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Subject: (EMBARGOED) Speech by Dr Lee Boon Yang, 1 May 2000, 10.00 am

# *Singapore Government*

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Media Division, Ministry of Information and the Arts, 140 Hill Street #02-02 MITA Building  
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### **SPEECH BY DR LEE BOON YANG MINISTER FOR MANPOWER AT THE NTUC MAY DAY RALLY HELD ON MONDAY, 1ST MAY 2000 AT 10AM AT THE NTUC PASIR RIS RESORT, BEGONIA BALLROOM**

I am honoured and very pleased to join you today in celebrating May Day  
2000

**Cheer! Cheer!**

1. Indeed, this May Day is set against a very vibrant and happy backdrop. Last year, we succeeded to turn the economy around and regained our cost competitiveness. The speedy recovery from the recession in 1998 would not have been possible without the support and sacrifice of all workers. Your willingness to accept wage and CPF cuts was crucial for the recovery. Now that the economy is back on the growth path, workers will naturally expect to enjoy wage increase. This is fair and timely. Employers should consider rewarding workers for their contribution to business survival. But at the same time, we should continue to keep a watchful eye over our cost

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competitiveness. We should not over-do the wage increase. Last month, we started the CPF restoration process. Employers' CPF contribution rate is now up by 2 percentage points. Many workers have asked for a faster rate of restoration. Let me assure you that the Government will consider restoring the CPF contributions at a faster pace if the economy continues to grow strongly.

### **Business in the New Economy**

2. We had emerged safely from the perils of a major economic challenge. But the economy is no longer the same economy which supported us previously. Our banking sector has been fully liberalized with competition from international heavy weights. So is the telecommunication sector. Today, Singtel, M1 and Starhub compete vigorously for customers and businesses. More participants are gearing to enter the market. Even old monopolies, such as electricity supply, will soon be thrown open to new competition. Many old manufacturing companies are revamping their operations. They are shutting down low-value added and labour intensive productions. Hence, companies like Western Digital has moved out of Singapore. Philips have downsized and relocated their labour intensive operations to China. But it has retained its high value added and strategic business activities in Singapore. Other electronic companies such as Seagate and Sanyo had also downsized. Even our own shipyards have been relocating low value and labour intensive works to regional countries where labour supply is plentiful. However they retained the more valuable jobs such as ship conversions and building specialized ships to maximize the use of higher skilled workers in Singapore. There is increasing momentum to transform businesses into high-value added activities, R&D and e-commerce. The dot-coms are filling newspaper pages and grabbing headlines even as NASDAQ and our own SGX yoyo as a result of investors' sense of uncertainty over the future of the market.

3. The arrival of the New Economy has understandably created some uncertainty and even anxiety. Some workers are worried that there will be fewer opportunities for them in the New Economy. They think that it is only for the youngsters trained in IT or from universities. I would like to dispel this notion.

4. The beauty of the New Economy is that it has room for everyone. Some of the old jobs will disappear. But in their place will come new jobs or redesigned jobs. Work in the New Economy will not be exactly like in the good old days! It will require new skills, new attitudes and mindset.

5. The New Economy is driven by the twin forces of globalization and

technological innovations. Globalization, despite what the US labour unions are saying, will breakdown old barriers to trade and investment and create new markets and job opportunities. There will be more competition even as new opportunities swell. Hence, while we are encouraging investments in IT, we are already targeting a new growth area, Life Sciences, which can create many new jobs for Singaporeans. Technological changes will also spawn new competition and create new opportunities. As an example, take the dizzy growth of the Internet. It is a major phenomenon of the New Economy. The Internet is a leveller that has, *for the first time in history*, made *any piece of knowledge accessible to everyone on the planet*. Let me elaborate. In the past, information is guarded jealously. Those in possession of information had a competitive advantage. Now, the Internet has made information available to everyone at anytime. Everything you ever need to know about anything is now available on the Net. The consumer is now king—he can make informed choices. Before you buy a new book or CD, you can go to Amazon.com to get a synopsis or sampler. You can get earlier buyers' reviews and comments before deciding on the purchase. After you have read the book, you can also add your comments. The Internet enables you to make a better choice and to share your experience with the millions around the world. This will change the way businesses are conducted and affect the work that we do. In the past, an unemployed worker looks in the newspapers for job vacancies. Now, you can visit MOM's online job database, Employment Town, where information about job opportunities in various professions and sectors are available. You can even apply for jobs via the Internet.

