PRIME MINISTER'S NEW YEAR MESSAGE 1982

1982: DANGER AND UNCERTAINTIES

1982 is fraught with danger. Will the Soviets intervene in Poland, or will they succeed to get the Polish generals to clobber the Poles for them? Will there be a solid American-West European response to these grave developments, or will the West Europeans seek to avoid offending the Soviets?

What will happen to America's economy, on which her foreign policy depends? The American budget will have huge deficits of over $100 billion in 1982 and over $200 billion in 1984. The choice seems to be between tight money, slow growth, high employment, or more new money, higher inflation, lower unemployment. But unless the inflation is carefully controlled, a new bout of high inflation can lead to an eventual loss of confidence in all paper currencies.

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Singapore's economy is so small and so open that we cannot hope to build any break-water against the wash of the turbulence of these huge economies. We can only look out for danger signals and brace ourselves, to try to ride on or to roll with the surf of these waves. Our hopes for 1982 depend upon the major industrial economies ticking over as forecast by the OECD. Any major political or economic upset, and our expectations have to be changed drastically.

1981 has turned out grimmer than I had feared on 1 January 1982 in my New Year message. Fortunately, Singapore was able to escape the recession and unemployment in America, Britain, France and West Germany (see Table 1).

1981: GOOD PERFORMANCE

Singapore's estimated performance for 1981 is: GDP up by 9.7%, productivity up by 5.6%, nominal unemployment rate 3.9%, but real unemployment rate was -0.6%, ie, there were more jobs chasing workers than workers chasing jobs. From our experience, a nominal unemployment rate of 4.5% corresponds to a real unemployment rate of zero percent. This is because of the habits of our people. They register for jobs whilst they are in a job, looking for a better one, and because young school-leavers are on part-time jobs whilst they register for full-time jobs.

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We have grounds for relief and congratulations. The reasons for the good performance? First, Japan's economy still surged forward at 4½% growth and pulled us, our ASEAN neighbours, Hongkong, Taiwan, and South Korea, along with them (see Table 1). Second, the big multinationals found that their production cost in Singapore was lower than the production cost of their factories in other countries. Therefore, they have kept up production in Singapore and lowered production in higher cost countries. Unfortunately for electronics, demand fell so badly that they had to cut back production, even in Singapore, by working shorter time.

Why is production cost lower in Singapore? First, because of stability in political, economic and industrial relations. Power, water, communications and transportation are efficient and competitive. Second, wages have gone up in an orderly, not a wild and erratic manner. Third, inflation rate, though still high at 8.1%, is lower than last year's 8.5%. The appreciation of the Singapore dollar by 8.4% against a weighted basket of currencies of our main trading partners helped to keep imported inflation down. However, an over-strong Singapore dollar will cause problems to manufacturers exporting to Europe, whose currencies have been weak against the US dollar. Therefore, we have to avoid too wide a float upwards against our major trading partners. We can keep down inflation by

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increasing productivity, by not wasting energy, by stamping out price fixing by retailers and wholesalers, and by diversifying our supplies of imports.

PRODUCTIVITY GOOD

Singaporeans have heeded the call for higher productivity and better work attitudes. This year's NWC recommendations should reflect the creditable increased productivity rate of 5.6% for 1981. In table 2, I have broken down the productivity rates into five major sectors: -

Manufacturing up from 5% in 1980 to 11.3% in the first nine months of 1981. It more than doubled, demonstrating the benefits of better machines, and our workers learning to work these machines more efficiently.

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Financial and Business Services up from 1.2% in 1979 to 9.7% in 1980, to 10.7% in 1981. In other words, as a result of computers, micro-processors, productivity took a leap from 1.2% in 1979 to 9.7% in 1980, and then leaped again by 10.7% in 1981. Clerks, stenographers, secretaries, and executives are learning to use business machines with confidence. This productivity will continue to increase as more modern office machines are installed and Singaporeans work them efficiently.

Transport and Communications up by 8.6% in 1980 and by 9.2% in 1981. These increases were because of more modern and efficient telephones, telexes, airline and airport services, buses and taxis.

