

ECONOMIC RESTRUCTURING GOING WELL: TEO SER LUCK

Academic hits out at 'big disconnect' over productivity push

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SINGAPORE – Four years into Singapore's push for economic restructuring, a massive gap remains between the official productivity growth target and reality on the ground, a former People's Action Party (PAP) Member of Parliament (MP) turned academic said yesterday, pointing the finger of blame at a lack of macro-vision and planning by the Government.

"There's a big disconnect between aspiration and achievement in the matter of productivity," Dr Augustine Tan, professor of economics at the Singapore Management University, said at a panel discussion on economic restructuring yesterday. "When the target of 3 per cent was mooted in Parliament three years ago ... I was quite astonished ... Where did (they) get that figure from?" he added.

His comments came as Minister of State (Trade and Industry) Teo Ser Luck said at the SBF SME Convention yesterday that Singapore's economic restructuring journey was coming along relatively well despite the strain on firms. Businesses are taking steps to adjust to the changes, Mr Teo added, citing a rise in the take-up of government support programmes such as the Productivity and Innovation Credit (PIC) scheme, under which about 40,000 firms claimed PIC last year, up 50 per cent from 2011.

He also noted that foreign labour quotas are not set in stone, adding that the Manpower Ministry closely monitors how measures affect businesses.

"Everyone is going through restructuring – some are doing it better, others are suffering. But that's the only thing we can do to strengthen our companies ... There's really no turning back in this journey," Mr Teo said.

Other panellists at the discussion at the convention, part of events during the ongoing National Productivity Month, included SME Committee chairman Lawrence Leow and OCBC economist Selena Ling.

In 2010, the Economic Strategies Committee set a target for Singapore to raise productivity by 2 to 3 per cent annually by 2020. Despite a slew of support schemes, this has proved hard to achieve: Productivity growth was flat last year after falling 2 per cent in 2012. In the second quarter, overall productivity shrank by 1.3 per cent on-year.

The cause of this is a lack of macro-vision in attaining productivity growth while ensuring economic competitiveness, Dr Tan said, adding that "one arm of the Government does not know what the other is doing" in deciding restructuring measures, such as the tightening of foreign labour quotas.

"If I had my way ... I'd target sectors capable of more productivity increases and give them more leeway," Dr Tan said, referring chiefly to manufacturing. "But you're tightening the quotas so much, we're not hitting (the 2-3 per cent productivity target). What you get instead is wage effect, cost effect, and the economy becomes uncompetitive."

Dr Tan was a PAP MP for Whampoa between 1970 and 1991 and has served as political secretary to the Prime Minister and chairman of the National Productivity Centre.

Responding to Dr Tan's concerns, Ms Ling noted that "there's no good time to restructure". "It's not all doom and gloom. There are encouraging signs, such as the net company formation in the second quarter, which was much higher than quarterly rates in 2013. That suggests businesses are looking ahead despite the challenges."

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MINISTER OF STATE
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