6. To plug into this free access and connectivity in the New Economy, will require some effort. It is not impossible for many of our workers to acquire such new skills. Last week, the Straits Times reported how a 36 year-old HDB engineer, Mr Alex Siow, without prior experience, was able to acquire the IT expertise to head HDB IT Division. At the other extreme, we have retirees learning to surf the Net at our Community Clubs. The Internet and IT are key components of the New Economy. They are accessible to many if not all workers. Those who make the effort will be better able to transit into the New Economy and benefit from the new jobs.

### **New Economy – Discontinuity**

7. At the same time however, we recognize that there will be some who will encounter difficulties, in particular the older and less-skilled workers who cannot make this transition. Some of these workers see the New Economy as scary. They feel that their ricebowl is being threatened by new developments.

They asked :-

.. “Why liberalize telecoms and financial sector? Why have competition!”

.. “Why bring in Foreign Talent? You mean Singaporeans not good enough.”

.. “Why Lifelong Learning? I’m too old.”

8. The answer is that the forces at work are too strong for us to resist. We either learn to ride the wave of globalization and technological changes or be prepared to be overtaken and decline.

9. Throughout history, two things have remained constant. One, is Change. The other, is Resistance to Change.” The New Economy is no different. In an environment of rapid changes and uncertainty, we can choose to react in two different ways. There are the incumbents who are tied to old skills and old jobs. They are constantly struggling to catch up with changes. And then there are the insurgents or revolutionaries who will capitalize on the new technologies and opportunities to turn things upside down and create new wealth. The challenge ahead for us, as a society and a workforce, is to become the revolutionaries and to undergo the transformation necessary to survive and succeed in the New Economy.

### **New Economy, a wave of change.**

10. Societies that want to succeed amidst changes must be willing to break the mould and reinvent themselves. Faced with rapid changes, we must be prepared to discard old practices and ideas which are no longer relevant. We must be ready to adopt new ways which may be unsettling and uncomfortable initially. History has taught us many lessons that societies which refused to accept changes and preferred instead to stick to familiar and comfortable ways of doing things eventually declined. Let me give you some examples.

11. China at the beginning of the 15th century was a flourishing place. Through their curiosity and instinct for exploration, the Chinese had all the technologies necessary to launch an Industrial Revolution—something that would not actually happen for another four centuries. It had the blast furnace for making steel, gunpowder and the cannon for military conquest, paper and movable type for printing, and the ability to drill for natural gas. The Chinese were far ahead of the Europeans. Large Chinese armadas were exploring the east coast of Africa at about the same time that Portugal and Spain were sending much smaller expeditions down the west coast. But the geographic conquests and the industrial revolution that were possible did not happen.

*New technologies were perceived as threats rather than opportunities.*

Innovation was forbidden. Venturing and exploration were prohibited. So were the building of ocean-going ships and sailing away from the Chinese

coastline. By the end of that century the demand for status quo had overwhelmed intrinsic human curiosity, the desire to explore, and the drive to build. The 15th Century Chinese did not fully exploit their technological innovations which could have given them a competitive advantage and a head-start of several hundred years.

12. Another example is the Ottoman Empire during the 16th century. The Ottomans were one of the greatest and most powerful civilizations of the period, reaching its glorious peak under Sultan Suleyman the Magnificent. He expanded the empire throughout the Balkans and Hungary and brought about a renaissance in architecture, literature, the arts and sciences. During this time, the Ottoman Empire benefited from a constant inflow of talent. The grand viziers or prime ministers presided over a meritocratic administration. But a succession of corrupted and weak rulers who feared changes and new ideas caused the empire to decline and fade away.

13. There is also New Economy examples. Bill Gates of Microsoft once described the company as always being 2 years from extinction, ie its existence was always under threat. Despite allegations of it having a monopolistic grip over the global software industry, competitors will always be on the verge of toppling Microsoft. It was this precariousness which caused the company to work harder and to regularly come up with market shaking innovations to keep it growing and successful. The company was always anticipating competition and change. It never stood still for competitors to overtake it.

14. The lesson is to avoid stagnation or complacency. We either ride the wave of change or it will engulf and overtake us, leaving us no room for growth.

