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AT THE INAUGURATION
OF THE 1996/97 PRODUCTIVITY CAMPAIGN
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BOOSTING THE PRODUCTIVITY MOVEMENT THROUGH MASTERING THE BEST PRACTICES

The Productivity Movement was launched fifteen years ago in September 1981. In 1980, an EDB report unveiled a list of grouses from our investors- British, German, Japanese, Dutch and American. The facts were startling.

Our workers shunned shift work. They lacked quality consciousness. Instead of detecting and preventing defective products, our workers left it to the quality controllers to do the job. They were not interested in anything that happened outside their job function. They took no initiative to safeguard the company's interests. Job hopping was rampant. From April 1979 to March 1980, 85,000 workers changed jobs after less than a year's service.

Besides poor work attitudes, our workforce lacked the requisite education and skills. In 1980, seven out of every ten workers had studied at most up to primary school level. About 17 percent of professional and technical workers had primary or no qualifications. Less than half of Singaporean administrators and managers had upper secondary education or higher.

The state of labour-management relations was also less than favourable. From 1975 to 1980, the Ministry of Labour had to conciliate an average of 609 industrial disputes a year. A vast majority of workers felt that poor labour-management relations was one of the major hindrances to higher productivity. This was the state of work attitudes, skills and industrial relations in 1980. Notwithstanding the daunting labour situation, the government launched in 1980 an economic restructuring programme to propel the economy towards capital and technology-intensive, high value added activities. Prior to 1980, we had depended on labour-intensive manufacturing to transform Singapore from an entrepot port to a high-growth newly industrialising economy. By the late Seventies, the emergence of low wage, labour-rich competitors left us with no choice but to shift from the labour-driven phase of development to the investment-driven phase.

To attract more capital investments, we had to have a better-educated and skilled workforce to run and maintain automated and computerised machines. Management had to introduce progressive management techniques and work systems. Positive work attitudes, good labour-management relations and teamwork were critical.

Left unchecked, the shortcomings of our workforce could threaten the success of our economic restructuring policy. Recognising this, the Government launched the Productivity Movement in September 1981. Since then, the Movement has addressed the concerns of our investors by promoting productivity, upgrading skills, introducing joint labour-management schemes, and helping companies to implement productivity programmes.

Today, the assessment from our investors of our labour force has undergone a dramatic change. In a survey last year, the Hongkong-based Political & Economic Risk Consultancy (PERC) asked expatriate managers to rate Asian countries on seven manpower attributes. Singapore topped the ten-country list.

The improvement in our workforce in the last fifteen years explains why MNCs continue to find Singapore a good investment location despite rising costs. Japan's Murata Manufacturing Co. cites our skilled labour as a key factor in the company's decision to invest a further \$180m in Singapore from now to the year 2000. A "highly skilled and adaptable workforce" is one reason why Glaxo Wellcome has invested over \$700m to date. The Semiconductor group of Siemens AG in Germany has chosen Singapore as its regional headquarters for similar reasons.

A Productivity Survey by the Singapore Productivity and Standards Board (PSB) showed that by 1990, nine out of every ten workers were able to relate productivity correctly to good work attitudes, quality improvement and working more efficiently. Today, practically every worker understands what productivity means and why it is important to the country, to their company, and to themselves.

From a mere 0.4 per cent in 1983, 8.5 per cent of the workforce participated in Quality Control Circles (QCCs) last year - the highest percentage in the world. Last year, the Skills Development Fund supported some 450,000 training places, compared to 30,000 in 1981. PSB's Productivity Survey revealed that more than 90 per cent of the workforce were satisfied with the understanding and trust between labour and management.

Besides boosting investors' confidence, the strong qualities of our workforce have also underpinned the economy's robust annual productivity growth of 4.5 per cent in the last 15 years. This has, in turn, supported an average economic growth of 7.6 per cent a year and raised Singapore's per capita income significantly. according to the 1996 Global Competitiveness Report, Singapore's GNP per capita based on purchasing power parities (PPP) has outstripped that of developed countries like Japan, France, Germany, Italy and the United Kingdom.

Productivity improvement benefits Singaporeans. In the last 15 years, the nominal wages of the workforce rose by an average of 8.1 per cent a year. With inflation rates averaging just 2.0 per cent, real wages grew by 6.1 per cent a year. Home ownership rose from 59 per cent in 1980 to 90 per cent in 1995. Ownership of consumer durables also rose. In 1978, only a select 15 per cent of households owned washing machines; in 1992, more than 80 per cent of households had it. Almost every single household in Singapore has a refrigerator and a television today.