PRODUCTIVITY BAD IN CONSTRUCTION AND COMMERCE

Unfortunately, in two sectors: (4) Construction, and (5) Commerce, productivity was dismal. Construction, from an increase of 1.3% in 1979, to 2.8% in 1980, dropped to -0.4% in 1981. This means construction workers produced less per worker. The reason is simple. The skilled and experienced workers have gone back to Malaysia and we are getting new recruits from non-traditional sources. More relevant, it means that we have not improved the technology in our construction industry. We are building in the same way as we did in the 1960s and 1970s, labour-intensive, not capital-intensive. We have not moved into prefabrication and modular buildings, like slotting completely factory-assembled bathrooms into place with cranes and machines.

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If our productivity in construction and commerce had gone up by 10-11%, as in manufacturing or transport or communications, our overall productivity growth would have gone up by 9%. It will take us 5 to 10 years to introduce

Japanese and European methods of building. A large part of their construction work is done in factories or on site but under cover. It will mean higher construction costs. But it will make construction work as safe as factory work. In Japan, America or Western Europe, when a building is going up, you see very few workers on site. There is none of the ant-like activity of Singapore sites with workers crawling all over the structures. We use workers to tie up reinforced steel rods, and to carry bricks and cement into place, with few cranes and lifts to help. The structures of American, Japanese and European skyscrapers are put up by machines moving H- or T-shaped girders and slotting them together like Meccano sets.

We stayed labour-intensive in construction because we believed we would have low-waged Malaysians. We were wrong. The Malaysians have full employment and a building boom. And their wages have gone up. This, plus the increased cost of building materials, is why the Minister for National Development, Mr Teh Cheang Wan, had to acknowledge that the period of cheap housing is over. Nevertheless, if we keep increasing productivity, we can work out a formula to bring home ownership within the CPF savings of most people.

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The next 18 months will be very difficult. Then it will ease in the next 4-5 years as we recruit large numbers of non-Malay speaking Indian Indians,

Bangladeshi Bengalis, and Sri Lankans. This will lower productivity in construction and will bring more social problems. But if we want HDB homes, we have little choice. We have to put up with it for another 5-7 years. During that time we shall move towards prefabrication, and with Singaporeans as the core of the workforce.

MODERNISE CONSTRUCTION TECHNOLOGY

To modernise the industry, we must encourage the growth of a core group of large contractors in Singapore who must employ high level professionals: architects, engineers and accountants, to absorb the advanced mechanised methods of construction from developed countries. They have to adapt them for the local building industry and innovate to meet local conditions. Any large Japanese or European contractor would have more architects, engineers and other professionals than the PWD and the EDB combined.

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The HDB is getting a European partner for prefabricated housing. They will also invite tenders for prefab high-rise from Germans, French, British, Dutch, and Japanese. This will start the upgrading of construction technology.

Commerce was one sector where our productivity increase was also low -0.4% in 1981 over 1980. 1980 had 3.6% increase over 1979, which had 1.3% increase over the year before, 1978. It means many salesgirls are standing around in shops not being used efficiently. It is a subject on which I have received constructive criticism from both the German Business Group and the American Business Council in their submissions on productivity last June. They were amazed, as they went through our shopping centres, to see how inefficiently our managers were using workers, especially salesgirls - motivated, uninstructed, and uninterested. Management must improve in efficiency. Shops should be like the big departmental stores in Japan or in America; customers pick up what they want and go to the counter to pay for the items they have collected. To increase productivity, everybody must be efficiently and effectively employed.

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NON-TRADITIONAL SOURCE WORKERS WILL LEAVE STARTING JANUARY 1983

Now let me address management on the shortage of workers. Work permit holders from non-traditional countries have been allowed in as a temporary measure. This recruitment will stop in 1982. From January 1983, as their work permit expire, they will begin to leave. Thus, all non-traditional

country workers will leave by 31 December 1984, except for construction and shipyards, and domestics. In other words, 1982 is the last year manufacturers have to continue operations with their full complement of non-traditional work permit holders. Therefore, they must further mechanise, automate, computerise, and improve management to cut down on workers; or they will have to relocate their factories. This repatriation will particularly affect those who have been using women workers from non-traditional sources. One alternative for such employers is to employ Singaporean married women in 4-hourly shifts. From previous experience, employers know that Singaporean women with children in school are prepared to work 4-hour shifts whilst their children are in school - those with children in the afternoon school for afternoon shifts. Employers have 3 years, until 31 December 1984, to make new arrangements.

