

# **Creating Jobs and Enterprise in a New Singapore Economy - Ideas for Change**

by Tan Jee Say

## About the author

Tan Jee Say was with the Ministry of Trade and Industry from 1979 to 1985 where he headed economic and manpower planning and also served as secretary to the late Dr Albert Winsemius, the economic adviser to the Singapore Government. From 1985-1990, he was principal private secretary to Mr Goh Chok Tong. In 1990, he went into investment banking and subsequently took up fund management. He is a Chartered Fellow of the Chartered Institute for Securities & Investment. He is a graduate of Oxford University where he read philosophy, politics and economics.

15 February 2011

"As the former Head of University College, Oxford University, where Tan Jee Say was a student, I am happy to commend his essay "Creating Jobs and Enterprise in a New Singapore Economy - Ideas for Change". I am not an expert on the Singapore economy but I was Private Secretary to Prime Minister Margaret Thatcher and Head of the British Civil Service in the 1980s and 1990s when the UK was making the painful transition from a predominantly manufacturing and mining economy to a knowledge-based one. Against that background, I find Jee Say's analysis and prescription persuasive. It seems to me a thorough and well-argued piece of work and as such it deserves the attention of policy-makers."

**Lord Butler of Brockwell**, KG, GCB, CVO, PC,  
Cabinet Secretary and Head of British Civil Service (1988-1998),  
Master, University College, Oxford University (1998-2008).

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#### **PART 1 : What's wrong with the current Singapore growth model?**

The extremely strong rebound of the Singapore economy from a decline of -1.3% in the 2009 Gross Domestic Product to an expected growth of 14.7% in 2010 illustrates 3 key features about the economy :

1. the dominant role of manufacturing which grew 29.7% during the year and the lop-sided nature of the sharp turnaround in output which occurred mainly in biomedical (49.8%), precision engineering (40.1%) and electronics (35.5%) while the rest of manufacturing went through challenging times;
2. the continuing heavy dependence on foreign labour who took up 58,300 new jobs created, more than half of the total number of 112,500 new jobs created in the year; if PRs are included as foreigners who should rightly be so classified (instead of being lumped together with Singaporeans as "locals"), the proportion of new jobs that had gone to foreigners was likely to be as high as two thirds to three quarters assuming one third to half of the "locals" are PRs; thus expanding further the large pool of foreigners in Singapore who already account for more than a third of the total population;
3. the promotion and emergence of the two casinos, euphemistically described as 'Integrated Resorts', as a key pillar of economic growth as it boosts tourism earnings in hotels, restaurants, shops, transport companies and related sectors, turning it into a major contributor to the GDP.

Economic planners expect the superfast pace of economic recovery to moderate to 4 to 6 per cent growth in 2011. The key question is whether economic growth, even at moderate levels, can be sustained by the apparent "saviours" mentioned above beyond the next 2 to 3 years. If so, what does it entail and are they feasible or desirable from both an economic and social perspective? If not, is there an alternative path for the economy to grow on a

sustained basis that will provide not only sustainable jobs to Singaporeans but also create opportunities for enterprise?

### The Role of Manufacturing

The central role of manufacturing has been a cornerstone of Singapore's economic policy in the last 50 years. It began as an experiment to solve the massive unemployment problem in the early 1960s with labour-intensive industries producing goods for the export markets in developed countries. Even when full employment was achieved in the late 1970s and industries began to experience chronic shortages of labour which had to be overcome by allowing foreign workers to be employed, manufacturing continued to be adopted as the engine of growth although the emphasis shifted to attracting high value-added, high tech and innovative industries. "Economic restructuring", "new industrial age" were the new buzz words. Meaning serious business, the authorities leaned on the National Wages Council to increase wages across the board by 20% a year over 3 years in order to compel industries to reduce their dependence on labour by raising their productivity or to move into high value industries that could afford to pay the higher wages. Productivity improvement became a national obsession with the Government and a high-level productivity council was set up to drive it. Thirty years have passed since then. Have the results validated this economic strategy? Unfortunately, the same problems that we set out to solve 30 years ago namely high dependence on foreign workers and low labour productivity, are still bothering us. In fact, they have become worse – foreigners now totalled 1.8 million (including 533,000 permanent residents), accounting for 36% of the country's population of 5 million compared to 9% in 1980. Many industries are now so dependent on foreign workers that they will simply not survive without them, the exact opposite of the policy objective of raising wages initiated 30 years ago to cut down use of unskilled foreign labour. Productivity suffered with sharp declines of -7.6% in 2008 and -3.9% in 2009; for the entire decade 2000-2009, when overall GDP grew 5%, productivity rose only 1%, meaning that increase in the number of workers was responsible for four-fifths of the GDP growth, hardly a desirable outcome as real wages of the bottom 20% of the workforce fell by -2% .

What went wrong? Obviously, something is fundamentally not right. Was it wrong policy or bad implementation? The Singapore government machinery has a long established reputation for efficiency, hence blame cannot be put on implementation. If anything, its “mindless efficiency” would quite naturally compound the effects of wrong policy. (The late Head of the Civil Service George Boggars used this descriptive term in a press interview soon after he retired from the service.) So what’s wrong with the Government’s economic policy for the last 30 years? In its report released on 1 February 2010, the Government-appointed Economic Strategies Committee (ESC) did not find anything wrong with policy; instead it recommended retaining the manufacturing sector at 20 to 25 per cent of the economy, continuing with the policy of making it an important engine of growth with “high value and complex manufacturing” that “generates good jobs” and “stimulates demand for sophisticated services”. [1]

### The Productivity Bogey

What the ESC did find wrong was the fact of declining labour productivity in the last decade. However it side-stepped the issues that caused this productivity decline and immediately proclaimed a shift to productivity-driven growth that will require “major new investments in the skills, expertise and innovative capabilities of our people and businesses over the next decade”, suggesting therefore that the fault lay with inadequacies in our people and not with policy or strategy. If this were true, the proposed solution of spending billions of dollars on huge investments to raise productivity would make sense. But was it? A leading US labour economist studied the productivity issue recently and concluded that "there has been no secular decline in Singapore's productivity" and that "Singapore's low productivity in the last few years reflects more a statistical than any real phenomenon". [2] Productivity is linked directly to GDP in a simple arithmetic way namely, GDP growth is the sum of productivity growth and growth in labour supply. He went on to say that "productivity fell because the economy slowed.....the economy slowing that has nothing to do with Singaporean productivity.....productivity decline is a business-cycle phenomenon and not an underlying problem with Singaporean productivity." These are strong words coming from an award-winning labour economist who was chairman of the US President's Council of Economic

Advisers from 2006 to 2009. Their veracity was attested to by economic figures for the first half of 2010 when GDP growth surged 18 % leading to a dramatic turnaround in labour productivity from -4 % in the previous year to about 15 % in the first two quarters. Yet the ESC went on and on to lament about how low Singapore's labour productivity was compared to other countries in the manufacturing, services and construction sectors. The ESC could have put its time and resources to better and more effective use by examining why the economy has lost its vigour in recent years, has become more volatile and has been unable to generate growth and jobs on a sustained basis. Is our economic model still appropriate after more than forty years considering the dramatic changes that have taken place in the external environment and internal economic structure and dynamics of demographics, skill levels and expectations? Let us examine the changes in the economic structure and relationships.

### GDP, Employment and Manufacturing

Two recent studies by economists in the Ministry of Trade and Industry shed light on the relationship between GDP growth, employment and manufacturing. [3] [4] Drawing from data and trends in the last four recessions in Singapore (1984/1985, 1998, 2001 and 2008/2009), they established the following key findings :

- (1) The Singapore economy has become more volatile in recent years. In their own words, " Business cycle fluctuations appear to have become more pronounced, with Singapore experiencing three recessions (1998, 2001 and 2009) in the past 15 years, in contrast to only one recession (1985) between 1965 and 1995."
- (2) Volatility has resulted in lower growth; however "the negative impact of volatility on growth in Singapore has been more limited than in many other countries." (Empirical studies elsewhere have shown that the negative impact "is more moderate for economies that are at an advanced stage of development, with stable socio-economic conditions and good quality institutions.")
- (3) "...post 2000, a large part of the increase in volatility in Singapore has stemmed from the manufacturing sector," largely due to the growing

biomedical manufacturing, electronics and precision engineering clusters.

- (4) “...the services sector on the whole has relatively low volatility, as a significant component of services cater to the domestic market and are not tradeable....international services such as financial services, and trade-related services such a wholesale and retail trade are more volatile than domestically oriented services.”
- (5) Job losses in the past two and a half decades have lasted for far longer periods than the typical few months of frictional unemployment in earlier years; sustained decline in employment stretched for more than 2 years during the 1984 and 2001 recessions, more than 1 year during the 1998 recession but only two quarters (half a year) during the 2008/2009 recession (the shorter period of job loss owed much to the \$4.2 billion Jobs Credit Scheme, essentially a massive wage subsidy programme that was put in place shortly after the start of the recession in order to get employers to keep their workers).
- (6) The employment decline occurred in most sectors but its severity varied; the manufacturing sector’s employment loss was greater and more volatile than other sectors, being 1.3 to 1.5 times overall employment loss.
- (7) Construction tended to account for more than half of the employment decline; this was true in the three earlier recessions (1984, 1998 and 2001), but in the 2008/2009 recession, construction added 13,000 jobs over the course of the two quarters of a general decline in employment, largely because of the accelerated building of the two massive Integrated Resorts.
- (8) The only sectors that saw an increase in jobs in all recessions were healthcare, education and public service.