We have made good progress in the last fifteen years. But there is no letting up, because there is no natural law that says that our incomes will grow year after

year. Take the World Bank's classification of countries as an example. Countries are classified in four categories according to their GNP per capita: low income, lower middle income, upper middle income and high income economies. In 1983, Singapore was placed in the upper middle income category with a GNP per capita of US\$5,200. In 1995, we moved up to the high income economy ranks with a GNP per capita of US\$19,900. Of the 17 others grouped together with Singapore in 1983, two moved up (Hongkong and Israel); 12 remained where they were; while three fell to the lower middle income class. Among the 12 that remained, two experienced a fall in their GNP per capita.

The lesson for us is that we must continue to take productivity seriously to sustain economic growth and improve our standard of living.

The 15th anniversary of the Productivity Movement this year coincides with the third phase of economic development in Singapore. In this third phase, innovation is the driving force. In the past, our economy could grow through quantitative increases in employment and capital inputs. Now, economic growth will have to depend increasingly on qualitative improvements - that is, how well we combine our human and capital resources to produce more output per unit input. Economists call this Total Factor Productivity, or TFP in short.

In the 1970s, Singapore's average annual TFP growth was negative, pulling down Singapore's overall productivity growth and economic growth. TFP growth improved to 1.9 per cent during, 1981-1995, contributing about 40 per cent to productivity growth. The national target is an average annual-TFP growth of at least

2 per cent to sustain productivity growth at 4 per cent and economic growth rate at 7 per cent.

This target will have to be achieved against a backdrop of several challenges. On the external front, global competition will be intense. We will have to hold our own against both the fast-industrialising countries and the developed countries. Singapore remains highly vulnerable to external shocks, as is evident in our electronics sector's performance this year.

Domestically, Singapore is faced with rising costs-an inevitable consequence of a maturing economy and tight labour market. Continued strong productivity performance is required for Singapore to offer a competitive cost-productivity package to investors. An older workforce with lower productivity and higher healthcare costs will deter potential investors unless measures are taken to maximise their contribution to the economy.

The challenges are not insurmountable. The past fifteen years of the Productivity Movement have given Singapore a solid foundation to build upon. What we need now is a paradigm shift in the Movement to boost TFP growth and support the new phase of Singapore's economic development. From incremental improvements in work attitudes, skills and teamwork, Singapore companies and the workforce must now aim for quantum leaps in innovation and quality. This can be achieved only if we master the best practices from the best companies, and benchmark against world-class standards.

Consider Japan. Since 1968, Japanese patent applications have surpassed all other advanced industrial countries. Their production processes set world-wide standards in quality, cost, reliability of delivery and customer service. They have halved the time needed to get a product off the drawing board and onto the market. Japanese automakers have reduced the cycle of design, development and production of a new model from five to three years. Using robots on the production line has allowed Japanese automakers to slash the minimum economically viable scale of production from 250,000 to 50,000 units a year.

Japan's meteoric rise to an economic superpower has been attributed to its imitation of foreign goods and processes immediately after World War II. Some continue to dismiss the Japanese as mere imitators par excellence. But it was because of benchmarking against the world's best that the Japanese are now innovating and generating more new technology for proportionally less investment than other countries. The Japanese call it "dantotsu"-meaning striving to be the "best of the best".

Like Japan, the Productivity Movement must now focus on helping companies and the workforce to benchmark against the best and to master the best practices. This is why the theme for the Productivity Campaign this year is "Innovation and Quality : Mastering the Best Practices".

In line with this theme, the Productivity and Standards Board is launching a National Programme on Best Practices to provide a comprehensive framework to systematically uplift the productivity and quality levels of industries and companies to world-class standards. Besides the basic programmes to build up a strong

foundation in companies, PSB will assess companies' performance; make available to them best practice information and benchmarks; assist them with improvement programmes and recognise them for adopting best practices. Through the best practice programme, benchmarks for industries will be established. Individual companies can then compare themselves against these benchmarks and take action to improve themselves. Ultimately, the productivity and quality benchmarks of all industries in Singapore will be raised over time. This will boost TFP growth.

As part of the best practice programme, PSB is also launching the Singapore Quality Class to recognise companies which have mastered best practices. Members of the Singapore Quality Class will enjoy benefits such as use of a special logo, consultancy assistance, and consideration for PSB's awards. Through continuous improvements, members of the Singapore Quality Class will eventually progress to become world class companies.

I am happy to note that we have with us today many organisations and individuals who share a common commitment to innovation and quality, and mastering the best practices. They are this year's National Productivity Award winners in the company, team and individual categories. I congratulate the winners and wish them all success in their future endeavours.

It now gives me great pleasure to launch the 1996/97 Productivity Campaign.
