

**SPEECH BY MOS LEE YI SHYAN AT THE PARLIAMENTARY DEBATE ON THE  
PRESIDENT'S ADDENDUM ON 9 NOV 2006**

Mr Speaker Sir,

I consider it a great honour to be able to address this House. Although this is my first speech in the House, I have already been assured that the proposals and thoughts of this House are closely followed by the media and the members of the public. In fact, my 10-year-old daughter appealed to my wife last night, quoting my team colleague Lui Tuck Yew's speech yesterday not to be too obsessed with exam results. Sir, I also think that our young are not apathetic in politics. As the President commented in his speech, Singapore now stands at another turning point. As we gaze into the horizon, we see vast opportunities but look out for undercurrents and perils.

This afternoon, like others, I would like to discuss two emerging trends that will have profound implications on Singaporeans.

**Structural Unemployment**

First, the trend of structural unemployment.

The Sep 16<sup>th</sup> issue of The Economist reported that "the entry of China, India and the former Soviet Union into market capitalism has doubled the world's supply of workers, from 1.5 billion to 3 billion". The outcome of this enlarged supply is what we have been seeing: international firms relocate labor intensive operations to these low cost countries, transferring many blue collar jobs from the developed to the developing countries in the process.

We know the relocation of labor intensive operations very well, because we experienced them ourselves. First, it was the timber industry, then textile, then furniture, then consumer electronics and so on.

The same Economist report also indicated that "Every year, 1.2 million engineers and scientists graduate from Chinese and Indian universities, as many as in America, the European Union and Japan combined". This new supply of scientific talents will tilt the balance of technological prowess between the east and the west in the long term. But in the short term, it has enabled international firms to outsource and transfer even more jobs to these countries. What were once deemed to be secured and "unmovable" jobs in the developed economies are now at risk of being relocated.

As developing economies such as China and India improve and debottleneck their educational systems, we have reason to believe that they will increase even further the supply of Science and Technology graduates in the future.

Apart from the new supply of inexpensive scientific talents from these countries, technical innovations and information technology have also permanently changed some industries.

The classic case is India's rapid rise to be a preferred hosting location for business process outsourcing for many international firms. However, it is not just basic data processing and call centres that are being outsourced to low-wage countries, but also software programming, medical diagnostics, engineering design, law, accounting, finance and business consulting. These can now be delivered electronically from anywhere in the world, exposing skilled white-collar workers to greater competition.

Sir, what this means is that globalisation is flattening the world, and technology is leveling the playing field. Blue and white-collar workers are equally at risk with retrenchment and job elimination. In fact, many jobs are being constantly redefined. Some jobs, such as shorthand typists, remisiers, stock traders, librarians are disappearing from the payroll and our vocabulary. New businesses such as Dell and eBay thrive on cutting out the middlemen.

Mr Speaker, Sir, our workforce must realise that their jobs will be redefined at some point in time. They must be prepared and are able to take on other jobs. They can do so provided they want to and have access to retraining. In fact, their learning ought to be ongoing, and at least keep pace with, if not outpace the speed of job eliminations and creations brought about by globalisation.

### **Widening Income Gap**

Mr Speaker, Sir, let me move on to the second worrisome trend – the issue of widening income gap.

Just how bad is the issue of income gap? Will it get worse? According to The Economist (16 Sep 2006), the first obvious beneficiary of globalisation is the corporate sector. The magazine reported that profits of companies as a share of GDP in Corporate America, Japan and EU are at or near an all-time high. For instance, the share of national income from Corporate America has increased from 7% in mid-2001 to 13% this year.

The second obvious beneficiary of globalisation is the top wage earner. America's top 1% of earners now receive 16% of all income, up from 8% in 1980. By comparison, less skilled workers are seeing their wages stagnate or steadily decline.