What is the underlying message of these macro trends in GDP and employment? Undoubtedly the policy of openness exposed the economy to the economic swings of the external world. However it could not be openness

*per se* as volatility was dominant in some sectors but not in others. The services sector was fairly stable; construction was volatile but it accounted for only a small part of the economy. This left us with the manufacturing sector which accounted for about a quarter of national output directly but the percentage was higher if indirect effects on commerce, finance, transportation and professional services were included. It was a declared economic policy of the Government to make manufacturing the main engine of growth. It was hardly surprising then that the export-oriented manufacturing was a major contributor to the volatility of the economy particularly post-2000 as the MTI studies showed. One long-time researcher of the Singapore economy has pointed out that "despite attempts to mitigate the effects of these destabilizing fluctuations (namely increased output volatility and an amplification of business cycles) caused mainly by manufactured exports, the policy tools at the disposal of the government have been inadequate given the constraints Singapore faces as a small and open economy." [5] By affirming a continuation of the policy of making manufacturing a major pillar of economic growth, the ESC implicitly accepted the inevitability of the consequences of volatility in GDP and employment. Adopting this policy option does not make economic sense as it comes with enormous cost to the economy and is not sustainable in the medium to long term.

#### Unsustainability of Manufacturing - Land and Labour constraints

Manufacturing requires land and labour in plentiful supply but Singapore is short in both. The most glaring example of industries that are intensive in the use of both land and labour, are the shipyards. They occupy large tracts of land and use up significant wharfage space which is valuable and could otherwise be converted to expand the port's operations particularly the lucrative container port operations. They also depend heavily on unskilled and low-skilled foreign workers as locals shun the hot and dirty work. They flourished in the early stage of Singapore's development in the 1970's, but by the early 1980's it was becoming clear that they were no longer sustainable. When recession hit in 1984/85, the marine industry went into sharp decline. Despondency set in and the shipyards were frequently talked about as sunset industries. There was strong suggestion that the two largest shipyards, Keppel and Sembawang, largely owned by the Government, should merge into one.

But merger there was none as neither wanted to be absorbed by the other. Both carried on as before and survived the subsequent economic cycles with critical support provided by cheap foreign unskilled and low-skilled labour. So heavy was the dependence on cheap low-skilled foreign labour that three quarters of the workforce in both Keppel and Sembawang now comprise foreign workers i.e 15,000 out of a total workforce of 20,000.[6] The companies made huge profits and senior managers took home super bonuses of several millions of dollars in the recent oil and gas boom, but at what expense to economic restructuring and to society? Shouldn't a special tax be imposed on these companies and managers to compensate for the economic and social costs? The marine industries were not the only ones dependent on foreign labour for life support; others included electronics and precision engineering. Few companies if any in the manufacturing sector, can survive without foreign workers.

### Economic Distortions

Continuing demand by industries will result in land prices and wages shooting through the roof before long. Factory land and space is already subsidized by the state in order to attract investors to set up their operations in Singapore. Higher land prices will mean larger state subsidies which will distort the efficient allocation of scarce land and deprive other economic sectors of their rightful share. Wages will escalate as labour is scarce unless more foreign workers from cheaper locations are brought in by the industries. But there are physical limitations to the allocation of more land or the importation of additional foreign workers; in the case of the latter, there are important social costs too which have now surfaced at an alarming rate in the form of crowded housing, over-crowded buses, trains and shopping malls, and strange, unfamiliar cultural and social habits. Social peace and harmony is being endangered and will reach breaking point if foreign workers continue to be imported at the rate of the last two to three years. Already the Government has given in to public pressure to slow down the influx of foreign workers and this will surely crimp the growth of manufacturing. There is another aspect of costs in the form of tax incentives doled out to manufacturing investors such as pioneer status (tax free for 10 years) and capital allowances. They represent

huge opportunity costs to the treasury and are an economic distortion that favoured manufacturing industries at the expense of the other sectors.

The ESC tried to justify its preference for manufacturing by emphasizing that what it wants is high value and 'complex' manufacturing. Unfortunately there is nothing new or innovative about this approach. Thirty years ago when Singapore wanted to turn its back on labour-intensive industries, it switched gear and went after high value-added, high technology industries. The whole government machinery was organised and mobilized to ensure success of this new policy orientation or economic restructuring as it was touted then – high-level ministerial promotion, extra-generous tax giveaways, preferential allocation of factory space, liberal immigration policy for professional and skilled labour, and stepped-up skills and productivity training with new and numerous skills training centres. What have these initiatives and efforts in the last thirty years shown for and led to? Success if any in achieving the stated objectives is patchy at best. Yes there was GDP growth and there were also some high technology industries in place; however most of this GDP growth came about not through technology or productivity but with abundant cheap workers from abroad, resulting in low productivity growth of 1 % in the last decade and depressed earnings for the workers, contrary to the aims of economic restructuring which were to achieve average productivity growth of 2-4% and high-paying jobs that can generate significant growth in earnings. Isn't this serious shortfall in performance, despite concerted efforts in the last thirty years, a strong statement of the unsuitability of manufacturing industry as a major pillar of our economy in the next phase of its development? The ESC's faith in complex manufacturing to boost productivity through innovation looks misplaced. In the view of Professor Dale Jorgenson, an economist and expert on productivity at Harvard, the ESC has a "somewhat antiquated view of the process of innovation, where Singapore has lagged substantially since 1995. R&D spending targets as proposed in its report, belong to 'the Old Model for innovation', and initiatives like tax credits for R&D do not produce any more innovation; it looks like an industrial policy which is generally a bad idea." Recent experience in the US has shown that "the locus of innovation had shifted from IT-producing industries in manufacturing to IT-using industries in trade and services". He calls for Singapore to look towards 'the New Model' which "requires a more holistic but 'politically painful' restructuring of

companies and industries". [7] The shift out of manufacturing and into services is necessary for two other reasons, firstly, top students are no longer opting to read engineering in the local universities and polytechnics; in fact, the proportion of polytechnic applicants who chose engineering as their first-choice course dropped by half from 30% in the year 2000 (4,800) to 15% (2,700) in 2005.[8] As a result, average admission grades are not demanding which do not augur well for the innovative potential of and prospects for complex manufacturing, and the gap will need to be filled by foreign engineering graduates - which begs the question why Singapore spends so much resources to promote the manufacturing sector to benefit largely foreigners at both the high skill and low skill levels; secondly, Singaporeans are generally happier working in the services sector than in manufacturing industry [9]; surely happiness at the workplace deserves its share of consideration in the pursuit of higher overall productivity of the workforce. (Britain will introduce a 'happiness' index in its quarterly household survey by measuring people's psychological and environmental wellbeing." Countries such as France and Canada are looking at similar initiatives as governments around the world come under pressure to put less store on conventional economic measures of prosperity such as gross domestic product.... two Nobel economists, Joseph Stiglitz and Amartya Sen, (have) called on world leaders to move away from a purely economic concept of gross domestic product, which measures economic production, to wellbeing and sustainability." [10])

### Solid Logic, Not Passing Fad

The shift out of manufacturing into services is based on economic logic and is not a passing fad as suggested by the chairman of the ESC. [11] For Singapore, "the future lies in services" as so cogently argued by economist Choy Keen Meng.[12] Singapore has little comparative or competitive advantage for manufacturing to flourish as land, labour and skills are in short supply. It is hard to share the ESC's optimism that the manufacturing sector would remain viable in Singapore "through a partnership between the private sector and Government" [11]; how? - through more subsidized factory land and space, uninterrupted inflow of cheap foreign labour, and generous tax holidays and other giveaways? Such economic distortions in the last thirty years have

delayed Singapore's economic restructuring. We cannot afford and should not tolerate further wastage, not even for another year.

## PART 2 : A National Regeneration Plan

The transformation of Singapore into a services economy will not happen overnight. It is not realistic or fair to expect manufacturing firms to switch out into other economic sectors or to move out to other countries immediately. Assistance should be extended wherever possible to help them adjust. (A later section will discuss and propose a unique financial assistance scheme as a key part of the overall new economic landscape.) While existing incentives (subsidized factory rental, favourable allocation of foreign worker quotas, tax concessions) already granted should be allowed to run their course, no new incentives should be given. Neither should these manufacturing firms be forced out. They should be allowed to remain in Singapore if they can continue to survive and be profitable like any other business enterprises without depending on special favours from any state agency such as rent subsidy, tax incentives or special allocation of foreign worker quotas. In charting new directions for the economy, resources should be harnessed and channelled into promoting and developing the services sector. Which particular services should we target? What should be our considerations?