### **Transforming the Workforce**

15. In order to take advantage of the new opportunities, workers need the right skills, capabilities and attitude. BERI has again rated the Singapore workforce as the best in the world overall. However, in terms of technical skills, we did not do as well. We were ranked 8th. This is not reassuring even though it is already an improvement over past years' ranking. We should make more effort to catch up. In the New Economy, technical skills will become more important factors of success. The School of Lifelong Learning is our strategy to help workers achieve higher skills and lifelong employability. The National Skills Recognition System (or NSRS) will make skills upgrading even more convenient and flexible. Under this system, a

worker does not have to spend too much time away from his work to, say, complete a course in order to pick up a certifiable skill. Instead, he will be able to take short, bite-size modules including on-the-job training to attain established skills standards and obtain recognition for his newly acquired skills. This will be of particular benefit to these workers who have difficulty coping with the higher skill demands of the new jobs. The NSRS is finishing its pilot in the marine, hotel and cleaning industries. It will be officially launched and extended to other industries later this year.

16. Last week, MOM launched the Strategic Manpower Conversion Programme. This Programme is an incentive scheme aimed at encouraging Singaporeans to be trained in new skills so that they can be deployed to new growth areas. This is a highly focussed programme that aims to target sectors where shortfalls in skills are evident. The Programme was launched initially for the IT sector. It will be extended to other growth sectors later on. Of course, conversion for rank-and-file workers is already possible through the Skills Redevelopment Program.

17. Don't misunderstand me. The New Economy is not only about dot-coms, e-commerce and technology companies. There will always be a place for industries like construction, manufacturing and transport. But to survive, these traditional brick-and-mortar companies cannot continue to do things in the same old way. They will have to find innovative ways of doing business. Take for example, the US company General Electric. Until two years ago, it was an old-fashioned traditional 340,000-employee, US\$112 billion-a-year company into financial services, broadcasting and making jet engines, medical and electrical equipment. Then its CEO, Jack Welch, realized the potential of new technologies in transforming traditional business. He understood the impact the Internet was having on business strategy. In a bid to get all their older employees to acquire Internet skills, GE introduced a "geek mentoring" programme where 1,000 Internet-savvy employees worked one-on-one with, and became "mentors" to, senior managers (including the CEO himself) to teach them about computers. The result has been a total transformation in the way GE does its business. GE has since made use of the Internet to upgrade their internal communications, delivery mechanisms and marketing channels. It has redefined the way they interact with clients

and suppliers and extended their reach to customers. Will our companies learn from such innovations? Those who don't may have problems transiting into the New Economy. Likewise, workers in the brick and mortar companies, especially our SMEs, must also upgrade their skills and capabilities to help their companies innovate and grow in the New Economy.

18. At the same time, for workers who remain in Old Economy sectors, we must renew the dignity and fulfilment of these jobs, for example by increasing the knowledge content or by giving them the training to be independent and more productive in doing such work. Shipyard workers, bus driver, taxi drivers and deliverymen can also become New Economy workers by acquiring skills and knowledge to enhance their service quality and productivity. This way, they will be able to remain employed and to earn more to keep up with the rest. Our efforts in developing new and focused programmes to harness every worker's potential will continue. For workers and employers to derive maximum benefit, they must first place life-long learning on top of their agenda. Lifelong learning must be the new mindset. It must become our way of life. To foster the practice of lifelong learning for lifelong employability, my Ministry and our partners from the public, private and people sectors recently launched the Singapore Learning campaign. This will culminate in a Singapore's Learning Festival in August this year. I hope all unions will participate in this Festival and help to inculcate a life-long learning mindset in your members.

### **New Workplace Practices**

19. The New Economy will also change the workplace environment and relations. Employers will have to adopt innovative work practices. Compared to the developed countries, our employers have been slow to adopt alternative work arrangements and innovative employee benefits. An US study showed that companies which adopted innovative work arrangements, eg flexi-place and flexi-time, could enjoy productivity gains ranging from 10% to 40%. A similar study in UK showed that while there are some drawbacks, 77% of companies which adopted flexi-work arrangements such as telecommuting, ie working from home, found their employees more productive than in an office based-environment. Such trends are becoming more important as workers place greater importance on better work-life

balance. Can we afford to ignore such trends? Are we too complacent or overcome by inertia? If this inertia - or perhaps complacency - persists, we may lose out in an increasingly competitive and interconnected New Economy.

20. Companies must be prepared to adopt innovative and enlightened human resource practices in order to attract and motivate highly skilled and productive people in today's brutal war for talent. Increasingly, employers have to help employees to balance their home and work life. SAS Institute, in America, offers on-site childcare, as well as a health centre with doctors, dentists, and even a massage therapist! Another company, Microstrategy gives every employee US\$750 to bring in their loved ones for Friends and Family Weekend every April, for an inside glimpse into what the company does. In July, Microstrategy shuts down for a week for University Week where employees attend classes. Here, they can choose to broaden their work-related skills, or just to explore new interests in areas such as programming, marketing, or management.