“Over long periods of time, real wages tend to track average productivity growth. But so far for this decade, workers' real pay in many developed economies has increased more slowly than productivity. The real weekly wage of a typical American worker in the middle of the income distribution has fallen by 4% since the start of the recovery in 2001. Over the same period, labour productivity has risen by 15%. Even after allowing for health and pension benefits, total compensation has risen by only 1.5% in real terms. Real wages in Germany and Japan have also been flat or falling. Thus the usual argument in favour of globalisation—that it will make most workers better off, with only a few low-skilled ones losing out—has not so far been borne out by the facts. Most workers are being squeezed”, so The Economist reports.

In Singapore, we see similar but milder trends. I like to believe that our trends are milder because the Government has taken more proactive programs in reskillig our workers, job redesign and through wealth re-distribution to mitigate the impact of income stagnation of the affected groups.

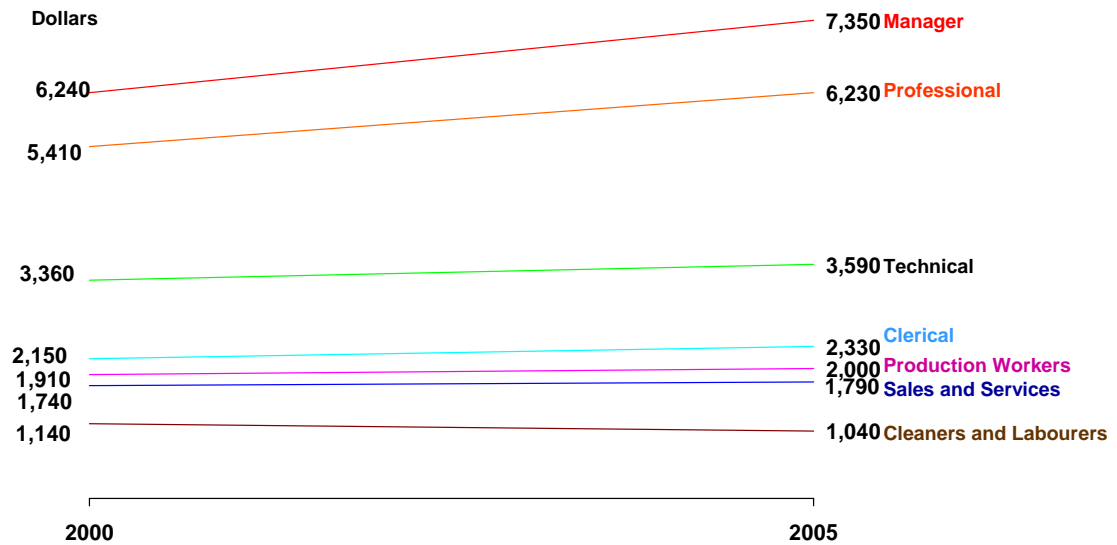
If we refer to Chart 1, we will see that at the upper-middle level, professional and skilled workers have been able to register stronger income growth compared to unskilled workers.

While Singapore residents (citizens and permanent residents) in the Managerial, Professional and Technical occupation groups enjoyed nominal wage growth of 4.7 per cent per annum between 1990 and 2005, the middle level (lower skilled workers) experienced slower income growth of 3.7 per cent per annum<sup>1</sup>. In particular, the monthly income of the lowest paid group (cleaners and laborers) declined between 2000 and 2005.