### The wrong kind of bet

The two IR's (or casinos) represent new and substantial investments in the services sector, accounting for more than US\$10 billion sunk in, occupying expensive prime land and hiring thousands of foreign construction workers to rush through completion in record time. The casinos now employ tens of thousands of staff and generate huge revenue in the billions of dollars, making them a major contributor to the economy. It is touted as a major diversification into the services sector. Unfortunately, it is the wrong kind of industry for Singapore's long term good. Economic development is more than just about generating jobs and income growth. There is a moral purpose as well, otherwise we might as well turn Singapore into a prostitution hub or a distribution centre for drugs which will bring us untold riches. Economic development is about developing and using human capital to produce decent and worthwhile goods and services in a sustained way. On the other hand,

casinos are a soft option that preys on human weakness to generate profits. They destroy the work ethic and lead to broken families and other social problems. Early signs of social problems are slowly emerging. Hardly a year has passed, already the numbers of visitors to the casinos have far exceeded expectation. Nearly half of the 55,000 daily visitors are Singaporeans [13], way above the maximum 10% that was anticipated despite the levy of \$100 per day imposed on local visitors. Singaporeans of all stratas of society (including retirees, housewives) have flocked to the gambling dens to try their luck. What has become a source of alarm is the increasing number of bankers, lawyers, accountants and other professionals and executives working in the nearby financial district (the so-called Shentonites, named after the famous Shenton Way where banks and securities houses concentrate) who flock to the casinos and crowd the gaming halls in the evening. Busloads of housewives and retirees have also been coming down from neighbouring Malaysia in free tours organised by the casinos. Each day, 30 buses and 500 private cars bring at least 3,200 Malaysians down to gamble in the casinos, losing an estimated \$3 million a day or more than \$1 billion a year. This has alarmed and enraged political and civic leaders in Malaysia, prompting calls for measures to end the free casino tours. [14] Problem is also coming from an unexpected source, that of foreign workers spending their days off at the casinos in large numbers ("they are easily lured to casinos as they enjoy free entry and free drinks in a comfortable air-conditioned place" [15] because they are not subject to the \$100 levy which is designed to deter Singaporeans), and then blowing their meagre earnings at the gambling tables. "They are people who can least afford to gamble, having "chalked up loans in their home countries to come to work here" and "their impoverished families back home may be entirely dependent on their savings". When they become penniless, they will try to steal and rob and commit all kinds of crimes including violent ones in the streets, homes and offices of Singapore (although these have not happened in any noticeable way so far). Public safety will be compromised. The problem will get worse, not better. To sustain the contribution of the IR's to the economy, more casinos will need to be built when the moratorium on additional casinos expires in 10 years. Meanwhile the existing two casinos will put pressure on the authorities to allow them to stretch their capacity by adding more gaming tables. The authorities are likely to cave in as otherwise the IR's will not be able to grow

their operations and sustain their contributions to the economy. It will become more and more difficult to counter their adverse effects on the economy once the casinos' operations become entrenched in the economy. Better to stop them now before it is too late so that Singapore can part company, without much economic pain, with those who choose to prosper through vices such as gambling, prostitution or drugs; only then can Singaporeans once again walk tall and proud on the high and honourable path to economic development and prosperity. To make up for the economic loss from closing down the casinos, it is imperative that we move aggressively into the other services to promote and develop the desirable ones.

### Getting it right - A knowledge-based regional services hub

The most effective way of achieving results relatively fast is to start with what we are good at doing such as services involving the port, transport connectivity, financial institutions, education and healthcare. While we can be proud of having good basic infrastructure, there are still serious gaps to be filled particularly in education and healthcare. Once these holes are plugged, Singapore will have a fully developed infrastructure that will enable it not only to uplift the well-being and standard of living of its own citizens but also have additional capacity to serve the needs of the region. We should focus on the region for three reasons; firstly, unlike manufactured goods which are commoditized products targetted at developed markets in the US, Europe and Japan, most services are 'consumed' locally; secondly, the market in the region is huge with a population of more than half a billion in Southeast Asia alone that will provide insatiable demand for a long time to come, and thirdly, the quality and level of sophistication of services in some sectors such as finance, education and healthcare, have not yet reached the standards of First World global hubs in Europe and the USA. With our high level of education and international exposure, Singapore can build upon its basic strengths and experiences to become a vibrant and sustainable regional services hub that is knowledge-based and capable of offering creative and imaginative solutions.

### The Port

Let us start with the port where modern Singapore began and which continues to be the lifeline to this day. A deep –water harbour is its greatest

asset that allows ships to berth alongside the shore to load and unload cargo directly onto land for shipment to importers. It has facilitated containerization of the port and boosted its growth as more and more container berths were added. Expansion of the port will be constrained if land runs out for building berths. A lot of valuable shore land is currently occupied by shipyards which are not sustainable economic activities as they are highly dependent on cheap unskilled foreign workers ; they should therefore be cleared to make way for the more desirable, valuable and sustainable port operations. There is urgency in doing this as neighbouring ports are coming up and are seriously bidding for the same customers. There is also potential land available on the northern shore but its use by passing vessels is constrained by the causeway which prevents through passage by vessels from the South China Sea to the Malacca Straits and vice versa. We should support the proposal to replace the causeway with a bridge that will allow ships to pass through, thus unlocking the potential of the northern shore land for use by the port or as a logistics base for the offshore marine or oil and gas industry. It could also enhance the transshipment business if more smaller vessels are attracted to make greater use of the facilities. A port's survival depends on its access to passing vessels , the greater the access the better its growth prospects. Opening up the Straits of Johor for through passage by marine vessels will increase access for them and improve the overall growth prospects of the port.

### Transport hub

Singapore has an excellent airport with efficient links to the outside world. However its links with land and sea ferry transport to bring passengers to their end destinations are weak. For this group of passengers, travel through Singapore is not a pleasant seamless experience. By contrast, the Hong Kong International Airport is directly linked to ferry terminals that bring alighting passengers from abroad to neighbouring cities such as Macau or Zhuhai. They could also board waiting coaches at the airport terminal that would take them directly to major cities in neighbouring Guangdong Province such as Guangzhou or Dongguan, or to Shenzhen, that are located hundreds of kilometres away. At Singapore's Changi International Airport , there are no direct links to ferry terminals that take passengers to the nearby Indonesian islands of Batam or Bintang; nor are there waiting coaches to take them to the

big towns in neighbouring Malaysia. Arriving passengers are very much left on their own to arrange connecting transport. To make matters worse, there isn't a proper terminal for long-distance coaches to Malaysian towns with coaches crowding narrow streets to wait for their fares. This lack of connectivity has to be made good quickly before we can proudly claim to be a truly world class transport hub.

### Financial centre

After more than thirty years of strenuous effort, Singapore has built up a financial centre of some stature in the region. The resulting outcome, however, is unbalanced and is less than desirable considering the huge amount of national resources devoted to promoting it. Yes we are an established global foreign exchange trading hub, consistently among the world's top three in trading volume. But beyond this, there is really nothing to shout about. The capital markets are not significant by international standards. Both the debt and equity capital markets lack breadth and depth. The debt market is so tiny that one could be forgiven for thinking that it is non-existent. Recent attempts by Temasek Holdings, the state investment holding company, to create benchmark yields for bonds of different tenure ranging from 7 years to 30 years, were feeble at best. There was hardly any significant follow-up by the corporate sector. Similarly for the equity market, plans to enlarge capitalization by privatizing and listing more large state corporations on the Singapore Exchange (SGX), such as the port, airport and power entities, were deferred, thus setting back efforts to deepen and broaden the Exchange. Instead considerable resources were directed at getting foreign-based companies to list on the Exchange. The result has been less than satisfactory. Although a few large foreign companies do find their way to a Singapore listing, the vast majority who came are small companies from the People's Republic of China that would normally have difficulty qualifying for a public listing in their home exchanges. After an initial euphoria that sent stock prices climbing sky-high, usually assisted by market operators, many of these companies invariably ended up as illiquid penny stocks that left small retail investors feeling cheated and losing their hard-earned savings. Worse several ended up having corporate governance issues and company funds misused or missing. This is hardly the

way to build a respectable and trustworthy equity capital market that can attract discerning investors.

Singapore wants to learn from the experiences of London and Zurich who have been able to develop into major international financial centres despite their small home market, unlike New York or Tokyo who depend mainly on domestic capital and investment products such as bonds and equity stocks.. With the so-called 'Lonrich model', Singapore hopes to leapfrog the domestic market and attract capital from abroad to park with Singapore-based financial institutions for investment management and advice. In the last few years, Singapore has been highly successful in attracting foreign funds particularly from Europe where tax-evading deposits by wealthy Americans have been hounded by the US Government. The key question is how long these foreign funds will stay or whether they are just hot money looking for temporary refuge. The answer lies in whether there are suitable investment products to get them to stay with or invested in Singapore. Singapore has never had a problem attracting liquid funds from the surrounding region, such is our reputation as a safe haven. But to be a true wealth management centre, we need to have a wide range of attractive investment products. To concentrate on attracting funds without expanding the suite of compelling investment opportunities, is like putting the cart before the horse. (In November 2010, a senior Government official revealed that there had been a net flow of funds out of Singapore even though substantial funds were flowing into the Asian region from the USA following the second round of quantitative easing by the US Federal Reserve Board.) [16] Otherwise the result will be runaway asset inflation particularly of real estate. Which brings us back to the problem of developing a strong capital market in Singapore.

For the equity capital market, the solution is straightforward and capable of immediate implementation namely, to press ahead with privatization of major state corporations through a public listing and sale of shares, and to sell more shares of Government-linked companies (GLC's) already listed on the SGX so as to increase their liquidity at the same time. This will release tens of billions of dollars worth of investment opportunities; they will need to be phased out to prevent market indigestion. Outright sale of total Government holdings in non-

strategic companies to private companies should be seriously considered in order not to crowd out private enterprise in a similar line of business.

The debt capital market is slightly more complicated. National development projects are usually financed by long dated bonds issued by governments. But in Singapore, the Government has easy access to long term funds in the Central Provident Fund (CPF) , a state pension fund where employees have their own individual account into which they make monthly contributions at prescribed rates. They can only withdraw their own savings when they reach the age of 55 minus a minimum amount which they have to keep in the CPF until a later age (currently fixed at 62) when they are allowed to withdraw a small monthly sum till they die. The CPF savings earn an interest rate of 2.5% on the Ordinary account (which can be used for housing and investment in stocks and shares) and a higher rate of 4% on the Special, Medisave and Retirement accounts which will expire by end December 2011 and then fall to 2.5%. These interest rates are too low for such long tenure that effectively stretches from 30 to 40 years. Bonds with similar tenure easily yield in excess of 4 or even 5 % in the current market. With the low rates offered on the compulsory CPF savings , the Government is not motivated to issue long dated bonds and this has held back the development of the bond market in Singapore. As the bond market should be a key component in the development of a robust financial centre, the Government should be made to issue long dated bonds offering attractive yields in excess of 4 or 5 % in which Singaporeans can invest with their CPF funds and private savings. They should also be open to all who are interested. This will help create a vibrant capital market. Safe Government bonds should be the only form of investment permitted for CPF savings. Allowing people to use their CPF money to invest in stocks and shares listed on the SGX is 'unconscionable' as it is like 'sending lambs to the slaughterhouse', a point made by retired top Mandarin Ngiam Tong Dow.[17]

In the past decade, banks in Singapore have been consolidated into just three big banking institutions on the rationale that scale of operations was critical and only the big banks will survive and prosper in the new global and regional landscape. Recent experience has not validated this view as none of the three banks has made their mark in the regional market. But the reverse is true as

the 2008-2009 financial meltdown has demonstrated that the super large financial institutions in the US and Europe magnified and globalized their mistakes, becoming “too big to fail” and required bailout by the state using hundreds of billions of dollars of taxpayers’ money. The consolidation of local banks into three big ones, while not achieving the stated objective of developing them into regional banks of any significance after more than ten years, did exact a price on local companies particularly the small and medium enterprises who have fewer banks to choose from and are at their mercy in terms of rates. This is not a healthy outcome and should be addressed without delay by issuing licences for more banks (perhaps five more) to operate and compete to serve local enterprises. There are more than enough experienced ex-bankers with the required expertise to help these new banks get off to a good start. Thousands of them are currently still under-employed after being laid off by the consolidation of local banks or restructuring of foreign banks.

