THE POLITICAL ECONOMY OF SINGAPORE’S POLICY ON FOREIGN TALENTS AND HIGH SKILLS SOCIETY

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Linda Low*

RPS #2001-036 (BP)

* Associate Professor, Department of Business Policy, Faculty of Business Administration, Bldg. 1, National University of Singapore, Business Link, Singapore 117591. E-mail: fbalowl@nus.edu.sg

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Abstract

Given Singapore’s strategy to be a knowledge-based economy (KBE) and targeting for new niches like life sciences, R&D and high skills in general, we want to balance the economics of that with a political economy analysis of its policy to recruit foreign talents and nurture a high skills society. Singapore faces ageing demographics, economic restructuring and a current economic slowdown and for all the denial it is not a welfare state, it is certainly a paternalistic one. Yet, when it comes to sustaining a resilient, vibrant economy with the requisite workforce, the government is absolutely singular to pursue its “flow-though” model in bringing in foreign capital, technology and whatever it takes to keep itself as a top globaliser. In examining these policy strategies and options this paper, we ask if even the government-made city-state is not escaping the globalisation backlash. The consequences of balancing a delicate socio-political compact between foreign talents and local skills are getting more competitive and complex when both the economic tempo and difficulties of restructuring.
The Political Economy Of Singapore’s Policy on Foreign Talents and High Skills Society

1 Introduction

More than other Asian economy, Singapore’s focus on human resources for survival and competitiveness is imperative. Globalisation, information communication technology (ICT) and its ambition to be a knowledge-based economy (KBE) (Singapore, DOS, 1998 and Low, 2000a) make human capital, especially intellectual capital even more critical than physical capital. Intellectual capital implies knowledge or information as a crucial set of input. Knowledge intensity is coupled with the "weightless" growth of KBE in virtual states. These relocate their low-end but value-adding activities elsewhere to ratchet up into skill-intensive, research and development (R&D) and other headquarter functions (Rosecrance, 1999 and Everard, 2000). Mobile-commerce connoting the freedom economy is another innovation in business beyond electronic-commerce (Keen and Mackintosh, 2001).

Knowledge work is complex, uncertain, ambiguous, unstructured, difficult to observe and measure and high risk in terms of job security and employability. It requires individuals with high pattern recognition skills, flexibility and tolerance for ambiguity and teams skilled at collective “sense making” and organisations which develop knowledge worker novices into experts, rapidly build effective virtual teams, build a culture of improvisation and balance creativity with risk management. One of the changing paradigms in the 21st century is the transformation of management of knowledge (Clark and Clegg, 1998). Creative and innovative knowledge is highly mobile across seamless and borderless networks or ICT clusters. The proprietary nature of such intellectual capital resides with the persons as owners. As perplexed are companies in assessing the value of investing in information technology (IT) given the productivity paradox (Lucas, 1999), workers as assets has become workers as investors as a new metaphor (Davenport, 1999).

This paper examines the policy responses and political economy impact as Singapore gears itself toward a KBE and high skills society. The challenges range from the search and reliance on foreign talents, assimilating them with local talents and managing the balance between structural macroeconomics and cyclical volatility with economic growth based on high technology and high skills. Section 2 starts with a brief overview of Singapore’s economic restructuring driven by globalisation and international competitiveness in a very government-made process (Low, 1998). Section 3 examines long term strategic manpower policies and structural response while Section 4 focuses on cyclical shocks due to downward shifts in high technology sectors and recession. Reflections and issues of foreign talents and high skills in Section 5 provide some policy ruminations in the concluding section.

2 Toward KBE and developed country status

Singapore topped in a new globalisation index (Foreign Policy, January/February 2001) driven largely by technology especially Internet access which has widened the globalisation gap between developed and developing countries. Small countries top the globalisation ranking as Netherlands, Sweden, Switzerland, Finland and Ireland follow Singapore. Since the Asian crisis, Singapore has struggled to maintain high levels of trade, foreign and portfolio investment and tourism to maintain its globalisation lead (Foreign Policy, September/October 2001). Its slow progress in privatising government-owned companies (GLCs) and its tight controls over Internet development have also slowed its integration with other countries. Singapore fell from second to fourth rank in the World Economic Forum's Global Competitiveness Report 2001 (Straits Times, 19 October 2001, p S14). An inherent and formidable enigma persists. Its economic performance and standard of
living are no less than most developed industrial countries (Low, ed, 1999). To remain the top
globaliser, its model must further change to grapple with changing mindset and KBE culture.
Yet, dominance of Singapore Inc (Low and Johnston, eds, 2001) and the political economy of
long regime continuity and survival by the People’s Action Party (PAP) since 1959 are two
sides of the same coin.

Singapore has been relatively successful in human resources development (HRD)
incorporating basic education and informal and continuous lifelong training and skills
upgrading which promoted institutional capacity and productivity (Soon, 1992 and Low,
2000b). The challenge is to have a professionally and technically skilled workforce which
also rises to the demand of intellectual capital to absorb, process and apply knowledge in the
KBE. In particular, a critical mass of technology entrepreneurs (technopreneurs) as risk-
takers, innovators and arbitrageurs with a support environment has to be developed. A study
by Global Entrepreneurship Monitor, a joint research venture between London School of
Business and Babson College, Massachusetts partly funded by Singapore's National Science
and Technology Board (NSTB) found Singapore ranked near the bottom (International

The hard truth is that the government has cultivated a generation of followers rather
than innovators. The bent toward entrepreneurship reflects a crossroads where the
government-knows-best, paternalistic style of government may have its limits. While
entrepreneurship and creativity cannot be as easily taught and nurtured in schools, more
technical skills and change in teaching methodology would help. It is thus ironical that rote
learning as in the Confucianism and traditional Asian system which has been good for a
stable government is now less suitable and creativity and innovative teaching implies some
“untidiness” and stimulation in freer and less rigid thinking. The new world also needs
political space be given to individuals and the civil society. The foreign infusion may help
bring these about which also implies an even stronger emphasis on the socio-political
attributes and not just the economic value of migrant labour.