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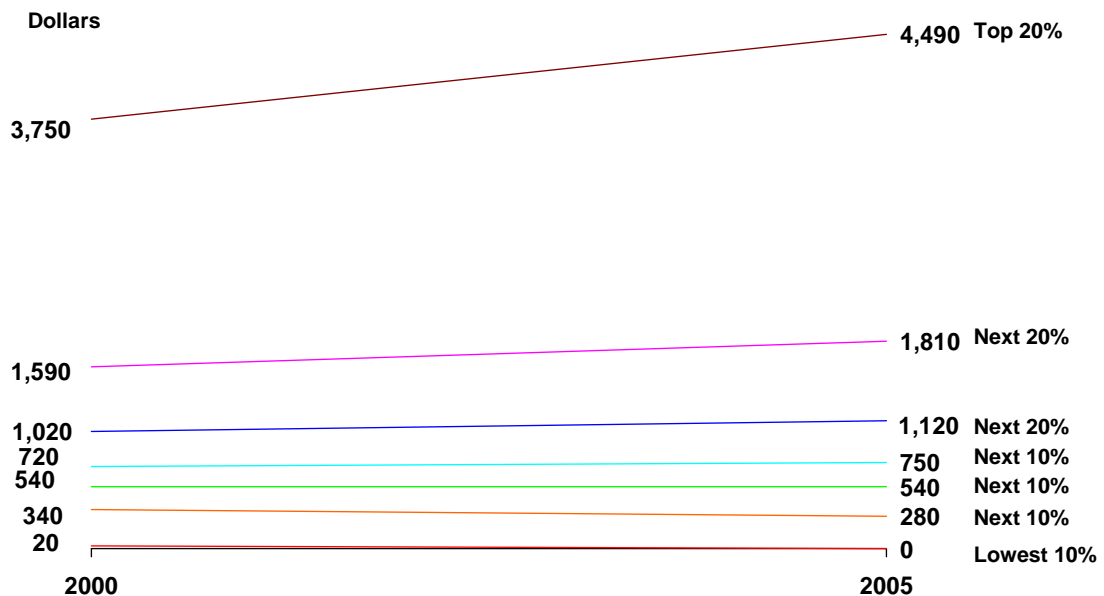
<sup>1</sup> Data are obtained from the 1990 Census of Population and 2005 General Household Survey and include self-employed persons.

**Chart 1 Average Monthly Income from Work of Resident Working Persons by Occupation**



At the household level, between 1990 and 2005, households in the top 20 per cent experienced the fastest per capita household income growth of 6.0 per cent per annum (Chart 2). The lowest 20% actually see their household income decline over the same period between 2000 and 2005.

**Chart 2 Average Monthly Per Capita Household Income from Work by Household Income Group\***



Sir, we can see the effect of globalisation here. It is pulling both ends further apart. The end result? The top is soaring ahead, the bottom is falling behind and the middle feeling the pressure. But is this the end? Will the income gap be further widened?

Recently, a private banking consultancy firm estimated that Singapore needs 1,000 relationship managers. This is not surprising as we aspire to be a leading financial hub with sizeable operations in wealth management. Because of MAS active promotion, most large private banks have their Asian headquarters in Singapore.

Industry analysts observe that Singapore's private banks are drawing private bankers from wherever they can. Private banks are looking at lawyers, management consultants, corporate bankers and investment bankers. Pretty much anyone with a good level of education and a history of relationship management can pick up the nuts and bolts of private banking.

Unsurprisingly, therefore, pays in this country are rising. A few years ago, private banking relationship managers working in Singapore could command US\$150,000 in total pay. Today, according to the consultant, pay packages of between US\$250,000 and US\$300,000 are the norm. Sir, this is but one industry we are trying to create well-paying jobs.

According to the latest IRAS report, we look at the top end of the income earner. 2004 saw the increase of 257 millionaires to a record 1,738 millionaires, a 20 per cent increase over year 2003. The average income of these millionaires is about S\$1.98 million. The Straits Times commented that "the millionaires club is becoming less exclusive by the day".

As our economy aspires to be a more vibrant and larger hub for commerce, banking, R&D, innovation, logistics and tourism, we will create many high-paying jobs. And we want to create many high-paying jobs. When firms cannot find enough Singaporeans to fill them, they will go out to hire from the international market. They will need to pay competitive wages to get them.

As our economy grows, therefore, our top earners will increase in numbers. Their income will also increase much faster according to international demands.

But to have the high-income group earning more is not a bad thing. Because after all, only 17% of our population pays income tax. Our high income earners are contributing to the government revenue through income taxes.

But a widening income gap can lead to tensions between the haves and have-nots. Of course, we are far from America's wide gap. One indication is to compare the average CEO's salary versus an ordinary worker's salary. In America, this is 300: 1. I believe our ratio is closer to 100:1. Nor are we about to have a "one Singapore, two worlds" kind of divide syndrome. But we should worry about this so that we won't end up having our social cohesion stretched and tested. Even a developing China is concerned with its haves and have-nots, despite they are at a much earlier stage of growth.