### Education

Singapore's spending on education is low by international standards, recording a mere 3.5% of total GDP compared to over 5% in most developed societies of the First World such as the US, the UK, France and Canada. However as a proportion of total Government expenditure, it is not insignificant, accounting for about 20% of the national budget. A lot has been done to improve the education of the young. Massive resources have been mobilized. But the authorities have gone about doing it the wrong way. They miss a crucial link. The key to educating the young lies in giving personal attention to the child. No two children are the same. Each child is unique. Only personal attention can bring out the best in them. This requires smaller class size so that the teacher has fewer pupils to handle and thus can know his or her pupils intimately, identify their weaknesses and strengths correctly and help them accordingly. Unfortunately, the average class size in the schools has remained about the same as it was 30 to 40 years ago. (The class size is to be distinguished from the national pupil-teacher ratio which has declined over the years to 20 in primary and 16 in secondary schools. [18])

### Smaller Class Size, Greater Personal Attention

In most schools in the mainstream, there are usually more than thirty pupils in each class, with some classes even exceeding forty. How low should it go down to in order to be effective in teaching the young? The ideal is a one to one ratio as in the tutorial system of Oxford and Cambridge colleges. But this is too expensive to maintain, even for Oxbridge. The National Academy of Early Childhood Programs in the US believed an ideal class size to be about one teacher to 12 pupils. In the Danish education system, the ratio goes to as low as one to ten.

### Doubling Schools, Doubling Teachers

For a start, we could reduce the class size by half, to around 20 pupils per class with smaller class size for weaker pupils. This means doubling the existing resources, that is doubling the number of teachers and the number of classrooms. The actual requirements, however, will be less than double. Take the case of classrooms. Many schools have converted from running two sessions per day (morning and afternoon sessions) to single session in recent years, resulting in them being largely empty or under-utilized the rest of the day. They could be used for the additional classrooms needed. What is immediately available will fall short of what is ultimately required. Inevitably new generation-type school buildings will need to be built to provide the required smaller classrooms. This will take about two to three years to complete. Not all classes can convert to smaller size at the same time; they will have to be phased in, starting with classes preparing for critical examinations such as PSLE, 'O' and 'A' levels and gradually extending the conversion to the other years.

Similar considerations should also apply in the case of doubling the number of teachers from the current pool of 29,875 (excluding the tertiary institutions). We can get more teachers in the short term by postponing the retirement of existing teachers for a few years, and rehiring the recently retired ones. But we cannot avoid training new teachers to make up for the vast shortfall. More teacher training institutes are needed. An enormous job lies ahead in building a sufficient number of new generation-type schools and teacher training institutes to train another 30,000 teachers. There are currently about 354 schools. Vast funds are needed to double the number of schools. The average

cost of building a new school is about \$20-30 million. A sum of \$10 billion would be needed and should be allocated for this Schools Regeneration Fund.

There are at least another two major benefits from this Schools Regeneration project. By giving pupils more personal attention in school, the smaller class size will make it less necessary for them to seek private tuition outside school. This will save their parents a great deal of money. It has been estimated that parents in Singapore collectively spend several hundreds of millions of dollars a year on private tuition classes for their children. The smaller class size in school should not result in higher school fees for students. In fact, citizens should not be made to pay any school fees at all, all the way to university as the country can well afford this key investment in her own citizens. Private tutors should not fear loss of jobs as they can avail themselves of the many teaching positions that would open up with this Regeneration programme.

Singapore's status as an education hub for students from the surrounding region will get a boost from this Schools Regeneration which will result in a large pool of qualified teachers that will ultimately flow over to private educational institutions. This will add to the prestige of these private schools which have suffered a drop in numbers from the all-time high of 96,900 in 2008 to 91,500 in August 2010 mainly because of their difficulty in meeting stricter requirements on teachers' qualifications and certification of courses. With more qualified teachers, the private schools will then be well-positioned to achieve the target of 150,000 students, create 22,000 jobs and help to raise the education sector's contribution to GDP from 3% to 5%. [19]

### Healthcare

Total expenditure on healthcare in Singapore has hovered around 3% of its GDP, below the average proportion of 5 % in low income and lower middle income countries i.e. the poor and developing countries. High income countries (of which Singapore is one of fifty countries classified as belonging to this category by the World Health Organisation or WHO) spend a much higher percentage of about 11%. The bulk of the expenditure in Singapore is borne by private individuals and organisations, and only about a third is accounted for by Government compared to the average figure of 61% in high income countries. [20] The extremely low expenditure by the Government vis-a-vis

other countries is a deliberate policy to get healthcare costs to be self-funded as much as possible by citizens through contributory schemes such as the Medisave and the Medishield, the latter being an insurance scheme. These schemes are usually not adequate to pay for the full costs and individuals invariably end up digging into their pocket, with these out-of-pocket expenses accounting for a significant proportion of total costs. The low Government health budget has resulted in over-crowding of public hospitals with newspaper reports of patients lying in beds along corridors of hospital wards. This over-crowding was relieved to some extent with the completion of a new 550-bed hospital (the Khoo Teck Puat Hospital) in 2010, the first major public hospital to be built by the Government in a very long while. Currently there are 32 hospital beds per 10,000 population, slightly more than half the average number of 58 beds in high income countries. Other indicators also show Singapore lagging far behind, for example, 17 doctors per 10,000 population compared to an average of 28 doctors in other high income countries, and 53 nurses and mid-wives versus their 81.

#### Doubling Hospital Beds, Doubling Healthcare Personnel

There is an urgent need to increase the number of hospital beds, doctors, nurses and other healthcare personnel to the levels of the high income countries in the First World so as to benchmark Singapore to the world's best. Not only do our citizens deserve this level of service, but it is what to expect from an aspiring world class medical hub. This means Singapore needs to roughly double the number of hospital beds, doctors, nurses and other healthcare professionals. In 2009, there were 11,663 hospital beds in 29 hospitals and specialty centres, of which the 14 public hospitals and specialty centres accounted for 72.5% or 8,456. Adding the 550 beds from the recently completed Khoo Teck Puat Hospital raises the figure to 9,006.[21] A modern hospital in Singapore costs an average of \$1.27 million per hospital bed to build (based on the cost of \$700 million in building KTPH) , so the Government will need to spend \$10 billion to double the number of hospital beds in public hospitals. There is scope for private hospitals to also double their number of beds by another 3,207 costing around \$3.2 billion which should easily be within their means. The Government should allocate a sum of \$10 billion in a Hospitals Regeneration Fund to double the number of public hospital beds in

the next 5 years or about 1,700 beds per year. The new hospitals should be spread out to the housing estates so as to facilitate easy public access.

The number of healthcare personnel has to increase substantially to man these beds, which means more doctors, nurses, support staff, laboratory technicians, physiotherapists etc. Their existing number is already far short of what is required to maintain standards as can be seen from the large number of complaints by patients and their families. Huge numbers of hospital staff have to be recruited from a diversity of foreign countries who often have difficulty in understanding the older Chinese dialect-speaking patients. To make up for the serious shortfall, universities and polytechnics must more than double their intake of medical and other healthcare students. There is no shortage of applicants wanting to enrol in these courses, especially for the medical school which has to turn away hundreds if not thousands of well qualified students every year and dash their hopes and lifelong ambitions of becoming doctors. As a result, scores if not hundreds of Singaporeans have to go to overseas universities to pursue their dreams at great financial cost to their families. Hundreds of millions of dollars would be saved if the intake into local institutions doubles. There is an even more critical shortage of specialist doctors, not because local doctors do not want to obtain further degrees or are not qualified enough to pursue them, but rather because of the ultra conservative attitudes of policy makers that favour small incremental growth in the number of specialist doctors. The restrictive practices must stop as they deprive patients of an extra layer of care and hamper the growth of our medical hub. To do catch up so as to enlarge the pool quickly, all general practitioners who qualify and want to become specialists but are denied places in the past particularly the younger ones, should be allowed to pursue further specialist degrees. Similar actions should be taken to increase the pool of higher specialist staff for all the other categories of healthcare personnel. This will prevent a severe shortage of qualified healthcare staff required to man the many new hospitals that are herein proposed to be built in the next few years, thus lessening the need to recruit them from abroad. Opportunities to upgrade their specialist skills should be given to existing Singaporeans first.