Tasked to do a thorough review of Singapore’s economic competitiveness in 1996,
the Committee on Singapore’s Competitiveness (CSC) took into consideration the 1997
Asian crisis which altered the regional environment (MTI, 1998). The crisis made the longer
term driving forces of further economic liberalisation even more urgent. The CSC identified
both high technology manufacturing and services as the twin engines of growth. Worldclass
companies leveraging on GLCs, promising local companies and MNCs will support
Singapore’s regionalisation policy as well as retain it as the top globaliser.

The 1993 regionalisation policy was a more focused, continued strategy of tapping
regional resources, market demand and opportunities after the growth triangle experiment
forged with Johor in Malaysia and Riau Islands in Indonesia in 1989. As MNCs search
globally for lower costs and opportunities, the regionalisation policy is combined with
incentives for MNCs to lodge overseas headquarters (OHQs), regional headquarters (RHQs)
and business headquarters (OHQs) to maintain their value-adding in Singapore. GLCs play a
new nurturing role to help local small, medium-sized enterprises (SMEs) abroad and the
region is a good start given geographical and cultural propinquity. It is also necessary to stem
the perceived political alienation of a bifurcated elite class, namely, Chinese-educated
entrepreneurs in SMEs and English-educated bureaucrats and managers more employable in
the public sector, GLCs and MNCs.

3 Singapore manpower policies and structural response

By the late 1990s, with or without the Asian crisis, rationalisation of policies on
migrant workers proved necessary. The old system relied on two types of immigration for
foreign workers. Work permits regulated by foreign worker levy (FWL) and industry quota were for skilled and semiskilled categories and employment passes were for professionals and higher skilled or those with tertiary or professional qualifications with monthly salaries of at least S$2,000 in 1998. The monthly wage ceiling has been adjusted periodically to reflect wage growth. Flexibility in policy is reflected with the FWL reduced for certain workers and sectors since January 1999 as part of the package since the Asian crisis to lower costs, prevent job loss through relocation to cheaper sites and shutdowns. The levy for skilled foreign workers was reduced from S$100 to S$30 a month, unskilled in manufacturing, marine and services, by S$90.

From September 1998, three categories of work permits for P, Q and R classes, each in turn bifurcated to give a total of six types of passes are issued (Table 1). The policy imperatives are propelled by globalisation, new technologies and competition on one hand, and domestic factors including an ageing labour force and need to induce and augment creativity and dynamism, on the other. Coincidentally, these measures announced in July 1998 followed the exodus of Chinese capital fleeing Indonesia after ethnic riots erupted around February, March and May 1998 in Jakarta. Further student and socio-political unrest finally brought down the 32-year Suharto regime amidst ethnic, religious and communal violence in May 2000. The generous privileges for long term passes for extended family members for P category is indicative of some targeting of Asian migrants in general. Indonesian Chinese may be desired for their capital, those from Hong Kong for entrepreneurship and from India, skills in information technology in particular. Beside the cultural and intrinsic qualities of Asian talents, balancing the ethnic equation may be another consideration.

Table 1 Three categories of foreign workers from 1 September 1998

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>P</strong></td>
<td>Professionals, managers, administrators, investors, entrepreneurs, worldclass artistes, musicians</td>
</tr>
<tr>
<td>Privilege:</td>
<td>Dependents passes for spouse, children; long term passes for parents, parents-in-law</td>
</tr>
<tr>
<td>P1:</td>
<td>Those earning over S$7000 monthly</td>
</tr>
<tr>
<td>P1:</td>
<td>Those earning over S$3500 up to S$7000 monthly</td>
</tr>
<tr>
<td><strong>Q</strong></td>
<td>Skilled workers, technicians, specialised skills</td>
</tr>
<tr>
<td>Q1:</td>
<td>Monthly income over S$2000; at least five O levels or full NTC2 certificate</td>
</tr>
<tr>
<td>Privilege:</td>
<td>Dependents passes for spouse, children</td>
</tr>
<tr>
<td>Q2:</td>
<td>Those not meeting Q1 income and educational requirements for exceptional; cases.</td>
</tr>
<tr>
<td>Holders not allowed dependents passes for spouse, children</td>
<td></td>
</tr>
<tr>
<td><strong>R</strong></td>
<td>Semiskilled and unskilled</td>
</tr>
<tr>
<td>R1:</td>
<td>Those with NTC3 practical certificates or suitable qualifications; employers pay monthly FWL S$100</td>
</tr>
<tr>
<td>R2:</td>
<td>Unskilled, employers pay full FWL for two-year work permit holders</td>
</tr>
<tr>
<td>R pass holders cannot bring in immediate family, subject to security bond and medical examination for two-year work permit holders</td>
<td></td>
</tr>
</tbody>
</table>


In the absence of published regular time series, anecdotal evidence gives estimates at best. For instance, some 85% of construction workers are estimated as foreign in 1995 (Ofori and Debrah 1998). An estimate (Hui 1997) reported 193,000 foreigners became permanent residents (PRs) between 1980 and 1994. From the Registry of Citizens, 67,400 foreigners became PRs and 88,132 became citizens between 1977 and 1988 while between 1990 to 1994,
an average of 22,000 persons became PRs (Chew and Chew, 1995). Between 1994 to 1997, a net inflow of 50,000 foreigners per year was estimated (Straits Times, 20 May 1999).

One estimate gave 450,000 foreigners on work permits and another 80,000 on employment passes (Business Times, 26 July 1998, Straits Times, 20 May 1999 and MOM, 1999). Of the 80,000 in P and Q categories (MOM, 1999), 50,000 are foreign talents typically hired by organisations operating in Singapore and 30,000 are expatriate executives hired and posted in Singapore by foreign MNCs (Business Times, 15 June 1998, Straits Times, 27 September 1998). There were some 450,000 in the R category.

The total of 530,000 (80,000 plus 450,00) foreign workers formed about 30% of the labour force and shows a heavy dependence on category R holders (5.6 to 1). The number would exclude illegal foreign workers estimated as 14,700 in 1998 (Straits Times 29 August 1998). The sudden ramp-up in foreign talents has led to a "a nation besieged" (The Economist, 28 March 1998). As an additional indication, illegal immigrants in first seven months in 1998 was 9,447 compared to 5,435 in the whole of 1997; and those who over stayed, 7,599 and 6,314 respectively. The number refused entry at immigration checkpoints on suspicion of illegal entry in the first six months of 1998 was 70,390 compared 92,400 whole 1997. These statistics are indicative of low and unskilled foreign labour gravitating toward Singapore with the Asian crisis.