### **My Proposals**

Sir, I am trying to convince the house with international and local data that structural employment will be a permanent fixture in our job scene as we progress, that our workforce must upgrade and re-skill continually to cushion otherwise rude shocks. I am also submitting to the house that the income divide we see is just the beginning. Our high end wage earners will tend to draw salaries set by large economies of the world, such as America, EU and also later, by China and India. For top talents are limited in supply. They are coveted everywhere.

Recognizing these underlying trends is important for us to anticipate and prescribe the right solutions. Sir, I would like to propose three approaches in our policy formulation and program initiatives.

### **Life Line**

The President has emphasized in his address that "Education is the best way to level up our society" and the government already invests heavily in each child. To help low-income workers, the Government will provide them with more skills training and upgrading, in cooperation with unions and employers. Sir, I believe we are on the right track. Education and skills upgrading are the lifelines for our displaced workers. They have been tossed out from the main vessel by strong waves and gale, we need to extend them this lifeline, so that they can get back onboard with us.

However, I would like to convince the House that we can do more. Let me explain.

Sir, the Government is already investing more than a \$100,000 per child in the form of subsidies given to take this child from primary to tertiary education. At the national level, we are spending close to 4% of our GDP, or about S\$7bil per annum on education to provide them with the skills and mental capacities to take on good employment. But let me ask the members of the house, how long do you think this investment would last? Is there an expiry date to what we learnt yesterday, for tomorrow's application?

In this era of relentless innovation and pervasive communications, new knowledge is created by the million bytes every second. Graduates from some disciplines such as electronics and IT know very well that the half-lives of their university studies may be good for only the next 2 years, before they become obsolete. Yes, half of what you learn in 4 years in the polys and universities can become obsolete in 2 years! And they get halved every two years.

Of course, for most of our tertiary students, by the time they graduate from the polys and universities, they would have mastered the skill of continual education and learning. And if they are not complacent, they would continue to acquire new skills on the job. This will ensure their employability.

For workers without tertiary education, I think they have to rely heavily on guided learning, by the employers and the unions. In fact, I believe we have one of the best tripartite skill-upgrading systems in the world to make sure that our workers continue to learn. Just during the past week, WDA organised a series of talks at the Toa Payoh Hub on “The 10 Skills to Stay Employable” in its Singapore Learning Festival 2006. I applaud WDA’s vision and passion and the workers’ determination to acquire new skills needed for the growth industries on the horizon.

But considering that most of us will face with the prospect of changing career 5 to 6 times in our adult lives, sometimes taking on a new job and sometimes starting all over again, I think the paradigm that “a basic education will last a life time” has to be changed. Indeed, we need to adopt a new paradigm, that learning is life-long and employability needs to be renewed at very stage in life.

This leads to the question of whether we have done enough in our system to encourage life-long learning.

Sir, if we spend 4% or \$7bil of our GDP on education in the first 10 – 16 years of each child’s life to prepare him or her for the immediate working life that follows, how much should the investments be to prepare all our workers when they reach 25 -30, when they reach 45 – 50, and into the future? What should be the order of magnitude of the budget, even though a good part of it can come from employers?

Of course, we hope that most of our young workers gainfully employed will receive training from employers to update their skills. But the reality is that some employers don’t. We only get to know when they suddenly relocate and shut down the plants.

I would therefore suggest WDA to consider the following:

- a. Re-examine the size of the skill upgrading budget, considering the short half-life of the knowledge of our fresh school leavers.
- b. Consider ways where employers can be incentivised to conduct upgrading training on a continual basis.
- c. Consider aggressive tax reliefs to encourage individuals, who maybe in-between jobs and without employers, to take on useful skill upgrading programs or courses. This will also emphasise the individual's responsibility for employability.