### Creative industries & Enterprise Regeneration

There is a growing industry outside the traditional services which is attracting the interest of the young. Usually referred to collectively as the creative industries, they are concerned with the generation and exploitation of knowledge and information. They are a key component of the knowledge-based economy. Examples of such economic activities are advertising, arts and craft, design, fashion, film, video and photography, software, computer games and electronic publishing, music and the visual and performing arts, publishing, television and radio. Individual creativity, skill and talent drive these activities which have great potential to create wealth and jobs by generating and exploiting intellectual property. These are the industries of the twenty-first century in which our well-educated and well-travelled young Singaporeans can find traction, do well and excel. We should use our resources to support and propel them onto the world stage.

These industries usually involve a few individuals getting together to pursue their dreams of inventing something new that will improve the lifestyles of those who purchase their products or services. Many are likely to fail in their ventures but the few who succeed will make a vast difference to the lives of those they seek to change for the better. The latter should be helped. It will do well to remember that many of the huge corporations today began as tiny humble outfits only a few decades ago before they grew into giants, for example, Microsoft, Apple, Google and Facebook. We should encourage the young to strike out and try their hand in something inventive. Many of the young want to do so but are hampered, not by lack of ideas but by lack of funds. The Government can and should set up an Enterprise Regeneration Fund that is large enough to help thousands of such small enterprises. Each could be given a grant of up to \$1 million to start off provided they are serious enough to commit not an insignificant sum themselves such as 20%. To ensure that the young entrepreneurs do not go off tangent, the Government can require them to include in their team an older experienced manager who can mentor and assist them in their business development. There are tens of thousands of such experienced PMET's (the so-called professionals, managers, executives and technicians) who are currently under-employed as a result of corporate restructuring in their previous companies. Their experience and talent could be put to good use under this Enterprise Regeneration Fund. To help thousands of these small entrepreneurial outfits who will each employ at

least two or three persons, a sum of \$10 billion could be set aside for this Fund for disbursement in the next five years thus benefitting at least 10,000 outfits employing more than 20,000 to 30,000 staff. They will in turn generate business for hundreds if not thousands of small and medium size firms offering professional services such as accounting, corporate secretarial, legal and public relations advice.

### Manufacturing Re-visited & Industry Regeneration

In the new economy of services industries, existing entrepreneurs in the factories too have a place. They will not be abandoned. Those who want to shift into services will be helped with advice and funds if necessary and desired. Others who want to stay in manufacturing will be assisted to relocate outside Singapore. Preference should be given to those who want to move out to neighbouring countries particularly Malaysia and Indonesia. They will be welcome in these two countries particularly in Malaysia which wants the Iskandar region in the southern state of Johor just to the north of Singapore, to be Singapore's Shenzhen, the way Shenzhen complements Hong Kong by becoming the new home of factories that relocated from Hong Kong in the last thirty years. By staying close to Singapore, the manufacturing firms that relocated to neighbouring Johor rather than to faraway China or Vietnam, are more likely to make use of services provided by Singapore-based firms in banking, law, accounting, freight, logistics and other related services, thus enhancing Singapore's position as a regional services hub.

In view of the large number of manufacturing firms involved in either relocating outside Singapore or shifting into services, a sizeable Industry Regeneration Fund of \$10 billion should be set up to assist them in this transformational move. There will be residual manufacturing firms remaining in Singapore but they are likely to be those catering to the domestic market such as food processing. It would make sense for them to be relocated to residential heartlands rather than remain in isolated clusters away from where people live or go about their daily lives.

### Community Regeneration

For the greater part of the last fifty years, town planning has been governed by the fundamental concept of zoning by which the country is divided up into

zones or districts based on use, be it industrial, commercial or residential. The rationale was simple and hard to dispute. Factories are noisy, dusty or dirty and should be located in outlying areas far away from population centres or commercial offices. Housing estates and schools for the children spread out into the suburbs while Government offices, banks, finance houses, accounting and legal offices, and businesses congregate in the city centre. Life is neat, tidy and efficient. But it has created problems in its wake. People have to travel long distances to get to work and then travel the same long distance to return home in the evening to be with their family. It was tolerable in the days when petrol was cheap and the roads were not so congested, making travel to be quite a breeze. These days, petrol is anything but cheap and roads are choked, resulting in long and expensive journeys. Hence the industrial zone loses its appeal to locals as a desirable place to work and foreigners have to be recruited to take their place.

Zoning is becoming an archaic concept these days. Except for a few specialised ones, today's industries are quiet and clean with pollution kept to a minimum, particularly more so when Singapore wants to shift out of manufacturing and go into services. They could easily come along with other activities within housing estates. Instead of single use zones, we should convert every locality into a mixed use development that allows for residences and business offices and operations to be housed together. The Government can accelerate this development by building business parks in housing estates the same way JTC Corporation does for manufacturing industries in outlying areas. More Government departments should move out of the central core areas and also set up offices in the housing estates to provide jobs and services to the residents. With electronic communication over the internet being the norm these days, efficiency should not be adversely affected by having offices in separate locations physically far apart. There are several benefits from this initiative including :

1. Jobs will be brought closer to the people particularly housewives and the older folks who are still able and can be motivated to continue working and earn a good income to raise their standard of living;
2. These groups are currently under-employed as their time is mostly taken up with the family, leaving them with little time for fulltime jobs. They are quite

sizeable in number and can go a long way to solving our problem of labour shortages even with part time work, thus reducing the need for foreign workers. One particular industry that can be spread out into the various housing estates and make use of part time workers is the food producing, preparation and processing industry that is currently concentrated in a few enclaves such as Woodlands and Defu.

3. By making available the place for providers and users of services to meet, less travel will be needed and this will reduce transport costs and result in speedy delivery of services.

4. The time saved from travelling to the workplace in the neighbourhood instead of faraway offices, can be used for quality time with the family.

5. Local communities will be rejuvenated and reinvigorated with a new burst of activity in the day instead of remaining as virtually deserted townships where only the elderly are seen and young children heard.

New land and buildings or structures will need to be put aside and developed to accommodate the new service industries moving into the heartlands. A Community Regeneration Fund of \$10 billion should be set up for this purpose. Concessionary terms can be offered to entice businesses into setting up their operations in the heartlands

### Family Regeneration

The problem of declining birth rate and shrinking family size and their adverse impact on society and the economy, was first identified about 30 years ago when the "Stop at 2" family planning policy of earlier years was discarded. Various measures were introduced and implemented to reverse the decline, but the problem did not go away; instead it has become much worse, with the Total FertilityRate falling to a historic low of 1.16% in 2010, and this was well below the replacement rate of 2.1%. It is clear that the measures do not work. New and aggressive measures are urgently needed now before our population starts to shrink sooner than we contemplate, and our economy suffers immeasurably as a result. These new measures must tackle the root cause which is the stress and cost of bringing up children for young parents struggling to establish their careers in a highly competitive society. And the cost is not

confined to bringing up children in their early years but throughout their life as dependents right up to tertiary institutions. To be effective in getting women to have more children, we ought to take a significant portion of these costs away from them. The following measures are recommended :

1. Cash grants of \$100 to \$300 per month for each child up to age 19, with the older ones getting a larger amount. These cash grants are in addition to the cash gifts of up to \$4,000 and \$6,000 for first and second new-born babies. (Age 19 is an appropriate cut-off age as Singaporeans would have completed their post-secondary schooling at A-levels by then and the boys would have begun their National Service duty in the military forces.)
2. Waiver of all school fees up to university level.
3. Available to all citizens without means test.
4. Free medical and health benefits for mother and all children.
5. Improved maternity leave terms for working mothers including provision for long term leave from the office to care for children, with Government departments taking the lead in this initiative.
6. Introduce paternity leave for working fathers to share the burden of caring for the family.
7. Childcare and elderly care centres to be located in every precinct in housing estates so as to facilitate convenient access for mothers working in the neighbourhood.

A Family Regeneration Fund of a sizeable sum of \$10 billion should be set up to signal Government's serious intent in promoting families having more children. It should be sufficient for 5 years in the first instance. If the schemes prove popular, more funds should be set aside. The bulk of the funds will be used to award cash grants to Singaporean children up to age 19. There were about 930,000 Singapore residents in this age category; 85.7% of residents in 2009 were citizens [21] and if we use the same proportion to estimate, the number of citizens up to age 19 would be close to 800,000. If each child gets an average of \$2,000, an annual sum of about \$1.6 billion would need to be allocated for

them, leaving a balance of \$400 million a year which can be used to provide highly subsidized facilities in neighbourhood childcare centres.

### Funding The Regeneration Plan

#### Government Budget Surpluses

The above 6 Regeneration Funds will cost a total of \$60 billion to be spread out over 5 years. This is too large an amount to be funded through the normal annual budgetary process. But they are well within our means. The Government has accumulated huge surpluses from past annual budgets. Just taking the most recent five years from 2004 to 2008 (the latest year for which official data are available), the General Government Finance recorded accumulated budget surpluses totalling \$106 billion (\$12.8 billion in 2004, \$18.0 billion in 2005, \$18.3 billion in 2006, \$35.0 billion in 2007 and \$21.8 billion in 2008) [22], well in excess of what is required to finance the 6 Regeneration Funds with more than adequate balances left to finance future needs should this be necessary.