There has been greater transparency surrounding applications for PR as the Singapore Immigration and Registration (SIR) reveals its six criteria (Straits Times, 31 December 1998). Other factors being equal, P pass holders stand the best chances under a points system adopted in 1999. For other types of work passes, other factors include duration of stay in Singapore, academic qualification, basic monthly salary, age and family ties in Singapore. However, no reason is ever offered for approval or rejection and this policy is likely to hold giving a caveat for the government to reserve the right to make the final decision on a case-by-case basis. Another important change is that Singaporean wives, not just husbands can sponsor their foreign spouses from 1999 and the consideration is probably more for retaining and encouraging talents than correcting a gender discrimination. Migration is a two-way process and female Singaporeans are as likely to migrate if their foreign husbands are not suitably welcomed.

Given the nature of intellectual capital and Singapore’s difficulties in grooming technopreneurs and because competition is no longer only on infrastructural efficiency and costs, the transition to a KBE is not easy. Since the early 1980s, Ministry of Trade and Industry’s (MTI) Council for Professional and Technical Education (CPTE) has been in charge of education and manpower planning at the broadest level. More industry and firm level coordination and smoothing of bottlenecks at ad hoc and short term occurrences took care most issues in the labour market. The role of manpower in a KBE is refocused to develop ideas, creative knowledge to generate new value and bases of wealth (Thurow, 1999). With digital divide a by-product of globalisation and KBE, greater inequity and disparity between the knowledge-advantaged and knowledge-disadvantaged is anticipated.

The Ministry of Education’s (MOE) mission to have “creative schools, thinking nation” means changes in teaching culture, philosophy and trainer resources. Course content, curricula have been cut to give more space and time to creative activities just as examinations have given way to more continuous assessment. A review for more pay for teachers and more scholarships to attract young talent to replace 35,000 teachers retiring in next five years (Straits Times, 16 July 2000). Some 7,000 teachers have been recruited in last three years but attraction into more lucrative and fast track IT careers has made teaching profession a stepping stone rather than a vocational and professional call. In 1996, MOE had introduced Senior Education Officer posts and upgrade superscale grades of vice principals and
principals with faster promotion introduced in January 2000 and persuaded retire teachers to return in a part time scheme in April 2000.

The Ministry of Manpower's (MOM) vision of a talent capital in Manpower21 is panned out six strategies, namely, integrated manpower planning, lifelong learning, augmenting talent pool, transforming work environment, develop a vibrant manpower industry and redefine partners (MOM, 1999). Singapore as a talent capital is where industries find skills and expertise for their activities, where people use their talents to create value, where entrepreneurs abound and thrive and in which people can develop and multiply their potential through continuous learning and participation in meaningful jobs (MOM, 1999, p 18). As a talent capital in the region, Singapore leverages on its international business hub, training for and sourcing for other economies as well as promoting quality education and skills training as an exportable service consistent with its R&D orientation.

The foreign talent policy has been evolving for some time with a stronger focus and reiteration by Prime Minister Goh Chok Tong in his 1997, 1998 and 2001 National Day rally speeches. He said that the government did not restrict foreigners to recruitment only for top rung prestigious positions but welcomed middle-level management, skilled workers and technicians too (Business Times, 25 August 1997 and Straits Times, 31 August 1997). While working smart and being creative to generate national wealth and solve national problems, he hinted at a possible socio-political cleavage between foreign and local talents (Straits Times, 24 August 1998). Singapore as a first world economy and world-class home is attractive to both Singaporean and foreign talents. But Singaporeans are either the cosmopolitans who are mobile, English-speaking, global in outlook, with skills that command good incomes, can work and be comfortable anywhere or heartlanders comprising a core living or working in Housing and Development Board (HDB) heartlands. Their outlook and interest are decidedly local, speak in dialects, at best Singlish (Singapore English) and are stallholders, shop owners, production workers and contractors, (Business Times and Straits Times 23 August 1999). Nonetheless, Mr Goh urged Singaporeans to accept the growing number of foreigners in the city state “as a matter of life and death” as Singapore must remain global (Straits Times, 20 August 2001).

Mindful of the economic downturn and the paternalistic role of the state, he unveiled a new Singapore strategy and a scheme for Singapore shares (Straits Times, 20 August 2001, p1). The new economic strategy is to create new enterprise, spur bright ideas and restructure the economy with an expanding talent pool to tap a hinterland within seven-hour flying time which reaches China as well as Australasia and South Asia (Asian Wall Street Journal, 20 August 2001, p 2). To bridge potential inequity from globalisation and KBE, shares with those in the low income group to get more, will give a guaranteed dividend for a fixed number of years plus bonus payments when the economy does well. They can be traded in immediately for cash but not at once. The details of this “new social compact” and redistribution are not finalised but the shares will not involve Monetary Authority of Singapore (MAS) or Government of Singapore Investment Corporation (GIC) as they are not traded in stock or equity market like other shares. New schemes address the social impact of economic downturn and demographic transition helping singles with public housing and elderly by an Eldershield which provides insurance against severe disabilities and chronic ailments such as diabetes and high blood pressure.

Together with the aggressive change in immigration policy in 1998, the policy for foreign talents has become more focused, generically, across-the-board for foreign talents and specifically, for technopreneuers. The Committee on Singapore Talent and Recruitment (STAR) formed in 1998 was mandated to develop and implement strategies to attract and retain foreign talents to make Singapore a hub for international talents while remaining socially cohesive. A Technopreneur21 Ministerial Committee together with a S$1.7 billion
Technopreneurship Fund in 1999 took a holistic approach to look into all ways and means of promoting technopreneurs. Business rules, bankruptcy laws, tax levies and use of HDB premises for business start-ups were reviewed (Straits Times, 21 April and 28 June 1999 and Asian Wall Street Journal, 5 July 1999).