21. At home, the Ministry of Education's latest offer to employ part-time teachers is certainly leading the way. It will enable many women teachers, who had left their jobs to care for the family, to return to work and yet meet the family and children's needs. In the same way, Singapore Post has a "Neighbourhood Postman" programme that employs residents of housing estates, mainly housewives, to deliver letters and parcels. This is a win-win arrangement for both parties as the housewives are able to earn extra income, and Singapore Post has extra hands to help in their mail delivery. Such initiatives on part-time employment and flexi-work arrangements can help to bring more women and older Singaporeans back to work. They will become increasingly critical with our rapidly ageing population and can help the 90% of young married couples who want to have children to balance family with work.

### **NTUC In The New Economy**

22. Let me now talk about the role of unions in this new economy. Global trends have shown a sharp decline in union membership in the last decade, falling to less than 20% of workers in 48 out of 92 countries surveyed by the



International Labour Office. Union membership declined in about 80% of the countries surveyed. Globalization, the opening up of economies, rising educational levels and employment shift from the traditionally-unionized, blue-collar manufacturing sectors towards service and white-collar occupations have all contributed to this decline. Demand for union representation has also dropped as employers, in a bid to attract and retain talents, offer more attractive remuneration and benefits packages. Laws in most countries have made it easier for workers to challenge unsafe working conditions, job discrimination, harassment, and unjust dismissals. As a result, workers see less need for traditionally union-provided benefits and services.

23. In Singapore, union membership has bucked the trend. Membership increased steadily over the years to a current high of 288,500 members. For this, the NTUC deserves credit. The NTUC has carried out active and innovative membership drives to attract new members. The labour movement, led by the NTUC, has also constantly made efforts to provide their members with a value proposition. NTUC has introduced extensive welfare, recreational and leisure facilities for union members. One of the latest is the soon to be opened "Escape" theme park which will provide workers and their families with affordable world-class entertainment. Unions in Singapore have played a significant role in workforce training and upgrading, in particular through the Skills Redevelopment Programme thus preparing members for the New Economy. Your commitment and support for workers' training and skill upgrading is fully backed by Government's Manpower 21 strategy.

24. The role of unions in explaining the need for CPF and wage cuts was particularly important in helping to speed up economic recovery. The labour movement has also played a key role in strengthening the cooperative and fruitful tripartite relationship between unions, employers and Government. It has made valuable contributions in the NWC and various Tripartite Committees. For instance, the Tripartite Committee on Union Representation of Executives, was formed in September last year to seek consensus on wider representation of workers by unions. It will release its findings and recommendations soon. We hope that allowing more categories of employees to join unions will inject new talent, fresh ideas and perspectives into unions. This will elevate the union movement to a higher level in the New Economy. NTUC has also advocated moving away from the seniority-based wage scale, adoption of the MVC and portable medical benefits. These important ideas have been extensively discussed and explained on previous occasions. I do

not need to go into the details on this occasion. But I want to emphasize that in doing so, NTUC has demonstrated a long-term commitment to the well being of all workers. It has anticipated changes, such as that of an ageing workforce and frequent job-changes in the New Economy, which must now be addressed by introducing innovative wage and benefits system. I hope that all employers will note this urgency and adopt such new practices as soon as possible.

25. I am also pleased to note the NTUC has plans to set up an employment agency to provide job counselling and referral to its members. This will certainly complement my Ministry's ongoing effort to establish One-Stop Career Centres to provide workers with better information on skill upgrading and career opportunities.

26. It is clear that NTUC and the unions in Singapore have been forward-looking and have made significant contributions to our workforce and the economy. You have readily embraced new ideas rather than stick to the traditional ideas and causes. This has led to a growing economic pie which benefitted workers.

### **New Economy, New Opportunities!**

27. We have done well thus far. The economy is doing well. Unemployment has come down. Workers can look forward to better reward with economic growth. But the world around us is changing rapidly. Today, the Old and New Economies are converging. We must prepare for new competition and be ready to tap new opportunities. The need for individuals and businesses to upgrade and change is becoming more urgent. We must re-invent ourselves and make greater efforts to initiate and implement innovative solutions to meet the challenges of the New Economy. With our strong tripartite relationship, I am confident that we will succeed in this endeavour. I wish all workers a happy May Day.

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