#### Temasek Regeneration

An alternative source of financing is Temasek Investment Holdings. As the Regeneration Funds are a key investment in Singapore's future, it would be appropriate for Temasek as owner and guardian of Government assets, to provide the funds which amount to less than a third of Temasek's portfolio market value of \$186 billion. [23] This can be done in several ways. There could be an outright sale of non-strategic investments such as financial investments which are undertaken purely for a good financial return but do not add strategic value to Singapore, for example, investment in international financial institutions like Barclays Capital, Bank of America or Standard Chartered Bank; or non-strategic companies such as Capitaland which holds about 40% of its assets outside Singapore, it is just another property company and there are many of these real estate companies in the private sector. There is no real need for the Singapore Government to own a controlling stake in it especially when Government linked companies (GLC's) are often said to be stifling competition. As for strategic assets, Government can raise funds through a gradual sale of shares of existing companies listed on the SGX; this will allow more ordinary Singaporeans to own a part of Singapore's iconic assets such as

Singapore Airlines. Such sales of shares should be done gradually over the next 5 years so as prevent market indigestion. This privatization should be an ongoing process so that eventually the Government will cease to have any role in these companies and private companies can take over the management (although the Government can own a Golden Share to protect Singapore's strategic interest). Cathay Pacific Airways has shown that a successful "national" airline does not need to be owned, controlled or managed by the state. Neither does the state need to own or control a key financial institution to ensure financial stability or prudence as demonstrated by Hong Kong's private commercial banks who also have the role of issuing the "national currency", a responsibility normally reserved for the state in other jurisdictions. There is therefore no good reason to fear that a dilution or even a total removal of Government's ownership, control or management of key commercial corporations will harm the economy. On the contrary, Government's withdrawal from the commercial sector will have positive effect on the development of an enterprise culture in Singapore. We will then move towards a level playing field for private companies as befitting a mature society. Only when competition is fair and robust can true talent emerge.

### **Part 3 : Improving Singaporeans' Standard of Living**

#### **Minimum wage**

A key objective in shifting out of manufacturing is to reduce the economy's dependence on low-skilled foreign workers. However, will the shift out of manufacturing and into the services sector result in more foreign workers being hired in services companies rather than in factories? This could happen if we do nothing to constrain their inflow. In the past decade, more foreign workers had gone into the services sector than into manufacturing. They have taken up jobs not only as cleaners, retail shop assistants, sales workers and similar low-level jobs, thus replacing the low-skilled and elderly Singaporeans, but also as technicians, designers, managers and executives in slightly higher mid-level positions at the expense of young Singaporean PMETs (professionals, managers, executives and technicians). The former category come in on work permits which have a monthly salary cap of \$1,800 while the latter are issued with S-passes (monthly salary from \$1,800 to \$2,500) and Employment Passes (above \$2,500). A monthly levy in lieu of CPF contribution is imposed on

holders of work permits and S-passes; it ranges from \$160 to \$470 for work permits and from \$100 to \$120 for S-passes, the greater the proportion of foreign workers in the company's workforce, the higher the levy. No levy is imposed on E-pass holders who are also not required to make CPF contribution . The low levy on S-passes and the exemption of CPF contribution for both S- and E-passes, make them much cheaper than Singaporean job-seekers in similar mid-skill category; hence their numbers have increased at the expense of the younger Singaporean PMET's. Their cost advantage over Singaporeans should be removed by imposing a levy on them that is at least equivalent to the quantum of CPF contribution payable by Singaporean employers and employees. (The total CPF contribution of 35% comprising 15% by employer and 20% by employee, is very much more than the levy of \$100 on S-passes representing less than 6% of the minimum qualifying wage of \$1,800, and zero levy on E-passes.) The greater problem, in terms of both sheer numbers and the cost gap, is with work permit holders as they are too cheap compared to low-skilled Singaporeans even after including the levy. This has led to their massive inflow in recent years, resulting in the familiar problems of declining overall productivity and earnings of the lower-income Singaporeans. To staunch the flow effectively, a minimum wage is necessary to prevent low-wage, low-skill foreign workers from under-cutting and short-changing similar categories of Singaporean workers.

The issue of minimum wage has been the subject of much debate in the public domain. The Government is dead set against it, insisting that it will raise the cost of doing business, reduce Singapore's competitiveness, hurt the economy and cause unemployment to the Singapore workers whom we want to protect with the minimum wage. These alleged negative effects are alarmist in nature and do not stand up to practical experience in countries that have implemented a regime of minimum wage.[24] It does not help the Government's argument when even Hong Kong, the world's most competitive economy, has decided after much public debate to introduce minimum wage legislation soon. It has joined more than 90% of countries in the world that have some form of minimum wage. Singapore is in the "no" list together with countries such as Bahrain, Brunei, Qatar, Somalia and Tonga.

The welfare of workers ought to be at the heart of every civilized society, however it is not politics but economic logic that weighs heavily in favour of a minimum wage. It is particularly more so in the case of Singapore. Absence of a minimum wage has allowed employers to hire cheap foreign workers in increasing numbers in recent years; as a result, labour productivity declined sharply (particularly in the last few years when inflow of foreign workers was at its highest), and registered an average of a mere 1% for the past decade as a whole, which made it responsible for only 20% of the GDP growth with the balance of 80% accounted for by the increase in cheap foreign workers. Raising the levy on foreign workers might equalise the cost of hiring them vis-a-vis locals but the effect would not be the same as that of a minimum wage. In 2003, the Economic Review Committee chaired by then Deputy Prime Minister Mr Lee Hsien Loong said in its report that it would "carefully manage the inflow (of foreign workers)....An appropriate levy will regulate the demand for foreign workers, and ensure that they complement rather than displace Singaporean workers...." We now know that the ERC has failed to achieve its objective as foreign workers have displaced rather than complemented Singaporean workers to the extent that non-Singaporeans now form 36% or nearly two-fifths, of the population. Did the ERC not find and impose an appropriate levy or was it wrong in its fundamental premise? A higher levy raises the cost to an employer of hiring a foreign worker but the increase in cost goes to government coffers as revenue and not to the worker as income, so the employer ends up coughing out more money for the same quality of worker. On the other hand, a higher wage attracts a higher quality worker as it goes directly to him, so the employer benefits from a higher output. Hence the fundamental difference between a higher levy and a higher wage arising from a minimum wage, is clear - the former raises the cost to employer and increases revenue for the Government whereas the latter benefits the company with a higher productivity worker. From the standpoint of the economy, a minimum wage is preferable to a levy in regulating the flow of foreign workers as it will raise the overall productivity level. This is where the Government and its trade union advocates miss the point when they strongly expressed their preference for its Workfare Income Supplement Scheme (WIS) over a minimum wage, arguing that the former is a superior option. Unfortunately it is not.

### Workfare and Profits

The WIS supplements the income of low-wage workers (those earning below \$1,700 a month) that has been depressed by the influx of cheap foreign workers; hence it attempts to counter the effect but not address the cause of the high dependence on foreign workers whereas a minimum wage does. The WIS is paid by Government using taxpayers' money and hence does not hurt the employer who can merrily continue to hire cheap foreign workers. The Government currently spends \$400 million a year to benefit 400,000 workers under Workfare, an average of \$1,000 per worker per annum or \$83 per month. [25] This is the sad aspect of the WIS as it supplements the income of the low-wage worker by a mere \$83 a month whereas he can get more under a minimum wage regime. Even sadder is that coming from the taxpayer rather than the employer, the transfer payment protects and enhances the profitability of employers and widens the gap between the rich and the poor. In the 10-year period from 1998-2008, the average incomes of the poorest 20 per cent of households fell by -2.7 per cent, from \$1,309 to \$1,274 whereas the richest 20 per cent of households saw their average incomes rose by 53 per cent, from \$12,091 to \$18,472. [27]

### Income Inequality - when growth stops trickling down

The problem of income inequality has become much worse in recent years. Singapore's Gini coefficient (a measure of income inequality from 0 to 1.0 with 0 representing complete equality) has risen from 0.428 in 2002 to 0.471 in 2007 even after accounting for government benefits and taxes [26]. These numbers put Singapore "in league" with poor developing countries of the Third World such as " the Philippines (0.461) and Guatemala (0.483) and worse than China (0.447). Other wealthy Asian nations such as Japan, Korea and Taiwan have more European-style Gini's of 0.249, 0.316 and 0.326." [28] Hasn't Singapore "graduated" from Third World to First World a long while ago and if so, shouldn't Singapore be "in league" with other rich First World societies rather than with poor developing countries?

The conventional wisdom of development economists pursuing a free-market growth policy is that it will inevitably lead to greater economic inequalities as business growth will benefit the educated and well-off sections of society

more than those in the lower stratas, but that this does not matter as the growth will "trickle down" and benefit the poor who will have jobs and higher income to improve their livelihood. This was true in the earlier stages of Singapore's economic development but has not been so in recent years as more and more Singaporeans particularly the older ones lost their jobs while those with jobs experienced falls in their real earnings. Yes the GDP has grown and it has trickled down but it flowed through Singaporean workers and bypassed them to benefit cheaper foreign workers at even lower levels. It is hardly surprising that more than half, perhaps more than two thirds of the 112,500 new jobs created in 2010, had gone to and benefitted foreigners. A minimum wage will stem the trickle of jobs downwards to cheaper foreign workers. As for foreigners on "S" and "E" passes which do not require employers to make CPF payment on their behalf (although a small levy is imposed on the "S" passes), an equalisation charge should be imposed on their employers in order to level the field for equivalent Singaporean professionals.

For those who are still opposed to a minimum wage, there is one additional point for them to think about : doesn't a worker deserve a living wage below which decency and dignity disappear?