The International Talent Division in MOM operates the international network of Contact Singapore centres which are overseas one-stop contacts for international talents interested to work and study in Singapore. The same service is extended to Singaporeans abroad to make them aware of opportunities at home. The division offers a range of recruitment services for Singapore employers and general overseas marketing and promotion of opportunities. Even GLCs which has worldwide links like Singapore Airlines (SIA) are part of the informal network to attract foreign talents, offering scholarships and employment where scholarships of the government and statutory boards are eligible only to Singaporeans.

Recruitment of foreign talents has started with the banking and financial sector led by GLCs like Development Bank of Singapore (DBS). Local banks have followed suit, faced with liberalisation and competition prompted as much by changes in technology and a globalised industry as by the World Trade Organisation (WTO). Infusion of foreign talents ensured benchmarking the industry to global standards. The same trends and reasoning follow in other sectors from telecommunication to professional services. Legal service liberalisation logically follows financial and services to bring in foreign legal expertise to ensure Singapore's competitiveness (Business Times and Straits Times, 8 May 1999).

Benchmarked against industrial structure and jobs expected to be created in next ten to 15 years, the optimum skills structure shown in Table 2 is skewed toward 65% in skilled category. This will comprise 25% with degrees, 20% with diplomas and 20% with post secondary certification.

<table>
<thead>
<tr>
<th>Skills profile</th>
<th>1988</th>
<th>1998</th>
<th>Desired profile, 2008-2013 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skilled</td>
<td>19</td>
<td>34</td>
<td>65</td>
</tr>
<tr>
<td>Semi-skilled</td>
<td>31</td>
<td>28</td>
<td>20</td>
</tr>
<tr>
<td>Unskilled</td>
<td>50</td>
<td>38</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>


Source: MOM, 1999, p 11.

These labour market policies appear well designed and proactive. They would tackle ageing demography, low female labour force participation rate and infuse technopreneurs and talents for a more competitive KBE. However, the human, socio-political elements of a foreign talents policy and greater job insecurity among the older and less educated Singaporeans have also to be heeded while a competitive vibrant economy is a top priority. Moreover, the new breed of migrants and foreign talents in ICT and KBE age will have needs and expectation which Singapore may or may not satisfy.

4 Coping with cyclical shocks

Against the long term vision of KBE, talent capital and technopreneurship, Singapore's labour market has suffered cyclically the high technology sector in electronic, IT related products including dot-com companies crashing in the US since March 2001. This
ended the longest American boom since March 1991. Like other newly-industrialising economies (NIEs) in the supply chain of gross production networks, any US slump feeds back viciously into Singapore. Its US exports as a percentage of its gross domestic product (GDP) was 25% in 1999, IT and electronics products constituted 52% and 64% of total US exports in 1999 and 2000 respectively.

Table 3 shows retrenchment has crept steadily up since the last quarter 2000 against rising business and unit costs and falling productivity. Overall productivity fell by 5.5% in the second quarter following the 0.9% decline in the preceding quarter, reflecting the economic slowdown. The unit labour cost index rose 1.3%, the second consecutive quarter increase and the unit business cost index also rose 9.8% in the second quarter after 7.7% rise in the first. Falling economic activity and productivity and rising labour and business costs do not bode well though inflation fell for the second quarter by 0.1% over the previous quarter but rose by 1.7% compared to the same quarter last year. By the second quarter 2000, real GDP has shrunk 0.9% compared to double-digit growth in the last two quarters in 2000 reflecting rapid transmission shocks in the outward oriented economy.

<table>
<thead>
<tr>
<th>Table 3 Main indications of Singapore economy</th>
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<tr>
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<tr>
<td>GDP 1990 mkt prices Yoy%</td>
</tr>
<tr>
<td>GDP curr mkt prices Yoy%</td>
</tr>
<tr>
<td>Net job creation '000</td>
</tr>
<tr>
<td>Unemployment rate %</td>
</tr>
<tr>
<td>Retrenchment '000</td>
</tr>
<tr>
<td>Labour productivity yoy%</td>
</tr>
<tr>
<td>Unit bus cost of mfr yoy%</td>
</tr>
<tr>
<td>Unit lab cost of mfr yoy%</td>
</tr>
<tr>
<td>CPI</td>
</tr>
<tr>
<td>Index of ind prod yoy%</td>
</tr>
<tr>
<td>Gen bus outlook mfr na</td>
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The demand for labour has weakened significantly in line with the economic downturn. Total employment in the second quarter 2001 was estimated to have grown only by 5,000 (Table 3) compared to 23,000 increase in the previous quarter and 29,000 gain in the same period last year. Employment in the services producing industry grew by 12,500 but was partly offset by declines registered in the goods producing industries (-7,500). The quarter saw increases in employment in business services (3,800), financial services (2,400), wholesale and retail trade (2,200) and other services comprising community and personal services, health, education and public administration (2,100). Employment gains also occurred in transport and communication (1,600) and hotels and restaurants (400). Overall, the gain in service employment (12,500) was less than half that in the previous quarter (28,000), weighed down by the slowing growth in the service industries. Reflecting the severe global electronic downturn, manufacturing employment fell for the second consecutive quarter. The drop was sharper at 4,000 compared with 1,100 in the previous quarter.

The seasonally adjusted unemployment rate increased from 2.4% in March 2001 to 2.6% in June 2001. The rise in unemployment came on the back of two straight quarters of quarter-on-quarter GDP contraction and it is expected to rise further with the impact of the downturn filtering to the labour market. Unadjusted for seasonal factors, the June 2001 unemployment rate was 3.4%, an increase from 2.0% in March 2001 but lower than the
4.4% in the same period last year. The June unemployment rate is traditionally high as the new cohort of local tertiary graduates joins the labour force. The total pool of unemployed persons was estimated at 73,300 in June 2001. The seasonally adjusted number of unemployed was 55,200.

The resident unemployment rate in March 2001 was 2.6% lower than 3.2% in December 2000. Without adjusting for seasonal factors, the March 2001 resident unemployment rate stood at 2.2% (overall was 2.0%). With 3,597 workers placed on temporary layoffs and short workweek in the first quarter of 2001, they would be potentially retrenched as the situation worsened. As expected, the reasons for displacement include industry downturn, reorganisation and restructuring as well as high costs. Mature locals aged 40 and over were more at risk of retrenchment as are female workers due to their concentration in production and related work. The less educated and mature workers also find it harder to get reemployed. This reflects the structural shift in favour of those with knowledge and skills and preference for younger over older workers who are perceived to be more flexible and adaptable to the demands of the rapidly changing economy.