### **Life raft**

My next point is about providing a life raft in the storm. When people get tossed out of their jobs all of a sudden, they panic, their family members get stressed. With the trend of structural unemployment, white collar and blue collar workers are equally at risk. As we have seen in our own MPS, some who are jobless might not be able to find jobs even after more than 6 months, and the others have to take a longer time to acquire new skills before they can change line to a different job. So the question is, could we offer them a life-raft that gets them out of the choppy waters, so that they can get back onboard the main vessel?

In the first nine months of 2006, 9,000 jobs were eliminated. And this was offset by a record number of 123,000 jobs created. So our seasonally adjust unemployment rate declined to 2.7 per cent.

But if we look beneath the top line, we will realise that the re-employment rate of resident retrenched workers has hovered round 60 per cent for the past four years. In other words, 40 per cent of the displaced workers remained unemployed after six months. Why are they unemployed for so long? Are they choosy as some employers have vehemently claimed? Or do they lack the skills needed for the new jobs created?

Sir, we would need to study structural unemployment problems as if they were a growing permanent part of a globalised economy. Our well-conceived, S\$1bil Workfare Program has been launched to help the low-wage workers earning less than S\$1,500 per month. This was a good program because it addresses most people's needs.

But we know that workers above the \$1500 mark to the \$3,000 range are not immune to retrenchments and income stagnation. As we have seen in our MPS, some of them lost their jobs for good, and needed time to learn and take on a different line of job. Some of them face negative housing equity and cash flow problems. For this squeezed middle class, they would need to



rework their finances, sometimes liquidating their assets and starting anew. They need a life raft in times of distress.

For the squeezed middle class, I think we should continue to explore ways we can to extend a life raft to get them back on track. Many of our current financial aid programs have a low cut-off point. This is correct as they are grant based and we do not want to dish out large handouts to the extent that they destroy the motivation to work.

But for the squeezed middle class, I think we should think of some non-grant, loan based programs to help them tie through the difficult but transitional times. In a previous sitting, MP Inderjit Singh proposed the idea of unemployment insurance. Some insurance companies tried but it did not take off.

Recently, we saw how Nobel Laureate Prof Muhammad Yunus was honoured for his contributions in poverty alleviation by making micro-loans work in Bangladesh. The micro-loan program worked very well because the loans were given out on a group basis: to a village or community. Community obligations and social pressure have kept bad debts to below 1.5%. Programs like this, and some of the principles behind them, could be adapted in our social support systems to help cushion the shock on families. In the past, our clan associations offered such help programs. Going forward, our grassroot organisations and clan associations could work together to revive some of these sound practices.

### **Low Cost Alternatives (Shallow Water Zone)**

My third proposal is about maintaining low-cost alternatives. Figuratively speaking, it is like we provide shallow water or low tide zones in our system. Sir, for those of us who can swim, we at least have overcome the fear of water and if we are tossed out into the sea unexpectedly, we have enough skills and nerves to stay afloat and think of ways to get to the life raft, float or life line.

But for the non-swimmer, falling into water of more than human height is a drowning experience. I say this because I think there are non-swimmers in our midst. So the message that “Don’t worry, jump into the water and we will throw you a float” does not really assure them. As much as we want them to learn to swim and sail, some of them will find it hard to do so, or are physically unable to do so.

In our systems, we already have some low tide zones. Our hawker centres serving low cost food, our rental flats providing shelter at token rents, polyclinics providing good healthcare at affordable costs, and PCF kindergartens providing good quality but low cost education for pre-school kids.

Because of our small size, there is always a great pressure to equalise the value of resources, such as land, rentals, in order to maximise market value. But if we take everything to the market rate, and do everything according to market principles, we might end up pushing up costs even in delivering public goods and services. Yes, we can subsequently intervene by way of grants and subsidies. But in practice, deciding who needs what, and the delivery to them can prove administratively expensive and even ineffective.