#### Cost of living and Government budget surpluses

The ultimate objective of all economic activity is to raise one's standard of living. A minimum wage will help. But cost of living has been creeping up and eating into real earnings. The consumer price index (CPI) rose by 4.6% in December 2010, the highest in 24 months; it is expected to hover around this level in early 2011.[29] This is high by Singapore's historical standards which used to hover in and around the 0 to 2 % range until recent years. From 2006 to 2009, consumer prices increased at the rate of 3.1 % per annum while import prices declined by 2.3%. In 2009 alone, import prices fell sharply by 8% while consumer prices rose only 0.6%., What are we to make of these figures? Are they unique in these last few years because of rising commodity prices or are they part of a pattern that has been developing in recent years? Two university researchers recently studied the trends of consumer prices. They found that "the general trend of import prices since 1981 has been downwards and consumer prices upwards". They thought this phenomenon puzzling in view of Singapore's extreme dependence on imports; on further examination,

they "found, somewhat unexpectedly, that non-tradeables account for 55% of Singapore's consumer price inflation, while import prices account for the rest".  
[30]

Non-tradeables are largely made up of labour costs, rental and storage costs, government fees and charges. They would have risen by 7.5% per annum from 2006 to 2009 since import prices account for 45% of the CPI. It is an indisputable fact that consumer inflation in Singapore in recent years has been caused principally by domestic factors, the non-tradeables, where Government policies on labour, land, housing, transport, public utilities charges for electricity and water, GST (goods and services tax), education and a host of others, have a dominating effect. These policies have boosted Government coffers and the ordinary citizen has been made to contribute to it in a hefty way that offset the beneficial effect of lower import prices that he can rightfully expect from living in an open economy. This need to be put right. We can begin by examining the Government's basic philosophy and practice of using the price mechanism to regulate the supply and demand of public services. When the demand for any public service goes up, the instinctive response of Government is to raise its price in order to dampen demand. Using the price mechanism is a no brainer and is often a guise for revenue raising that has contributed to the huge Government budgetary surpluses year after year. The Electronic Road Pricing (ERP) scheme is an example of the use of pricing mechanism that has gone wild with ERP gantries popping up here, popping up there and popping up everywhere, faster than jack-in-the-box. While we could understand and accept why a profit-oriented private enterprise uses the pricing mechanism, we expect a higher moral purpose from Government which should devise and implement administrative measures to satisfy public demand without opting for the easy way out of raising price in the first instance. Higher prices should be considered only as a last resort after all possible non-price options have been explored and exhausted. A comprehensive review of all Government fees and charges should be undertaken immediately to see if the pricing mechanism has been abused often for revenue purposes and if so, corrective action taken without delay. We can start with the GST by waiving it for basic food items and reducing it for all the rest, and eventually doing away with it altogether. This will help arrest the decline in the real earnings of citizens particularly those in the lower

income group and eventually raise their living standards. Isn't this what economic development is all about? The huge Government budget surpluses that have accumulated in past years, provide sufficient buffer for Government to reduce or remove unnecessary taxes, fees and charges without the fear that it would result in budget deficits. In fact, the persistently huge budget surpluses recorded year after year imply that the Government has over-taxed the people by raising revenue from them far in excess of what it needs to provide and keep public services going.

### Concluding Remarks - Solid Base for a Sustainable Future

It will take at least 5 to 10 years before Singapore can develop into a full-fledged integrated services hub for the region. To get there, Singapore has to invest heavily in expanding its physical infrastructure and human capital in the areas identified in the National Regeneration Plan discussed above. This massive investment must go on even if the overall economy slows down as the funds to finance the investment are available and will not run out. In fact, the investment will offset an economic slowdown with counter-cyclical expenditure through additional capital spending and new jobs and the resulting consumer spending. The 6 Regeneration Funds and the resulting regional integrated services hub will ensure sustainable jobs and entrepreneurial opportunities for Singaporeans in the next 5 years and well beyond.

### PART 4 : Summary of Main Issues

(1) The Singapore economy has become more volatile in recent years, with business cycle fluctuations becoming more pronounced, and Singapore experiencing three recessions (1998, 2001 and 2009) in the past 15 years, in contrast to only one recession (1985) in the 30 years between 1965 and 1995. The greater volatility led to more job losses that lasted for longer periods. Volatility has resulted in lower growth.

(2) Singapore's low labour productivity growth in recent years is a statistical phenomenon and is the result, not the cause, of our poor economic performance. To focus on raising productivity as a key economic strategy, an old and discredited strategy adopted by the government since the early 1980's, is like putting the cart before the horse - can we expect it to succeed when it

has failed to do so in the last 30 years with productivity continuing to be stuck in the lows to this very day in spite of all the high-sounding campaigns by high-level productivity councils? It will be more helpful if we focus our minds on economic policy because it is bad economic policy that has resulted in Singapore's heavy dependence on foreign unskilled and low-skilled workers that in turn pulls down labour productivity.

(3) A major contributor to the increased economic volatility was manufacturing which has been promoted by the government in the past 5 decades as a key pillar of its economic growth strategy. The strategy was successful in the first 2 decades but by the early 1980's, it was running into bottlenecks as Singapore's constraints manifested themselves. Singapore has little comparative or competitive advantage for manufacturing to flourish as land, labour and skills are in short supply. The manufacturing sector can only remain viable in Singapore through more subsidized factory land and space, uninterrupted inflow of cheap foreign labour, and generous tax holidays and other giveaways. Such economic distortions in the last thirty years have delayed Singapore's economic restructuring. We cannot afford and should not tolerate further wastage, not even for another year. Two additional factors weigh against manufacturing - firstly, most top students are not opting to read engineering as their first choice in the local universities and polytechnics, a trend that does not augur well for the innovative potential of nor the prospect for 'complex manufacturing' , a niche that the ESC wants to promote; and secondly, Singaporeans are happier working in the services sector than in manufacturing industry. Without a happy and talented workforce, can complex manufacturing succeed in a sustainable way?

(4) Singapore's future lies in services. We can thrive as a dedicated services hub for the region as we had done so in the past as a vibrant commercial metropolis even before Singapore went into manufacturing in a big way in the 1960's. The rest of the region has also progressed as we have. To continue to be relevant to them, we have to develop into a full-fledged integrated services hub with the best offerings available in the field. It should be knowledge-based that will capitalise on Singaporeans' high level of education and experience of the world's best practices. It must be the right kind of services that do not exploit or offend the sensitivities of the region. The two huge casinos are the

wrong kind of services activities to have. Economic development is more than just about generating jobs and income growth. There is a moral purpose as well, otherwise we might as well turn Singapore into a prostitution hub or a distribution centre for drugs which will bring us untold riches. Economic development is about developing and using human capital to produce decent and worthwhile goods and services in a sustained way. On the other hand, casinos are a soft option that preys on human weakness to generate profits. They destroy the work ethic and lead to broken families and other social problems. The casinos should be closed down so that Singapore can part company with those who choose to prosper through vices such as gambling, prostitution or drugs; only then can Singaporeans once again walk tall and proud on the high and honourable path to economic development and prosperity. To make up for the economic loss from closing down the casinos, we need to move aggressively to develop those services we are currently good at providing so as to yield quick returns such as services involving the port, transport connectivity, financial institutions, education and healthcare. While we can be proud of having good basic infrastructure, there are still serious gaps to be filled particularly in education and healthcare. Once these holes are plugged, Singapore will have a fully developed infrastructure that will enable it not only to uplift the well-being and standard of living of its own citizens but also have additional capacity to serve the needs of the region.

(5) It is proposed that a massive \$60 billion National Regeneration Plan be rolled out with 6 Regeneration Funds of \$10 billion each in the following sectors -

1. Industry Regeneration - to provide funds to assist existing manufacturing companies to shift out into services or to relocate their manufacturing operations to neighbouring countries particularly Malaysia and Indonesia so that they can be near home and family and use the services of Singapore-based firms in accounting, law and finance, thus contributing to the development of Singapore as a services hub. Existing manufacturing firms should not be forced out. They should be allowed to remain in Singapore if they can continue to survive and be profitable like any other business enterprises without depending on special favours from any state agency such as rent subsidy, tax incentives or special allocation of foreign worker quotas.

Existing incentives already granted should be allowed to run their course but no new incentives should be given.

2. Enterprise Regeneration - targetted largely at young Singaporeans who want to start up their own business ventures particularly in the creative industries; concerned with the generation and exploitation of knowledge and information, they are a key component of the knowledge-based economy. Individual creativity, skill and talent drive these activities which have great potential to create wealth and jobs by generating and exploiting intellectual property. They are the industries of the twenty-first century in which our well-educated and well-travelled young Singaporeans can find traction, do well and excel. We should use our resources to support and propel them onto the world stage. By providing grants of up to \$1 million to each start-up, the \$10 billion fund will create 10,000 enterprises who will hire at least 20,000 to 30,000 Singaporean staff and generate business for hundreds if not thousands of firms providing services such as accounting, corporate secretarial, banking and finance, legal and public relations advice.

3. Schools Regeneration - the key to educating the young lies in giving personal attention to the child. No two children are the same. Each child is unique. Only personal attention can bring out the best in them. This requires smaller class size so that the teacher has fewer pupils to handle and thus can know his or her pupils intimately, identify their weaknesses and strengths correctly and help them accordingly. Unfortunately, the average class size in the schools has remained about the same as it was 30 to 40 years ago. We should reduce the class size by half, to 15 to 20 pupils per class with smaller class size for weaker pupils. This means doubling the existing resources, that is, training another 30,000 teachers and building another 300 or so schools.

4. Hospitals Regeneration - Singapore is lagging far behind other First World countries in key indicators of healthcare; we have only 32 hospital beds per 10,000 population, slightly more than half the average number of 58 beds in high income countries, 17 doctors per 10,000 population compared to an average of 28 doctors in other high income countries, and 53 nurses and mid-wives versus their 81. The \$10 billion fund will be used over the next 5 years to add another 8,500 beds in public hospitals and to double the number of healthcare personnel so as to achieve First World norms.

5. Community Regeneration - to rebuild every housing estate into a multiple-use community with new-generation business parks and offices that integrate with schools, hospitals, polyclinics, day-care centres for kids and the elderly, and other public agencies so as to bring jobs and services closer to the people. Under-employed housewives and healthy senior citizens can then avail themselves of the job opportunities including part-time work while still having time for taking care of their children. This will help reduce the need for foreign workers. Travel time to workplaces will also be cut, saving transport costs and valuable time for the family. Local communities will be revitalised and rejuvenated, becoming hives of activity again.