Some can relocate their factories in Singapore itself, moving into new towns so that married Singaporeans will find it convenient to work 4-hour shifts. With extra inducements, they can get unmarried and married women to put in an extra 4-hour evening shift.

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10-YEAR TARGET: A WHOLLY SINGAPOREAN WORKFORCE

By 1991, our target is not to require work permit holders from non-traditional or traditional countries. And construction and shipyards will be no

exceptions. Workers we want to retain beyond 1990 should be those who will raise our level of productivity. We shall give such workers permanent residence with a view to citizenship. Then we shall have a more homogeneous workforce, working together as a team, because they all feel committed to Singapore. Then the principle, from each his best, to each his worth, which has been the basis of our progress, will work under optimal conditions. We can see what happened in Britain, France, and even West Germany, because they used immigrants - whether West Indians, or Africans, or Turks, or Yugoslavs - to do heavy and tough jobs. They have inherited grave social problems. The Japanese, on the other hand, do all their own heavy and dirty jobs. They have no social problems or riots. Instead, they have high productivity from their homogeneous workforce.

This is an unfair world. Some countries have oil, some have gold and diamonds. We have only 600 infertile square kilometers. There is no divine law that says that Singapore will remain in the top bracket of the developing countries. Unless we make strenuous efforts to move up in technology with better-educated and highly trained workers, we shall slip down the league and become yesterday's NIC (newly industrialising country). We cannot stay put if we want to be a developed country. We have no oil, no gas, no tin, no rubber, no palm oil. The earth, the sun and the rain do not yield these bounties to us. We

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have to depend on our energy, standards of training, education and right work attitudes to survive.

If there are no worldwide upsets, I am confident 1982 can be another prosperous year. We are aiming for 8-10% real growth, with 6-7% increase in productivity, and a 4-6% inflation rate.

I wish you all a happy new year.

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Table 1

GDP, INFLATION AND PRODUCTIVITY GROWTH RATES, 1980 AND 1981

Countries	1980			1981		
	Real GDP	Inflation	Productivity	Real GDP	Inflation	Productivity
ASEAN						
Indonesia	9.6	9.6	--	8.0	8.0	--
Malaysia	8.0	6.7	4.5*	6.8	9.6	3.5*
Philippines	5.4	17.5	--	4.5	11.0	--
Thailand	6.3	19.7	--	6.0	22.0	--
Singapore	10.2	8.5	5.0	9.7	8.1	6.0 (Jan-Sep)
NICs						
Taiwan	6.8	19.0	4.8*	5.3 (Jan-Jun)	14.0	3.5* (Jan-Sep)
Hong Kong	9.0	15.5	1.1*	8.0	14.0	--
South Korea	-3.8	28.7	-4.1*	3.5 (Jan-Jun)	22.0	0.9* (Jan-Jun)
Developed Countries						
US	-0.2	13.5	-0.5	2.5	8.5	1.0
Japan	4.2	8.0	3.2	3.5	5.5	2.5
UK	-1.8	18.0	0.5	-1.5	11.3	2.8
West Germany	1.8	5.5	1.1	-1.5	5.5	-0.3
France	1.3	13.6	1.0	-0.5	12.8	0.5

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Source:1 Asian Wall Street Journal, 29 Sep 81.
2 Ministry of Finance, Malaysia, Economic Report, 1981-82.
3 Department of Statistics.
4 OECD, Main Economic Indicators, July 1981.
5 HK, The 1981-82 Budget.
6 Economic Planning Board of South Korea, Major Statistics of Korean Economy,1981.
7 Taiwan, Quarterly National Economic Trends, 1981.
8 IMF, International Financial Statistics, Dec 81.
9 OECD, Economic Outlook, July 1981.

Note: * Productivity figures are not published by these countries but derived from GDP divided by employment.
The latest employment figures for other countries however are not available to calculate productivity growth.

Table 2

PRODUCTIVITY INCREASES IN SINGAPORE

	Productivity Increases (%)		
	1979	1980	1981 (Jan-Sep)
OVERALL ECONOMY	2.6	5.0	6.0
1) Manufacturing	5.7	5.0	11.3
2) Financial & Business Services	1.2	9.7	10.7
3) Transport & Communication	5.1	8.6	9.2
4) Construction	1.3	2.8	-0.4
5) Commerce	1.3	3.6	0.4
6) Others	3.2	3.0	1.1

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