Sir, I would therefore argue for us to identify and define areas of shallow-water zones and provide low cost alternatives. Not every public good we provide needs to be upgraded. If people want low cost transport, let more private buses without air conditioning ply the estates. So long as we deliberately design low cost alternatives for the four areas of our living (衣,食,住,行), meaning the clothing, food, the roof over the head and transportation, we would have addressed the needs of many. We need to view grassroot issues from the lens of grassroots themselves (用基层眼光看基层问题)。

Mr Speaker, Sir, I have spoken at length about the challenges of structural unemployment and widening income gap. I have also suggested we strengthen our support networks in the three areas of life line, life raft and shallow water zone. Sir, in case some members of the house get away with the idea that I am a doom-sayer, I want to categorically state I am not. In fact, I am very optimistic about our future.

The objective of the Government is to find ways to create a better future for Singaporeans. And because we are having record number of jobs created, and because our economy is expected to grow at 7% or more this year, all the more we have to think about the raps and undercurrents that can derail us or toss us out of course. As the Chinese saying goes, that we should anticipate dangers when we have safety (居安思危) and People who have no long term worries will have short term troubles (人物远虑，必有近忧)。It is imperative that this house exhausts every thoughts to deliberate the best ways forward for our country.

### **Making Strides with Confidence**

Sir, I would like to speak in Mandarin for my concluding paragraph.

[In Chinese]

Sir, I would like to conclude my speech by asking this house to rally the confidence of the people to face the future together. As an eternal optimist, sometimes I am amused by how Singaporeans perceive Singapore.

This morning, on the Radio 93.8 "Beyond Words" program, listeners were asked to give their views on Singapore being voted as the world's second best city for dining and night life, after Italy. Most Singapore callers, expressed disbelief, shock at this honour which came from a study commissioned by an international firm FutureBrand as part of the Global Country Brand Index study.

I am amazed, and amused that Singapore ranked so highly should shock so many Singaporeans. One female listener said Singapore's merchandise was expensive and lacked value-for-money shopping compared to the region. Another man said Singapore, instead of being ranked number 2, should be ranked 34<sup>th</sup> or 36<sup>th</sup> to be more believable. He added that there must be a mistake in the survey, they asked the wrong people.

Two listeners disagreed strongly however. One was a Singapore female listener who travels widely, and said by comparison, Singapore's prices and long shopping hours beat the European cities hands down. Another foreign-accented man by the name of Philip asked Singaporeans to give more credit to themselves. After all, he said, he witnessed great efforts and investment by the public and private sector to create a very lively F&D and entertainment scene in the city in recent years.

What's wrong with some Singaporeans, I wonder.

I really believe sometimes the best way to look at ourselves are through the mirror of foreigners' eyes.

A reader by the name of JiangQi (姜琦) wrote in her letter entitled "Never Enough of Singapore" (游不够的新加坡) to Zaobao (25 Oct 06) said after staying in Singapore for 1 year, she still brings her daughter out every weekend to discover Singapore. She said contrary to many peoples' beliefs that Singapore only had limited attractions, she found her weekends filled with new sites to see, new events to participate in.

Qiangji and her daughter, just on 23 Sep alone, after they missed the start time of the musical 'Empress Dowager', happily ended up viewing the Japan-Asean Children Art Exhibition held at the open space in the Esplanade. After that, then they went on to view the world famous

Surrealist Master, Spanish Sculptor Salvadore Dali's 35 pieces of work displayed in Ngee Ann City. Thereafter, they crossed Orchard Road to view a Taiwanese Glass Art exhibition called 琉璃工坊 in Paragon. As the dusk set in and the lights went up, QingQi realised that it was President Nathan gracing the light-up for the city to welcome Deepavali.

QingQi concluded by saying: "Singapore is so full of life and constantly radiating energy. She delights us again with another surprise. I could visit her a thousand times and yet never feel a moment of boredom" (活力四射的新加坡时时刻刻花样百出，游它前遍也不厌倦！)

Qiangqi relies on a section of Zaobao called "Today Kaleidoscope" (今日万花筒) to find out new events and things to do in Singapore. Singapore to her is always filled with surprises, colours and energy. As we gaze into our own kaleidoscope and pursue the Singapore dream, may we find too the unlimited possibilities before us. Let us approach the future with confidence and pride.

Sir, I wholeheartedly support the motion of thanks.