6. Family Regeneration - to tackle the root cause of declining birth rate and shrinking family size by taking away the stress and a significant portion of the costs of bringing up children for families. Such costs are not confined to bringing up children in their early years but throughout their life as dependents right up to tertiary institutions. Measures shall include cash grants of \$100-300 per month, waiver of all school fees up to university level, free medical and health benefits for mother and children, improved maternity leave terms for working mothers, introduction of paternity leave and more day-care centres for children and the elderly in nearby precincts of housing estates.

(6) The 6 Regeneration Funds costing a total of \$60 billion over 5 years are well within the means of the Government which has accumulated huge surpluses from annual budgets. In the recent 5 years from 2005 to 2009, the surpluses totalled \$106 billion, well in excess of the size of the National Regeneration Plan, and there will be a healthy balance left to finance future needs if necessary. There is no need to increase taxes to fund the Regeneration Plan.

(7) Temasek Investment Holdings can also provide funds for the Regeneration as they would take up less than a third of Temasek's portfolio market value of \$186 billion. This can be done through outright sale of non-strategic investments and companies, or gradual sale of shares in publicly listed companies which are considered strategic investments. Government's withdrawal from the commercial sector will have positive effect on the development of an enterprise culture in Singapore. We will then move towards

a level playing field for private companies as befitting a mature society. Only when competition is fair and robust can true talent emerge.

(8) Financial Centre - the sale of shares by Temasek companies will improve the depth and breadth of Singapore's equity capital market, a key component of a financial centre's development. To promote the debt capital market, the Government should issue more long dated bonds offering yields in excess of 4 to 5 per cent for Singaporeans to invest with their CPF funds and private savings. To create a more vibrant and competitive banking sector, the Monetary Authority of Singapore can issue licences for 5 more commercial banks to operate and compete to serve local enterprises who have long complained about being at the mercy of the big 3 banks with their stiff terms ever since consolidation narrowed their choice of banks.

(9) Minimum Wage and Workfare - Our workers deserve a decent and dignified living that is made possible with a minimum wage. The alleged negative effects of a minimum wage are alarmist in nature and do not stand up to practical experience in countries that have implemented a regime of minimum wage; more than 90% of countries in the world have some form of a minimum wage. It will ensure that Singaporean workers are not short-changed and under-cut by foreign workers. A minimum wage is more superior than a levy in reducing the flow of foreign workers. A higher levy raises the cost to an employer of hiring a foreign worker but the increase in cost goes to government coffers not to the worker, so the employer ends up coughing out more money for the same quality of worker. On the other hand, a higher wage attracts a higher quality worker as it goes directly to him, so the employer benefits from a higher output, thus contributing to raising the overall productivity level. The Workfare Income Supplement (WIS) is a poor substitute of a minimum wage as it represents only a meagre amount (about \$83 a month) and is paid by Government using taxpayers' money and hence does not hurt the employer who can merrily continue to hire cheap foreign workers. Coming from the taxpayer rather than the employer, the transfer payment protects and enhances the profitability of employers and widens the gap between the rich and the poor. In the 10-year period from 1998-2008, the average incomes of the poorest 20 per cent of households fell by -2.7 per cent,

from \$1,309 to \$1,274 whereas the richest 20 per cent of households saw their average incomes rose by 53 per cent, from \$12,091 to \$18,472.

(10) Income Inequality - when growth stops trickling down - The problem of income inequality has become much worse in recent years. Singapore's Gini coefficient (a measure of income inequality from 0 to 1.0 with 0 representing complete equality) has risen from 0.428 in 2002 to 0.471 in 2007 even after accounting for government benefits and taxes [26]. These numbers put Singapore "in league" with poor developing countries of the Third World such as " the Philippines (0.461) and Guatemala (0.483) and worse than China (0.447). Other wealthy Asian nations such as Japan, Korea and Taiwan have more European-style Gini's of 0.249, 0.316 and 0.326." [28] Hasn't Singapore "graduated" from Third World to First World a long while ago and if so, shouldn't Singapore be "in league" with other rich First World societies rather than with poor developing countries?

The conventional wisdom of development economists is that economic growth will "trickle down" and benefit the poor. This was true in the earlier stages of Singapore's economic development but has not been so in recent years as more and more Singaporeans particularly the older ones lost their jobs while those with jobs experienced falls in their real earnings. Yes the GDP has grown and it has trickled down but it flowed through Singaporean workers and bypassed them to benefit cheaper foreign workers at even lower levels. It is hardly surprising that more than half, perhaps more than two thirds of the 112,500 new jobs created in 2010, had gone to and benefitted foreigners. A minimum wage will stem the trickle of jobs downwards to cheaper foreign workers. As for foreigners on "S" and "E" passes which do not require employers to make CPF payment on their behalf (although a small levy is imposed on the "S" passes), an equalisation charge should be imposed on their employers in order to level the field for equivalent Singaporean professionals.

(11) Cost of Living and Government Budget Surpluses - cost of living has crept up sharply in recent years, eating into real earnings; as import prices have been declining, the increase in consumer prices was caused principally by domestic factors where Government policies on labour, land, housing, transport, public utilities, GST (goods and services tax), education and a host of others, have a dominating effect. Instead of using the price mechanism to

regulate the supply and demand of public services, the Government should implement administrative measures. We should undertake a comprehensive review of all Government fees and charges to ensure that the pricing mechanism has not been abused for revenue-raising purposes that have contributed to the accumulation of huge budgetary surpluses. Where abuses have occurred, they should be put right straightaway. We can start by waiving the GST for basic food items, reducing it for others and doing away with it eventually. This will help arrest the decline in the real earnings of Singaporeans and raise their living standards. The huge Government budget surpluses provide sufficient buffer for Government to reduce or remove unnecessary taxes, fees and charges without the fear that it would result in budget deficits. In fact, the persistently huge budget surpluses recorded year after year imply that the Government has over-taxed the people by raising revenue from them far in excess of what it needs to provide and keep public services going.

(12) Sustainable Future - The 6 Regeneration Funds and the resulting regional integrated services hub will ensure abundant sustainable jobs and entrepreneurial opportunities for Singaporeans in the next 5 years and well beyond.

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## **Footnotes**

[1] [http://app.mof.gov.sg/data/cmsresource/ESC\\_Report/ESC\\_Main\\_Report.pdf](http://app.mof.gov.sg/data/cmsresource/ESC_Report/ESC_Main_Report.pdf)

[2] Professor Edward Lazear, Business Times, 3 September 2010.

[3] "Is smoother always better? Understanding Singapore's volatility-growth relationship" by Shruthi Jayaram, Titus Lee, Dr Thia Jang Ping, Economic Survey of Singapore 2009 [http://app.mti.gov.sg/data/article/21265/doc/Feature\\_Article\\_AES2009.pdf](http://app.mti.gov.sg/data/article/21265/doc/Feature_Article_AES2009.pdf)

[4] "Employment Trends During Recession: A Comparison From Peak To Trough" by Dominic Soon, Economic Survey of Singapore 2009 [http://app.mti.gov.sg/data/article/21265/doc/Box\\_2.1\\_AES2009.pdf](http://app.mti.gov.sg/data/article/21265/doc/Box_2.1_AES2009.pdf)

[5] Choy Keen Meng in "Singapore's Changing Economic Model", Chapter 8 of "Management of Success : Singapore Revisited", a publication of the Institute of Southeast Asian Studies.

- [6] PM Lee's National Day Rally Speech on 29 August 2010.
- [7] Straits Times, 25 June 2010.
- [8] TODAY, 15 December 2010
- [9] "JobsCentral Work Happiness Indicator" survey, TODAY 4 November 2010.
- [10] The Guardian, 14 November 2010.
- [11] Straits Times, 27 August 2010.
- [12] "Singapore Growth Model : Too Much Volatility?", <http://www.ess.org.sg/Events/Files/2009/choy.sepf.ppt.pdf> , a paper presented at the Singapore Economic Policy Forum 2009.
- [13] 3 out every 4 punters are Singaporeans, Straits Times, 23 October 2010.
- [14] Straits Times, 26 November 2010.
- [15] Straits Times, 13 November 2010.
- [16] Straits Times, 19 November 2010.
- [17] Business Times, 20 November 2010. In the longer term, the CPF scheme should be streamlined to focus purely on pension for old age and not be complicated with provision for medical care, housing or investments in stocks, unit trusts, real estate and other approved instruments. The latter should be taken care of separately. But this is a subject for another forum.
- [18] Yearbook of Statistics 2010
- [19] Straits Times, 16 November 2010.
- [20] World Health Statistics 2010, a publication of the World Health Organisation.
- [21] Yearbook of Statistics 2010.
- [22] Yearbook of Statistics 2010. The General Government Finance is to be distinguished from Government Finance - the former, with an extra word 'General' in the front, includes budgetary and extra-budgetary accounts, and is therefore more comprehensive. Both show a consistent pattern of surpluses

every year for the most recent 10 years except for the fiscal year 2009 when a deficit of -\$4.3 billion was recorded under Government Finance; no figure of either deficit or surplus was published under General Government Finance for FY2009. However the Monthly Digest of Statistics January 2011 discloses that Government Finance has recovered from a deficit of -\$4.4 billion in FY2009 and recorded an accumulated surplus of \$15.4 billion in the first 9 months of FY2010.

[23] Temasek Report 2010.

[24] See Hui Weng Tat's "Minimum wage law works", Straits Times, 2 September 2010.

[25] Siew Kum Hong, TODAY, 24 January 2011.

[26] Basant Kapur, Straits Times, 27 January 2011.

[27] Straits Times, 14 February 2011.

[28] Reuters 9 November 2007.

[29] Straits Times, 25 January 2011.

[30] Tilak Abeysinghe and Choy Keen Meng, Straits Times 29 July 2010.