

The migration and phasing out of companies that are unable to become more productive and less reliant on labour is precisely what economists say should happen as an economy restructures, not just at the level of firms, but that of industries.

Professor Hoon Hian Teck of the Singapore Management University notes that such restructuring dates back to the late 1970s, when labour-intensive industries such as textiles made way for higher value-added ones such as pharmaceuticals.

The Singapore Business Federation's SME committee has suggested a one-off government grant to help firms relocate to lower-cost countries, while maintaining links to Singapore.

Mr Lau Tai San, a member of the committee, highlights several other interim measures that firms think will help.

They include:
 ■ A minimum age, say 50 years, for taxi drivers, so more younger and fitter Singaporeans will take up jobs as truck or lorry drivers, where there is a shortage;

■ Incentives such as lower foreign worker levies for companies that keep well below foreign worker quotas;

■ Allow companies to transfer their unused foreign worker quota to other firms in the same sector, so that the latter can, temporarily, have more foreign workers to ease their shortages.

"There is no shortage of ideas," says Mr Lau.

The long-term view

THE labour shortfall is here to stay.

Mr Lee Ark Boon of the Manpower Ministry (MOM), says Singapore's manpower crunch is "fundamentally a long-term issue" caused by a shrinking local labour force. "We have come to a point where our local working-age population is expected to start growing at a slower rate, and will eventually start to shrink within the next decade."

In May, the Institute of Policy Studies projected that if Singapore's total fertility rate stays at 1.24 and there are no new citizens or permanent residents, the local workforce will shrink from about two million in 2010 to 1.8 million by 2030, and below 1.5 million by 2045.

While immigration and foreign manpower add to the labour pool, the inflow has been tightened because of "social and infrastructural constraints", notes Mr Lee, who is MOM's divisional director for manpower planning and policy.

If a shrinking local workforce is not to translate into shrinking growth, either it will have to be topped up with foreign workers, or local workers must contribute more.

Asked about solutions, Mr Lee

says: "The key long-term measure is to press on with economic restructuring and improving productivity."

The Government's target is for productivity growth of 2 per cent to 3 per cent a year this decade, though Acting Manpower Minister Tan Chuan-Jin said this month that remains a "stretch target".

Deputy Prime Minister Tharman Shanmugaratnam has indicated that results will come only with time, saying in April that economic restructuring would take "at least the better part of this decade" to complete.

A day later, the Monetary Authority of Singapore said Singapore might not reap the fruits of the productivity drive until "the second half of this decade".

To take a positive view, Singapore has significant scope to step up productivity. This is especially so "in the services sector, where the labour crunch is most severe", Mr Tharman said in his Budget speech this year.

For instance, Singapore's retail productivity is less than half of that in New York, Paris and London, and remains behind Hong Kong's, he said.

An economic simulation by National University of Singapore labour economist Hui Weng Tat estimated that if annual productivity growth was 3 per cent rather than 2 per cent, the demand for foreign labour in 2034 would be halved from 2.78 million - the figure it might be, given assumptions such as low total fertility - to 1.48 million.

Tapping housewives and retirees

THE productivity drive aims at making better use of every work-

er, which should reduce labour demand. But another, non-mutually exclusive measure is to raise labour supply - and foreign workers are not the only option.

One approach is to get more locals into the workforce.

Mr Lee of MOM says: "The Government is helping the economically inactive to go back to work and locals to work longer if they wish."

Firms are turning to retirees and housewives to fill gaps, and they are getting help from government agencies to do so.

Last month, the Singapore Workforce Development Agency and police launched a scheme to get retirees and housewives to work as security guards, by shortening their working hours.

Some SME bosses have proposed lowering the employee Central Provident Fund contributions of part-time workers, so as to boost their take-home pay and encourage more to work part-time.

The share of women and those aged above 60 in the workforce has risen in the last decade, as has the number of part-timers. The numbers are still small compared to the foreign worker population.

Economists themselves say in the light of a labour crunch that is here to stay, the questions facing Singapore go beyond economic theory.

The real questions concern the kind of society Singaporeans want, and the pace and quality of economic growth that society expects.

For Professor Basant Kapur of the National University of Singapore, how many workers - and foreign workers - are needed depends on the answers to these questions.

"After factoring in feasible growth of the local labour force, productivity growth and so on, we should ask: For any given level and composition of foreign worker inflow, what will be the resulting estimated growth of labour costs in Singapore, and what will be the resulting estimated GDP (gross domestic product) growth rate?"

That will give a better sense of the trade-offs between foreign labour inflows, costs and growth, he says. And from this, perhaps "policymakers and the public at large as part of the Singapore Conversation" can arrive at a consensus on how best to tackle the challenge of an economy with too many jobs, and too few workers.
 janice@sph.com.sg
 tohyc@sph.com.sg

VACANCIES



Extra workers needed

HEALTH CARE 35,000 by 2020

CONSTRUCTION 12,000 more this year and another 15,000 in the next few years

ELDERCARE 11,000* by 2030

KINDERGARTEN IN AMK needs English teacher to start Jan 2013. STT Degree. Sponsor PR. Email: g@nikkai.com.sg nikkei@nikkai.com

FULL-TIME AMBULANCE DRIVER needed in North East. Contact: James Jaran, 9753 1111

HOSPITALITY 7,000 in the next four years

Welder / Weldress Min 2 yrs Experience. Salary \$3000 + allowances. Send resumes to: s@workforceability.com.sg

BUS DRIVERS 1,600 in the next five years

CHILD CARE TEACHERS 1,000 in the next five years

DOCTOR'S ASSETS NEEDED TO START MEDICAL PRACTICE

URGENTLY NEEDED CLEANERS

Sources: MND, MOH, MCYS, MOT, NTUC. Photos: ISTOCKPHOTO and ST FILE