Retrenchment increased sharply for second consecutive quarter in 2001. A survey of private establishments each with at least 25 employees revealed that around 5,600 workers were retrenched in the second quarter of 2001. This was 72% higher than the 3,248 laid off in the previous quarter bringing the total retrenchment in the first half of the year close to 9,000. More than two out of every three workers retrenched in the second quarter were from the manufacturing sector, with the electronic industry alone accounting for 41% of total retrenchments followed by petroleum and chemical (8.2%) and fabricated metal products (5.2%). The service sector contributed about 3.0% of total retrenchments led by wholesale and retail (14%), business and real estate (8.1%) and financial services (4.1%).

Based on MOM's first quarter survey in 2001, Tables 4 and 5 show retrenchment by industry and occupational group and profile of retrenched respectively. Unsurprisingly, the manufacturing sector and workers were severely affected and professionals, managers, executives and technicians were not spared either (Table 4) together with the less skilled and older workers (Table 5).

<table>
<thead>
<tr>
<th>Table 4 Retrenchments by industry and occupational group</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Total (no)</td>
</tr>
<tr>
<td>Manufacturing (%)</td>
</tr>
<tr>
<td>Construction (%)</td>
</tr>
<tr>
<td>Services (%)</td>
</tr>
<tr>
<td>Occupational group (no)</td>
</tr>
<tr>
<td>Professionals, mgrs, execs, technicians (%)</td>
</tr>
<tr>
<td>Clerical, sales, service workers (%)</td>
</tr>
<tr>
<td>Production, tpt operators, cleaners, etc (%)</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Table 5 Profile of local retrenched workers, 1st quarter 2001.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>% distribution</td>
</tr>
<tr>
<td>By sex %</td>
</tr>
<tr>
<td>Males</td>
</tr>
<tr>
<td>Females</td>
</tr>
<tr>
<td>By age %</td>
</tr>
</tbody>
</table>
Below 30 16.3
30-39 28.0
40-49 32.8
50 & > 22.9
By education attainment %
Primary & < 26.5
Lower secondary 18.5
Secondary 22.6
Post secondary, diploma 16.0
Degree 16.5

Based on Central Provident Fund (CPF) records, 60% of locals retrenched in the last quarter in 2000 were reemployed by March 2001. For these reemployed three to six months after retrenchment, the 60% figure was lower than 66% experienced by the pervious cohort retrenched in the third quarter of 2000 as at December 2000 (Table 6).

Table 6 Local reemployment rate, March 2001 %

<table>
<thead>
<tr>
<th>Overall</th>
<th>Below 40 yrs</th>
<th>Above 40 yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>60.3</td>
<td>69.8</td>
</tr>
<tr>
<td>Secondary &amp; &lt;</td>
<td>57.2</td>
<td>69.1</td>
</tr>
<tr>
<td>Above secondary</td>
<td>69.3</td>
<td>71.5</td>
</tr>
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It is universal, unprecedented high unemployment and retrenchment rates everywhere (Asian Wall Street Journal, 28 August 2001, p 7). And Singapore will suffer from downsizing of foreign parent MNCs. Hong Kong’s Pacific Cyberworks Ltd laid off 340 in July 2001. Malaysia’s human resource ministry reported 1,000 to 2,000 people a week lost manufacturing jobs in July 2001. The unemployment rate in the Philippines has hit a high of 11.4% with the fourth quarter 2001 possibly forcing 3.59 million out of their jobs. Charles Schwab which announced it will cut up to 3,400 jobs in March 2001 has planned to cut another 2,400 full time positions (Asian Wall Street Journal, 28 August 2001, p 7). Toshiba has retrenched 20,000 (17,000 net with some new hiring) in Japan, joining NEC (laid off 1,500 overseas and 2,500 domestically) and Fujitsu (11,400 overseas and 5,000 domestic) in cutting back jobs with the plunge in worldwide semiconductor prices and resulting profit loss (Asian Wall Street Journal, 28 August 2001, p 1). Electronic parts maker Kyocera slated another 10,000 layoffs at its overseas subsidiaries by the end of 2001 which represents almost 20% of its global staff of 51,000 affecting mainly its US units (Asian Wall Street Journal, 31 August - 2 September 2001, p 1 and International Herald Tribune, 31 August 2001, p 13). Japan has succumbed to foreign talents with J-Phone the first Japanese telecommunication company to appoint an American as president together with six other foreigners on its board (Financial Times, 25-26 August 2001, p 1).

Some findings from data on reemployment from US Labour Department may be instructive. In early 2000, of all full-time workers who lost permanent jobs in 1997-8, 21% remained unemployed or left labour force, 41% worked full-time at equal or higher pay, 26% worked full time at lower pay and 11% worked part-time or were self employed (Business Week, 17 September 2001, p 14). With restructuring and downsizing as a permanent US corporate strategy, the surge has been unprecedented and planned job cuts unveiled in 2001 already exceed 1.1 million, up 83% from the full 12 months in 2000 and far above any annual
total in the past dozen years. Displaced workers in a dynamic high technology economy is one issue. Displaced workers in their 50s and early 60s in the category of babyboomers is another with the worse yet to come as the US economy shows signs of a recession portending to a global one since 11 September 2001. Trends in Singapore may not differ as much though not by US scale. But its smaller, urban economy has no socio-political space to absorb some of the lay-offs.

With expected retrenchment for 2001 to reach 20,000, an off-budget package was announced in July 2001 (Business Times, 26 July 2001). Both MOM and National Trades Union Congress (NTUC) operate the Skills Redevelopment Programme (SRP) to help lower educated workers acquire certifiable skills. Some 54,000 workers have equipped themselves with relevant skills to stay employable. More courses are put on the approved list and SRP will double from 20,000 to 40,000 workers for reskilling with an additional S$28 million grant (Business Times, 26 July 2001, p 6). Employer incentives include up to 80% of fees sponsored under SDF for workers under 40 years and 100% if they are over 40 and employers only pay the net, not the whole sum upfront and be reimbursed by SDF later to avert cash flow problem.

