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**Singapore Industry : Towards Higher Technology**

**By**

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## SINGAPORE INDUSTRY : TOWARDS HIGHER TECHNOLOGY

by Lim Soon Neo

The Singapore government's vision for the 1980s is an island state with a modern industrial economy based on science, technology and skills.

This calls for a switch from labour intensive industries such as textiles, shoes and furniture to industries with higher technology and value added content.

The high pay rises in the years from 1979 to 1981, designed to help Singaporeans attain a reasonable standard of living, have also resulted in the national wage bill going up by more than 60 percent and employers' labour costs by up to 75 percent.

Increases in 1982 and 1983 were modest as the government policy was that increases should be based on increased productivity. But labour costs in Singapore are now on par with Korea, Taiwan and Hongkong.

Meanwhile, manufacturers in labour-intensive industries have been urged to upgrade and automate. There has been a certain degree of success, but there is still a shortage of labour for such industries, especially in the textile and garment industry as well as in the semi-conductor industry.

According to government statistics, about 57 percent of Singapore workers (or more than 600,000 workers) had only a primary, or no education at all. The majority of these will be in the workforce for another 10 to 35 years.

These workers are mostly in jobs which require skill only in handling manual operations, such as in assembly or packing work.

Dr. Tony Tan, Minister for Trade and Industry, said automation and new technology will penetrate the industries here in 10 to 15 years. These workers will thus have to be retrained to fit the jobs of the future.

The Economic Development Board has been assigned the task of helping to train manpower for skills required by the manufacturing sector.

Its manpower division establishes and operates training centres and institutes geared towards the training of apprentice skills.

It also administers the Skills Development Fund which provides grants to employers to upgrade their business operations and to improve the skills of their workers.

The government plans to have an all-Singaporean labour force by the 1990s. Workers from non-traditional sources such as Sri Lanka, the Philippines, Indonesia and Thailand were to be phased out by the 1984, but the government has recently relaxed the rule.

Acting Minister for labour, Professor S Jayakumar said earlier this month that almost half of the 13,000 non-traditional source workers due for repatriation by 1984 or early 1985, would be allowed to stay until December 1986. Most of these workers are from the manufacturing industry.

Meanwhile, the increased production costs and the labour shortage have a number of manufacturers relocating their factories outside Singapore. Some semi-conductor factories have moved across the Causeway to Malaysia, while garment manufacturers have gone across to Indonesia.

The government would like to keep labour-intensive industries as well as small industries, most of which are operated by local entrepreneurs, within Singapore, as long as they are competitive.

In recent years, it has been giving fiscal and other incentives to local entrepreneurs to encourage them to play a bigger role.

So much publicity has been given to the big multinational companies that one tends to forget that the bulk of the manufacturing establishments here are local.

Figures from the Department of Statistics show that at the end of 1981 the number of local establishments (those with 100 percent and more than 50 percent Singapore equity) stood at 2,541, accounting for 73.9 percent of the total.

The output of these establishments in 1981 amounted to \$8.8 billion, representing 24 percent of the total output of both local and foreign manufacturing establishments. In terms of exports, local establishments contributed only 13.2 percent valued at S\$2.95 billion.

In 1982, investment commitments from local establishments in the manufacturing sector amounted to \$592 million, about 30 percent of total investment commitments. The bulk of these were in shipbuilding/repair, iron and steel, food, fabricated metal products and plastics industries.

Reflecting the local entrepreneurs' response to the government's call to go into higher technology industries,

new local investments are also being committed in sectors such as computers and computer peripheral equipment, robots and photovoltaic cells.

The government does provide assistance to local companies seeking to upgrade their operations. The Skills Development Fund (established in October 1979) provides three financial schemes.

These include grants for structured training programmes to upgrade workers' skills, an interest grant for mechanisation and a development consultancy scheme to engage experts for short-term assignments.

The Skills Development Fund is administered by the Economic Development Board, the statutory body set up in November 1959. The board is responsible for the planning and promotion of Singapore's industrial development.

It is the body that brings in foreign investments into the country. The board's international operations division, which is the prime mover here, has 15 full-time and two part-time officers abroad.

These officers, together with their locally-recruited supporting staff, are responsible for the selection, promotion and acquisition of desired investment and technology for Singapore's manufacturing and service sectors.

Their work programme consists of continuing personal contact and project discussions with large as well as smaller venture capital "rising stars". These companies are approached and sold the advantages of investing in Singapore.

Investment incentives play a key role in shaping the pace and direction of industrial development. Two main incentives given are the pioneer status and investment allowance incentive. Under pioneer status, a company is given a tax-free holiday for between five to ten years, the actual number of years involved depending on the merit of the company.

Under investment allowance incentive, the company is given tax deductions equal to a specified proportion (up to 50 percent) of new fixed investment.

Besides investment incentives, investors who have come into Singapore also cite the political stability as an important factor.

The smallness of the island state is beneficial in some ways as it is easier to speed up the establishment of a new factory. The necessary clearance for immigration, for instance, is just a phone call away.

The ready-built Jurong Town Corporation factories enable industrialists to have a quick start-up operation.

In essence, the Economic Development Board, in the words of chairman Mr. P. Y. Hwang, is receptive to investors' needs and the realities of present conditions.

He said Singapore does not have a fixed idea as to the types of industry it wants. Rather, it moves into areas which others are either unwilling or not ready to cover.

The country's ability to fill the gap will ensure its industrial future, he said.

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