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Subject: Speech by Dr Lee Boon Yang, 16 Feb 99, 11.30 am

Singapore Government

PRESS RELEASE

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SPEECH BY DR LEE BOON YANG

MINISTER FOR MANPOWER

AT THE SCCC'S LUNAR NEW YEAR GATHERING

HELD AT THE SCCC AUDITORIUM

ON 16 FEB (TUESDAY) 1999 AT 11.30AM

Good Morning Mr Tay Beng Chuan

President of the Singapore Chinese Chamber of Commerce (SCCC), and members of the  
SCCC

1 Let me begin by wishing all members of the SCCC and distinguished guests a

Happy and Prosperous Lunar New Year. I think many Singaporeans are glad to see the end of the Tiger Year and to usher in a hopefully better Rabbit Year.

2 The year of the Tiger had turned out to be a very difficult and turbulent year. The regional currency and economic crisis, which started in 1997, had by 1998 cast its pall over the Singapore economy. Before the end of the Tiger Year, even Russia and Brazil had succumbed to the financial pressures of a weakened global economy. Despite our strong economic fundamentals, we could not completely avoid being hit by the regional drop in confidence and demand. Hence, we too suffered a sharp downturn in growth from 7.8% in 1997 to 1.3% last year. Nearly all business sectors were affected, some more seriously such as the manufacturing sector. According to the Registry of Businesses (RCB), in 1998 more than 25,000 business ceased operations compared to the average of 20,000 a year from 1994-1997. Bankruptcy petitions last year also increased to 4,073 which is 68% higher than in 1997. And for workers, retrenchments soared to a record high of more than 28,000 last year. Job vacancies also dropped to an unprecedented low of about 15,400 vacancies in Sep 98 compared to about 45,000 vacancies a year ago. Unemployment, seasonally adjusted, had also rose to 4.5% by Sep 98 and remained high to end Dec 98. While these numbers reflect the sharp downturn, our fundamentals remain sound and we should not be discouraged. We can welcome the Rabbit Year with confidence and hope.

3 A successful businessman is one who can cope with sudden changes and remain competitive and relevant even in an adverse situation. This is critical at both the enterprise and at the national level. We must respond to the current unfavourable external environment by tackling immediate problems as well as developing a strategy for the future. To tackle the immediate issue of regaining competitiveness, Government had launched a S\$10.5 billion cost-cutting package in Nov 98. This was over and above a \$2 billion package introduced in June 98. Key government charges such as rentals for industrial land, wages, foreign worker levies and CPF contributions were reduced. The objective was to help companies to cut operating costs and to ensure that Singapore remains attractive to new investments.

4 The responses from companies were generally positive. Big and small companies, local and MNCs, all benefit from the cost reduction measures. These measures also clearly demonstrated that the government and people were united and pro-active in responding to the crisis. Although there were some feedback, particularly from smaller businesses, that there were hopes for bigger reductions in the non-wage components, we should not quibble over the fine prints. The \$10.5 Billion package was by all considerations a bold step in response to the new economic climate. Already some international observers for example the Geneva-based Corporate Resources Group (CSG) has rated Singapore more competitive than Hong Kong, Korea and Taiwan in terms of wage costs in Dec 98. This will help many struggling companies to weather the crisis. It will also boost our attractiveness to new investors looking for a stable and business-friendly country in Asia to position themselves for the recovery in Asia. Our ability to collectively shoulder the burden of recession must have reassured investors, such as Caltex and Hilton International, which are moving their headquarters to Singapore. Such decisions by major global corporations are a measure of their confidence in Singapore. They tell us that we are moving in the right direction and that we continue to offer the best business environment in Asia.

5 However, cost reduction is only one part of the competitiveness strategy. We can only cut cost within certain limits. For instance, we cannot cut our wage cost to equal or less than in Malaysia, Thailand or the Philippines. The challenge is to be able to offer a total business environment that will enable our workers to command a premium through high value-added activities and productivity. We must match the cost cutting with a "Growth" strategy, one that enables our companies to reach out to new markets and create new business. While the crisis is threatening our prosperity, there are also new opportunities which can be tapped. The challenge facing us today is to seek out these new opportunities and create new value to replace business affected by the regional crisis.

6 Our strategy is not to survive "on the cheap". Our regional competitors will emerge from this crisis leaner and fitter. The crisis will force them to restructure and build new institutions. They will become more competitive. We must therefore take advantage of this downturn to rebuild, regroup and redeploy our economic resources. In short, we must evolve into a knowledge-based economy (KBE) in which knowledge, technology, skills and entrepreneurship are the ingredients to spark off growth and wealth creation.

7 The key to a successful transition into a KBE is to develop a skilled workforce. Our workers must be able to handle the explosion in knowledge created by the Information Technology. We must have more creative and innovative workers. We must also have more entrepreneurs to help us to translate ideas and innovations into successful businesses. In the final analysis, people will be a key success factor in a KBE. Government will therefore be investing more in developing our people's abilities. Last week the Prime Minister in launching the BMSDC spoke of a concept for a "School of Life-long Learning" to maximize the potential of every Singaporean. Lifelong Learning is a key component of our new manpower development strategy. The intention is to provide every Singaporean with the opportunity to upgrade his working skills so that he will be able to remain employable and capable of contributing to the knowledge economy. For this strategy to succeed we will need the support and cooperation of employers. For example, companies such as Seiko Instruments and Singapore Tobacco had been very proactive in helping their employees to go for skill upgrading under the Skills Redevelopment Programme. They were amongst the first to send their workers to the BMSDC for skill upgrading. Likewise the CDAC had been very quick in sending unemployed workers to the BMSDC or skills training. We need more companies and community organizations to share this vision and to take concrete steps to help their workers upgrade their skills. This will help us to achieve our goal of developing a highly skilled workforce.

8 As we celebrate the start of the Lunar New Year, I would like to take this opportunity to seek SCCC members' support on the issue of recruitment practice. Recently there has been much debate over the recruitment practice of some employers. It is unfortunate that a minority of employers still specify racial, age or gender preferences in recruitment notices. This has given rise to calls for legislations or commissions to stop such practices. My view is that employers who expressed such preferences do not help to strengthen social cohesion. They are also short-changing themselves by limiting the pool of available recruits. As employers, they should be concerned only with the workers' capabilities, attitude and commitment. They should not put unrelated criteria in the forefront. However, I do not believe that legislation or commission is the answer. We should use education and moral suasion to get this minority to change their inappropriate practices. We are a multi-racial society and meritocracy is a basic principle which underscore our progress and success. We should never deviate from the principle that it is the effort and results obtained which count and not who is doing it. I urge members of SCCC to help us in our effort to educate and persuade employers to adopt recruitment practices that treat all Singaporeans, young or old, men or women, as potential talent, able to contribute to the company. This way, we can maximize the contributions of all Singaporeans.

9 Finally, may I once again wish all members and guests a very happy, healthy and prosperous Lunar New Year.

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