According to NTUC, some 30,000 workers are or will be on temporary layoff or shorter work week and this slack could be mobilised for reskilling with SDF and SRP support. The National IT Literacy Programme jointly developed by Info-Comm Development Agency (IDA) and MOM aims to improve employment prospects of all Singaporeans. The Crest programme introduced by Productivity and Standards Board (PSB) since November 1998 aims to provide seven core skills in learning to learn, literacy, problem solving and creativity, to enhance the employability of workers. With effect from 1 October 2001, the Lifelong Learning Endowment Fund will provide funding support through community self help groups for individuals over and above employer sponsorship via SDF. All such training costs come to S$40 million for 2002 for the government but budget is not a constraint.

With retrenchment of executives and professionals, alternative employment at lower salaries is expected. While the government is not the employer of last resort, teaching service and administrators in MOE and senior officers in many ministries and statutory boards would be among such alternatives. Professionals will benefit from Economic Development Board’s (EDB) Training and Attachment Programme. The EDB is stepping up efforts to build capabilities in R&D, product and market development through this programme which will be extended to training in local companies. Companies facing constraints in providing inhouse training can work with research institutes and research centres to host such training fully funded by the government. The programme will help companies to continue to train and build capabilities instead of being pressurised to cut back on these long term activities.

The total cost impact of these measures in the off-budget package was estimated as S$2.2 billion over one year or 1.4% of GDP. Other cost-cutting measures included extending the current reduced levy on foreign workers till June 2002 but not relaxing the existing control on intake of work permit holders, property tax rebates, reduced port dues, rental rebates by Jurong Town Corporation (JTC), HDB and Civil Aviation Authority of Singapore (CAAS). Local SMEs have access to finance under Local Enterprise Finance Scheme (LFS) under PSB and Enhanced Local Enterprise Technical Assistance (LEFTAS).

Retrenchment due to merger and acquisition (M&A) saw DBS laid off 2.6% of its Singapore workforce, approximately 160 of staff to reduce costs (Asian Wall Street Journal, 31 August - 2 September 2001, p 5). It had aggressively searched for talents to fulfil its goal as a regional bank when it recruited 600 staff in 2000 or some 10% of its current strength. The retrenchment may be the start of a larger process as DBS and other major local banks' shares have fallen in the economic slump and more job cuts on a larger scale are expected M&As and the downtrend of the economy continue. DBS Vickers retrenched 252 workers,
bringing a total of 500 jobs shed since DBS acquired Vicker Ballas (Business Times, 26 September 2001, p 1).

The 11 September 2001 terrorist attack in the US has pushed the already sagging US economy to a real possible recession. An impending retaliatory attack and war against terrorism will be protracted which could trigger a global recession starting with massive retrenchment in airlines globally and falling consumer demand. A global political and security shock could reverse or temporarily distract long term industry and corporate restructuring and reengineering as economies cope with more immediate cyclical shocks. Much depends on how ongoing globalisation, emerging ICT and competitive KBE work together with fiscal pump priming seen from the US to the ANIEs.

With a small, open economy, there is a limit to how Singapore can brace itself for all it does in pump priming and sensible HRD and manpower policies. The Singapore International Chamber of Commerce (SICC) has noted it wants to save jobs but not with more Central Provident Fund (CPF) cuts which should be a measure of last resort (Business Times, 26 September 2001, p 2). A recession may put a hiatus to the labour shortage and overheated conditions when the survey was conducted in 2000. With advance GDP estimates, third quarter GDP growth was -5.6% and 2001 will see -3% decline overall (Straits Times, 11 October 2001, p 1.) While cyclical factors should not weigh as much as long term structural ones, the terrorist attack in the US is certainly larger and more than a cyclical supply and demand shock and the study's conclusions and recommendations should be taken in that light.

5 Reflections and issues of foreign talent policy

Putting the global structural and cyclical trends together, we make three broad reflections before grappling with domestic issues of foreign talents. Whatever the outcome and impact of an impending global recession, Singapore's inherent skill shortage especially in creative, innovative IT skills and the KBE vision especially into uncharted areas including life sciences, remains. The foreign talent policy is unlikely and in fact, should not be reversed. The recession may give it some breathing space and creative destruction may proceed in a more humane and acceptable pace as competitive pressures ease off and restructuring plans may be more effectively and efficiently implemented.

One finding from internationally renowned Walker Information Global Network and Hudson Institute which conducted a global study and founds only one-third of employees worldwide are truly loyal to their organisation may also give cause for pause on global foreign talents. The 2000 Global Employee Relationship Report, a landmark global study conducted by the Walker Information Global Network and internationally renowned Hudson Institute was based on nearly 10,000 employees around the globe. It indicated consistent global trends on work-related behaviours, factors influencing employee commitment and areas needing the greatest attention. Regardless of the cultural and national differences around the world, the study revealed some unsettling results, particularly a low level of employee loyalty and commitment to business organisations and a dwindling level of faith in their organisation's ethics and leaders. Only 34% of all employees were truly loyal to their organisation. In addition, one in four employees knew of or suspected an ethical violation in their organisation in the past two years, but only 43% of those employees have reported the violation. With the exception a few countries, the study showed remarkably similar patterns of employee satisfaction around the world. Columbia and South Korea were ranked first and second respectively as countries where employees were more loyal and grateful for their jobs. In contrast, Hong Kong and Singapore which have relative high levels of foreign talents were ranked 31st and 32nd respectively.
A second observation is that Singapore moved to non-traditional sources for foreign workers and globally for foreign talents, migration trends in Asia Pacific cannot be analysed separately, one economy from another. Transformations over time occur in relation to global linkages. Like other ANIEs, Singapore drew large numbers of workers from other states in Asia Pacific in the early and mid-1990s. Contrary to the transition hypothesis of development, including globalisation diffusion, the migratory pattern is not drawn by sheer geographical propinquity and disparities in labour market opportunities (Findlay, 2001). Singapore in particular, has selective structuring of flows, attracted Thais more than Cambodians just as South Korea received more in-migrants from Japan than from North Korea, Taiwan strongly linked to Thailand but not Vietnam, Hong Kong received more from the Philippines than from China. Political and cultural factors influenced more than labour market factors, investment or trade flows. Highly skilled professionals, managers, service providers will link the ANIEs to other parts of global urban hierarchy.

