

Singapore Government **PRESS RELEASE**

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ADDRESS BY THE MINISTER FOR LABOUR, MR ONG PANG BOON,
AT THE 20TH ANNIVERSARY DINNER AND DANCE OF THE AMALGA-
MATED UNION OF PUBLIC EMPLOYEES AT THE ISLAND BALLROOM,
SHANGRI-LA HOTEL, ON SATURDAY, SEPTEMBER 22, 1979, AT 8 P.M.

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The tumultuous decade of the 70's is fast drawing to a close.

Looking back we can justly be proud of our achievements. We have surmounted the oil crisis of 1973 and the resultant economic recession. Our economy registered a creditable growth while others floundered in chaos. We have arrested inflation and created more jobs than our own supply of labour. The underlying strength of our economy lies in the correct choice of policy decisions many of which were difficult and unpleasant to make.

The success of our economic expansion has solved our problem of unemployment. It has however contributed to the current position of tight labour supply. We are already being plagued by symptoms of this problem such as high labour turnover, choosiness in work, poor work attitudes and high dependence on foreign labour. The success of our family planning programme has added another dimension to the problem. From an annual supply of about 33,000 new entrants into the job market in the early 70's this has dropped to 26,000 in 1979 and will dwindle further to 21,000 by 1985. If the moderate wage policies of the 70's are to be continued we shall have to import conservatively an average of 10,000 foreign workers annually to supplement the dwindling local supply if we want to maintain a real GDP growth of around eight per cent. This will add another 100,000 foreign workers by the end of the next decade to the barely tolerable number already in our midst.

Our traditional sources of supply of foreign labour are also beginning to show signs of depletion. With buoyancy in their economies they are better able to absorb their unemployed. As a result we are now recruiting from countries further away. Policies which drive us further in this direction must therefore be changed for there is a high price to be paid, both in political and social terms, in a large migrant work population of diverse cultures quite distinct from those of our own. Apart from this we shall increasingly find ourselves falling behind as our major competitors move ahead and lesser ones catching

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up fast on our heels. There is a danger that we may be overtaken even by these latter countries unless we take steps to change.

It is within this framework of economic evaluation that the government has decided to accept the 1979 NWC wage guidelines to accelerate a restructuring of the economy to one where an acceptable rate of economic growth can be achieved without an overdependence on foreign workers. This could be done by raising the productivity of our work force through more capital intensive investments, better organisation, better labour deployment and motivation and mechanisation and automation. Calculations showed that similar NWC guidelines will be necessary in the coming two or three years if we are to achieve our objectives. These are hard decisions to take as they will invariably impose hardship on firms particularly the small local ones. Employers and their representatives have urged the government to adopt a more moderate stance in restructuring the economy and to provide more comfortable lead times for firms to introduce upgrading measures. However our experience of policies of moderate wage increases in the past five years has shown that employers left on their own will not make the necessary changes so long as there is a comfortable profit margin to be earned. We have arrived at a stage where we can no longer procrastinate in implementing this policy to upgrade. Procrastination will only make the decision more urgent and more difficult to take later on particularly when our present position of strength would have been somewhat eroded.

Barring severe and unforeseen upheaval in the international economic environment this policy to restructure will relentlessly be pursued. Employers are therefore urged to take timely measures to upgrade unless they choose to opt out of the race. This policy is intended to apply to all employers regardless whether they are in the manufacturing or the service sector, local or foreign, large or small.

To alleviate the shortage in the supply of local labour and to reduce our dependence on foreign workers, several measures could be introduced to encourage employers to retain workers at and above the age of 55 years and to provide more part-time employment to housewives.

As our population ages the number and proportion of older workers will increase over the years. In 1978 there were some 63,000 economically active persons of 55 years and above. They accounted for 6.5 per cent of the labour force. Their numbers will increase to 111,000 persons

or 10 per cent in 1983 and further to 173,000 persons or 14.5 per cent in 1988. Of these economically active persons approximately half are paid employees. With better health care and longer life span, to retire them at 55 years when they could still be economically productive would be wasteful. Employers of course prefer to hire younger workers at a lower cost to older workers who, by virtue of their long years of service, would be reaching the upper end of their salary scales. Other factors against retaining older workers are their lack of adaptability to change and their speeds at work. These however could be counter-balanced by their long experience. Nevertheless, it may be necessary to provide employers with greater incentive to retain older workers by reducing their cost of employing such workers. This could possibly be achieved through exempting both the employers and employees from CPF contributions. Employers could therefore retain such experienced workers at lower costs while these employees would enjoy continuous employment after 55 years and the benefit of a higher take home pay. The need to accumulate CPF savings for old age at 55 years and above is less critical as by then these employees would already have an appreciable savings in CPF to draw on. Their children would also have grown up and able to help out if need be.

Exemption from CPF contribution may also encourage the employment of older workers who have withdrawn from the labour force and enable them to return to an economically active life. Providing employment and income to such workers particularly where they have not accumulated enough CPF savings would also help to alleviate a social problem.

Female workers in Singapore tend to drop out of the labour force after marriage. Their labour force participation rate is highest between the ages of 20-24. In 1978 this represents 73 per cent and is comparable to if not higher than that of some of the developed countries. However, the rate starts to decline rapidly with increasing age and unlike trends in the developed countries our female workers do not return to work even after their children have grown up. Socially it is important for young mothers to stay at home to tend to the needs of their families. However, as their children grow up and start schooling housewives are often able to find time to take on part-time employment in addition to serving the family needs.

The system of part-time employment in Singapore is still in a rudimentary stage of organisation. Firstly, employers are reluctant to change their organisation to cater to the needs of part-time workers.

On the other hand housewives are reluctant to take on part-time employment as the net income after deducting all costs is insufficient as to make it worth their while. Further, employers are reluctant to extend to these part-time workers the entire range of fringe benefits normally enjoyed by full-time workers. It is therefore not surprising to find that in 1978 only 9,350 persons or one per cent of the total number of paid employees were engaged in part-time work of less than 24 hours a week.

As in the case of workers at and above 55 years of age, employers could be induced to engage part-time workers by reducing their cost of employing such workers. One possible way is to exempt employers from CPF contribution and the provision of certain fringe benefits, particularly where these are not relevant to part-time work. This reduction in cost may in turn induce employers to pay better wages to part-time workers to make it worth their while to take on part-time work. Further, their take-home pay may be further enhanced by exempting part-time workers from contributing to the CPF. As secondary wage earners in the family, the need of part-time workers to accumulate savings for old age is not as critical. In attempting to make part-time work attractive to induce housewives into the job market, caution however would have to be exercised to ensure that the rewards of part-time employment are not too attractive as to induce full-time workers to take on part-time jobs.

In closing I hope the AUPE and its members will respond to the government's new economic policies and introduce changes to meet with the challenges of the next decade.
