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SPEECH BY MR ONG PANG BOON, MINISTER FOR LABOUR, AT THE NATIONAL PRODUCTIVITY BOARD'S 9TH ANNUAL CERTIFICATE PRESENTATION DINNER ON FRIDAY, 15TH APRIL, 1977, AT THE MANDARIN HOTEL, AT 7.30 PM

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With an economy which has no natural resources or a large enough domestic market, our ability to achieve economic growth depends on our success in both attracting investments and exporting our goods and services. In the late 1960's and early 1970's we were able to do these largely because of a favourable international economic situation. The result was double-digit growth rates. To-day we face a quite different situation. While the world economy has recovered from the recession, the recovery has been moderate and slow. Fear of fueling another bout of inflation has led Governments of Western industrialised countries to adopt moderate fiscal and monetary measures to stimulate their economies. High unemployment and excess productive capacity remain in the industrial West. Investment and consumption expenditures have also not reached their pre-oil crisis level. Multi-national corporations are hardly talking of resiting their operations abroad or of expanding their overseas factories largely due to pressure from trade unions at home. Governments of certain industrialised countries have turned to protectionist policies in their efforts to solve their economic problems. Under such circumstances, foreign investments will be difficult to attract and our export markets will become increasingly more competitive.

The Government will continue to promote foreign investments and to work together with its two other industrial partners - the employers and the unions - to improve our investment climate. The extent of our success in attracting investments may well depend on political and economic factors in the industrial West over which we have little or no control. To-night, however, I would like to deal more with export promotion where there is considerable scope for our own efforts to influence achievements in this area. Manufacturers and entrepreneurs must adopt more aggressive policies to search and develop new markets, especially in West and in Southeast Asia instead of continually relying on established markets in the United States.

Western Europe and Japan. The Government will do its part in assisting local exporters promote and market their products and services overseas. Our commercial attaches and investment offices in the major centres abroad are being strengthened to provide better information and services. Cheaper export financing such as the attractively low discount rates on export bills announced by the MAS, the export credit insurance schemes provided by the Export Credit Insurance Corporation and other facilities to be introduced should give the necessary boost to our exporting efforts. In the final analysis, however, our manufacturers and entrepreneurs must themselves be able to identify the market and be aware of consumer needs and thus diversifying their product lines and adopting the best methods of marketing accordingly.

Given present market conditions, it is important for our industries to generate higher value added products and for manufacturers to take a more perceptive view of the value added contents of their exports. Industry needs to introduce sophisticated and better quality products which in general have a higher value return and greater marketability. This will mean that our entrepreneurs and businessmen must continually learn and apply new and modern technology. Further, our work-force must have the industrial skills and the work attributes that would be needed to ensure that our goods and services are of high quality and reliability.

It is evident that we must also increase productivity of our industries. There have been much discussion on the need for higher productivity. However, no concrete result has been achieved in this area. Let me emphasise here that the onus of raising productivity rests with management. Our entrepreneurs and managers must seek more determinedly to improve the productivity of their firms.

There are many areas in our factories and firms where productivity can be improved. Consultancy projects undertaken by NFB show that it is feasible to increase output by about 20-40% through simple improvements in work areas and conditions. Productivity can be raised by reducing waste, cutting down rejects, lowering machine breakdown frequencies, optimising production schedules, improving cash management techniques and improving employee morale. Undoubtedly, many other areas for betterment can be found. What is required is the positive attitude and the will to get things going. Managements must initiate action and adopt projects to make better use of

the resources of their firms. If they have difficulties in this regard, the NPB will provide necessary assistance.

Increasing productivity will involve changes which affect people to varying degrees. While the techniques and methods of improving productivity are important, it is workers who ultimately will determine whether the productivity efforts are successful and worthwhile. While the management should initiate action in this area, labour must be willing to accept changes and fully co-operate with the management. However, instead of a directive from management to make everyone co-operate in upgrading productivity, it would be much more effective and pleasant if the employees feel that they themselves are actively involved in raising productivity.

To give productivity moves the drive at grass-root levels and to help bring about participative and consultative efforts in the enterprise, it is necessary for the management to work out productivity incentive schemes. Since the characteristics of company vary from one to another, no blanket formula for such schemes is possible. The management of each factory must itself decide the scheme most suited to the needs of the company. Nevertheless, all such schemes have three elements in common. Firstly, there must be the identification of quantifiable attributes which are related to productivity. Secondly, norms must be worked out against which performance of individual workers could be assessed. Thirdly, there is then the sharing of productivity gains. Let me emphasise that incentive schemes should not be treated as a pre-condition for productivity increase. Productivity programmes must precede incentive schemes and not vice versa.

The climate for initiating projects to raise productivity and initiating productivity incentive schemes is good. The need for them is urgent. I therefore urge that employers and trade union leaders make a determined effort in this direction.

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