As Singapore combines high technology manufacturing with high value services domestically and abroad, its selective outward investment has neither reinforced pre-existing flows nor contributed to regional integration. Since the Asian crisis, only Korea experienced a serious reduction in migration but it had revived emigration of Koreans. Not only was there no mass repatriation of migrants, migration stocks grew in Taiwan and Hong Kong throughout 1997-8. For Hong Kong and Singapore, a duality in composition of migration is seen as an increase of low cost service workers and those in dirty, dangerous, demeaning jobs. With social regulation, the geography of international flows will remain uneven. Like any country, Singapore would selectively structure migration policies with certain categories of low wage labour migration construed as suitable. The hierarchy of skill exchange in Singapore will first link its skills to the rest of global economy, especially to other global cities. With regionalisation, skills between companies headquartered in Singapore and production units in the region will be another layer.

Specific types of labour flow and skills can be expected in each level. Skill transfers will be governed by the nature of labour organisation within the production process, spatial division of labour at production site in relation to that in interconnected labour markets and the need for certain highly skilled migrants to move between sites in production chain to facilitate control, information exchange and technology transfer. Migration-production linkages are shaped by Singapore's position as a global city as in its role as a hub in the global production network of hard disk drives (McKendrick, 2000). Singapore has required a high level of international skill exchange to manage and monitor the dynamics of international capital flows. The wealth it created as a global city region has also been shared. Singapore’s growth has generated a differential demand for low wage service labour drawn selectively from certain countries of origin deemed culturally appropriate, from traditional sources in the Association of Southeast Asian Nations (ASEAN) to further non-traditional ones in Korea, China and South Asia.

Finally, Singapore's inherent dependence on foreign labour and talents must also heed a number of political economy concerns. Despite being a global city, its selective migration policy structured by economic priority is in contrast to more acceptance of universalism and universal rights in the West. It has to be sensitive to high diversity in culture, religion, social and political norms in Asia while drawing only from sources deemed culturally appropriate. Attracting Malaysians while Malaysia needs as much of its IT skills in its multimedia supercorridor (MSC) may be as politically thorny as Indonesia not wanting to send out its workers as unskilled manual labour. The generally limited rights of temporary migrants in Asia and Singapore's strictness in particular to prevent unwanted migration, may be potential political and social points of contention. Some ASEAN states have complained about alleged abuse of domestic maids and unskilled workers in Singapore. Illegal migration is another
thorny issue with loss of government control due to migration networks, informal links between migrants, families and communities of origin which help to organise and sustain migratory movements, recruitment by labour agents and brokers (Castles, 2001). More lucrative than drug smuggling, Singapore's toleration of irregular movement with labour demand and porosity of borders with globalisation, may be tested if socio-political volcanoes erupt in the region as in the May 1998 riots in Jakarta.

The foreign talent policy has strong domestic socio-political implications even without further aggravation of a global recession and competition for jobs. Older Singaporeans perceive themselves as "fallen talents" when they lose jobs to young foreign talents and there is so much more to pick and choose from unlimited global sources. Before globalisation and ICT, older Singaporeans had less opportunities to gain experience abroad especially when the policy thinking then was to encourage inward not outward migration. Careers may have been built on a different set of assumptions and environment when commitment and loyalty counted with less emphasis on regionalisation and globalisation then as now. But postwar baby boomers nearing retirement age are now perceived as lacking working experience abroad and costly because of their seniority. Their job security is threatened by younger and more technologically savvy foreign talents. They may feel marginalised in socio-political terms too if being Singaporean carries no added merit, if the criterion is strictly based on competition and capabilities.

An implicit assurance that a foreign talent will not deprive a similarly talented local of a job, cost considerations notwithstanding, can be a political softener. However, the government has never protected local industries though the same line for local talents must be politically more sensitive. Even in terms of terminology, a global talents policy may be more innocuous than a foreign talents policy which immediately brings out a natural divide with local talents. It is, however, acknowledged that Singapore has to rely on foreign workers and talents at both ends of the skills ladder. There are jobs that educated and affluent Singaporeans do not want as well as some in the high-technology and R&D end in which Singapore still does not have a critical mass.

A national survey on foreign talents policy in 1990 showed 87% of respondents agreeing with the government and those supporting the policy tend to be between 20-29 years old with "A" (advanced) level post-secondary education and above (Straits Times, 23 April 1990). Those who opposed the policy (13%) tend to be older, 40-49 years with "N" (normal) level secondary education and below. These are unsurprising results as older, less educated Singaporeans would feel less secure and more threatened, never mind the creativity and dynamism necessary to be infused from abroad. But as events prove again and again, Singapore is not always free and clear of the hauteur of unemployment. When it happens in situations beyond the control of the government as in the Asian crisis and a global recession, long term economic and competitive logic weigh against immediate bread-and-butter socio-political needs as the retrenchment statistics in Table 3 show. Talent from abroad grew worrisome according to an August 2001 Gallup Poll of 724 nondegree employed Singaporeans in their 30s and 40s surveyed with 68% expressed concern about competition with children and grandchildren compared to same question asked in 1997 survey though 75% compared to 72% in 1997 survey agreed efforts to recruit foreign talents have contributed to prosperity.

The economic imperative notwithstanding, political leaders aim to foster a close partnership between the state and citizenry as “every Singaporean matters” in new order and “an active citizenry” to build a common future under Singapore 21 vision. This requires social capital as a key resource (Tan, 2001). Social capital is a set of informal values or norms, authority structures and boundary conditions shared and binding members of a group to permit cooperation among them with expectations of honesty, reliability embodied in trust. Social capital or trust is a lubricant or glue for people in an economy, society, polity,
community to work together efficiently and effectively, engenders responsible collective action in institutionalised processes embedded in legitimacy, harmony and stability. While Singapore has always been a high trust society with social capital (Fukuyama, 1999), a social bubble may erupt if the backlash of foreign talents is not carefully orchestrated.

