

## Hard times for a talent hub



**Like many countries around the world, Singapore's economy has been hit by the global downturn. It will be a stern test for the city-state's government as the recession bites and more Singaporeans lose their jobs, especially as the authorities have been encouraging foreign 'talent' to come to live in the city-state.**



But with the country's GDP expected to shrink by up to five per cent this year, will Singapore now look to protect jobs at home, rather than continue to bring in overseas talent?

Singapore's Senior Minister of State for Trade and Industry, **S Iswaran**, spoke to INSEAD Knowledge following a closed-door meeting with MBA students at the school's Asia campus.

**Knowledge:** *You've been talking here at INSEAD to the MBA students about Singapore being a global city and a global hub for attracting talent. Is that basically how Singapore is trying to position itself now?*

**S Iswaran:** I think our primary objective is to be a global city which is a focal point for knowledge-based activities which is driven by talent both from within Singapore and from around the world. That's the way we have envisioned our future and that's what we are working towards systematically. So a lot of our policies, whether it has to do with broad fiscal planning or industrial policy and indeed even our policy towards talent management and immigration if you will, is all driven by this organising vision.

**Knowledge:** *Singapore for a long time has tried to position itself as a regional hub for media, education, pharmaceuticals. So is this now in effect a step-up in terms of the positioning -- that you're thinking more globally than Singapore's position within the region?*

**S Iswaran:** I would say that the two are not incompatible. And indeed for certain types of activities we may well be a regional hub. This could be because of the kind of market focus that companies have, whether it is within ASEAN (Association of Southeast Asian Nations) and so on. But at the same time there are certain activities for which the footprint that Singapore can effectively contribute to, extends well beyond our immediate neighbourhood.

So, for example, if you're looking at a location from which to access the markets of Northeast Asia, Southeast Asia and South Asia, then Singapore becomes a compelling value proposition -- not just because of our geographic location but also because of our economic connectivity through bilateral FTA (free trade agreements) and other market integration exercises, plus our historical and cultural connectivity with these markets.

So in that sense you could say yes, it is an augmentation of a regional hub vision. But they are not incompatible and indeed the two can coexist, depending on the area that we're looking at.

**Knowledge:** *Singapore has been trying to go upscale in terms of manufacturing (and) you're attracting foreign talent. It all seems to suggest that Singapore is going upscale. But there must be a sizeable proportion of the population that's still going to feel as though it's left out of all of this.*

**S Iswaran:** I think it is the challenge for us. The challenge really is ensuring on the one hand that for Singaporeans in general we provide them the best education and training and retraining in order to prepare them for the higher value-added kind of jobs and vocations that are finding their way to Singapore. That is the key part of our effort and it's an ongoing thing.

And indeed for our younger cohorts this is not an issue. They have been trained, they have received world-class education through our universities and polytechnics and institutes of technical education. I think the challenge for us is for an older generation of Singaporeans who have not had the benefit of this type of education. And that's where our biggest challenge is.

Partly it can be addressed through training. But it's not a complete solution. If you look at manufacturing there still remains some kinds of manufacturing activities where people with even those sorts of older qualifications or levels of training can still participate in productively. And we are growing our services sector quite strongly, particularly when you look at things like tourism and hospitality and so on. And these again will create opportunities which may not require as high a level of technical training and therefore many of those in that affected group could participate in that as well.

But all said and done, I think we also fully expect that there may be a certain group, who with all this help, would still need some form of assistance from the public sector in order to be able to continue their livelihood.

**Knowledge:** *That seems to suggest almost a welfare state.*

**S Iswaran:** Not really. Our approach has been -- and if you take an example of what we have for example introduced in recent years -- it's called Workfare Income Supplementation -- not Welfare but Workfare. And what we do there is encourage every individual to take on a job, even if it is a low-paying job because in those instances where the income is below a certain threshold the government will step in and augment that income. So it is

rewarding people who are being productive.

Now of course even in the system that we have, we also have some basic social support for those who are unable to work and so on. But the preferred default setting that we have always emphasized and we encourage through policy and effort is basically for people to be engaged productively.

**Knowledge:** *Singapore has got this long-term ambition to be a centre for talent but there is a certain amount of resentment here that you see every so often surface in the newspapers -- resentment that people are coming in for jobs from overseas. How can you effectively overcome that?*

**S Iswaran:** Well I think this is an ongoing effort. The concerns of Singaporeans I think are legitimate in the sense that they don't want to feel that they're being excluded from opportunities that are being created here. By the same token, many of those opportunities may well not materialise in Singapore if we do not allow a certain flow of talent from abroad into Singapore. So that is the message that we communicate and continue to communicate to the broad mass of Singaporeans.

For them to understand and accept the fact that, by allowing greater porosity if you will for talent to flow into Singapore, we are able to create a larger whole from which Singaporeans and the resident population will also benefit significantly. And that is the key message we are getting across. And I think most Singaporeans accept the logic, although of course from time to time there may be particular experiences that may -- at a personal level -- that might cause them to rethink that.

**Knowledge:** *The Prime Minister (Lee Hsien Loong) said in a recent speech to the Foreign Correspondents Association that the government's protecting Singaporeans first when it comes to jobs. So, in effect, isn't it like a tap, in that you can basically switch on and off the flow of foreign talent as and when required? And when jobs dry up, the foreigners are sent (home)?*

**S Iswaran:** Well I think you have to look at the economics of it. In the first instance, why are there members of the workforce in Singapore who have come in from overseas? And usually there are one or two key reasons. One is because we are unable to find a sufficient number of Singaporeans and permanent residents in Singapore who have the particular skillset that is required.

Now if that continues to be the case, whether it's an upturn or a downturn, then the reality is you need to continue to have that. However, if in a downturn they are able to find more people from the local community who have the talent, then clearly businesses will make their own decisions on how to rebalance, as it were, their workforce composition.

There is another group of foreign workers who are here in Singapore and they are here primarily because there are certain types of jobs which Singaporeans perhaps hitherto have been unwilling to get into them for a variety of reasons. Now in a cycle like this -- in a down cycle like this -- what might well occur is people recalibrate their expectations and they may be prepared to do things that were previously not prepared to and for different types of compensation packages.

So again it will be the businesses that will have to make the judgment call. Which is why, (as) our Prime Minister has said, we will go out to give as much help as we can to Singaporeans, whether that is in terms of financial assistance, training opportunities and obviously creating as many job opportunities as we can which they can then take advantage of.

But what we are not trying to do is be dirigistic and saying to businesses this is the way it goes in terms of compensation and so on. Clearly we have to maintain a balance and that balance is a dynamic balance. But the businesses will also do their own computations and we are quite confident that they will come to their own conclusions which are in the interests of Singaporeans and Singapore.

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