As much as positive social capital is being promoted, disaffection and alienation in an overly authoritative state-society relationship rather than a partnership may breed mistrust without an enlightened and progressive civil society alongside with growing democratisation. Social capital should not be called for only in times of crisis. Neither politicians nor bureaucrats can afford to be intransigent or insular when they think they can direct from above. Public Sector toward the 21st century (PS21) may be the necessary and right frame for change in the civil service to convert first class regulators into to top facilitators in the new economy. But it becomes rhetoric when partnership and co-management from below as well is not perceived.

A related ethnic dimension may be discerned with one of the first foreign talents infused into the banking sector and financial sector by GLC-DBS. Beside John Olds and chief financial officer (CFO) Jackson Peter Tai, both ex-JP Morgan and Americans, six other DBS vice presidents (VPs) and managing directors (MDs) make a total of 24 foreign talents all. Arguably, they and the buoyant economy have helped to lift net DBS profits from S$163 million in the first half of 1998 to S$655 million in first half 1999 (Business Times, 20 August 1999, Sunday Times, 29 August 1999 and Asian Wall Street Journal, 6 September 1999). Foreign talents were also recruited by Chinese family-owned banks like the Overseas Chinese Banking Corporation (OCBC) with a foreign CEO from Hong Kong and 100 foreigners among its 3,000 executives and United Overseas (UOB) with 220 (11% of total) foreign officer and management staff since the mid-1990s. These local banks had been faced with competition especially since the 1999 financial liberation package to bring in more qualified foreign banks (QFBs) and removal of limits on foreign ownership in financial institutions. Protected for the last three decades, the government has urged local banks to merge and consolidate in line with global and technology changes and impending global liberalisation under the WTO.

Other GLCs including the Neptune Orient Line (NOL) and many others as in institutes of higher learning, research institutes like the Institute of Microelectronics and Communicable Diseases Centre have all recruited foreign talents. Legal liberalisation following financial and services liberalisation brings in foreign legal expertise to ensure Singapore's competitiveness in financial services even if no carte blanche influx is envisaged as the core remains Singaporean lawyers in local law (Business Times and Straits Times, 8 May 1999). Statutory boards, public agencies including universities have tapped foreign talents in advisory and other capacities. The Economic Development Board (EDB) for instance, has an International Advisory Council comprising 15 foreign chairmen, vice-chairmen, CEOs, former presidents of worldclass MNCs and three locals (EDB, Annual Report 1998/99). Singapore Management University (SMU) appointed its first dean from Wharton School based in Pennsylvania as its first president, visiting Singapore regularly and relying on ICT to run the university virtually. Only where there are security, confidentiality and sensitive political reasons, as in work in ministries like defence, foreign affairs, home affairs and such, only Singapore nationals are employed. Elsewhere, less arguments are brooked about having foreign talents so long as value added is perceived.

Conclusion, policy implications and prospects

Singapore’s immigration policy is highly selective, tending to be elitist reflecting its economic transformation from labour-intensive import-substitution to higher skilled, high-
technology export-oriented industrialisation once its unemployment problem was solved by the early 1970s. Anticipating further upgrading into the new globalised KBE characterised by innovative and creative ways and ideas harnessed to ICT other new technologies which change production, process and hence work, Singapore has embarked on a policy for foreign talents to make Singapore a talent capital.

While there are always sensitive socio-political issues related to a migrant workforce, Singapore has been relatively less schizophrenic and nationalistic by tradition, history and sheer economics. This gives it more discretion in using economic criteria to manipulate its numbers and content in terms of skills and other economic attributes and "silently" maintains an ethnic balance in its racial equation. While socio-political stability and harmony is important, generating sufficient growth and wealth is the greater imperative and primary source of stability. But because of its small size and an optimum limit of 5 million population, the government is both careful and sensitive in recruiting foreign workers and talents within such bounds. It does not put much in store for protectionism or nationalism, urging instead that Singaporeans be competitive and benchmark themselves against the global economy and its constituents.

In the final analysis, relying on a “flow-through” model of resources, technology, talents, and opportunities from abroad harnessed by ICT and globalisation, the Singapore economy will survive. But without a nation state, community and society of Singaporeans firmly grounded on Singapore as a home and country with democratisation in commensurate in a developed country, the “flow-through” model will only be “Hotel Singapore” (Low, 2001). The pragmatic, eclectic and proactive government is in a quandary with respect to the competitive economics of a globalised KBE and preserving Singapore as a nation state.

Much as Singapore is almost exemplary in its HRD and manpower policies in meeting the challenges of globalisation, ICT and KBE, two factors loom in the immediate future. The larger external potential of a global recession which would arrest growth, worsen inequity and socio-political problems in ASEAN and the region is Singapore's main worry to which it can do scant little to counteract but wait it out. This feared scenario may give it some breathing space in terms of the second domestic concern of rising business costs in a labour deficit economy, productivity slowdown and older Singaporeans losing jobs to younger foreign talents. But a protracted no or low growth would be harder to deal than an overheated economy. Singapore's inherent small, open economy has no option for domestic driven growth and its survival is through international competitiveness remaining a top globaliser. Meanwhile, it has to creatively find niches whether in structural or cyclical opportunities.

Singapore riding up the technology ladder needs to ask itself how much technological risk is it willing to take toward the cutting edge of technology in high technology and IT sector as in financial, media, entertainment plus all of computer, semiconductor and communication equipment industries. In a high risk society, economic growth does not buy security, quite the opposite, the most dynamic sector is also where the job market is in greatest turmoil as the essence of cutting edge industries is turbulence and uncertainty (Mandel, 1996). While some personal choice exists in choice of industry and occupation, in a meticulously planned KBE and a system of market incentives, jobseekers need a balance as the larger social forces or choices frame personal choices (Reich, 2000).

The big social choices which seem to be out of anyone’s hands are not always based on logic or analysis alone. If the industrial era needed social protection, the new economy demands even more. The social price of high technology, high risk and high return in highly volatile sectors means greater income and job insecurity that even a neo-Luddite strategy would find impossible to unplug in an era of global technology. The new social balance is about cushioning people from sudden economic shocks while widening the circle of prosperity continues. Some triage of public policies or sorting mechanism of what is needed most and
urgently may need the wisdom of Solomon and courage of David in the face of Goliath or globalisation and new technology personified.
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