

To be innovative hub, we need strong Singaporean core: MAS chief

Singapore

FOR Singapore to be truly innovative, it should turn education and healthcare into major exportable services, digitalise its economy end-to-end, and take the lead in Asia on the green economy.

It also needs a strong Singaporean core to work alongside the best global talents, said Singapore's central bank chief on Wednesday.

Speaking on the topic "An Innovative Economy" at the Institute of Policy Studies (IPS) at the Lee Kuan Yew School of Public Policy (LKYSPP), Monetary Authority of Singapore managing director Ravi Menon said some steps that could be taken include raising the qualifying salaries of foreign workers here, as well as stemming discriminatory hiring practices.

It was the second of four lectures he is giving in his capacity as IPS' ninth SR Nathan Fellow. The fellowship advances research on public policy and governance.

Mr Menon cited education and healthcare as two areas that can be turned into major exportable services.

"Can Singapore be the Oxbridge of Asia for education and the Mayo of Asia for healthcare?"

"Given the trust premium Singapore enjoys and the high quality of our education and healthcare systems, coupled with the rise of a more discerning Asian middle class, the stars might be aligned for such a pivot." The export intensity of the country's education and healthcare services, he observed, has not improved over the years.

In 2017, about 13 per cent of the output in education services was exported, just slightly higher than the 12 per cent in 2010; while the export intensity of healthcare services fell from 15 to 10 per cent during this period.

He added that Singapore cannot be a high-wage, low-cost economy.

Instead, it must become a high-productivity, high-wage, high-cost economy – where most people can bear the higher costs because they have higher wages, and can earn higher wages because they have higher productivity.

Citing studies which show that countries with high labour costs can also be highly competitive, he said: "We should aim to create a self-reinforcing virtuous cycle of higher wages and costs accompanied by higher productivity, as well as higher purchasing power and willingness to pay for higher quality domestic services..."

"It will not be easy and the transition has to be carefully managed. But it's worth trying."

Being digital end-to-end means two things, said Mr Menon: Digitalising business processes within a firm by fully integrating front-end operations with the back-end; and ensuring that digital systems across firms are inter-operable.

A comprehensive digital ecosystem, he said, requires collective governance, common standards, open architecture, and inter-operable infrastructure.

"This means taking a risk-based approach to regulating new technology. Regulators need to keep pace with innovation but regulation itself must not front-run innovation."

He highlighted the importance of transparency in fostering trust in a digital economy. Users, he said, must be given clear explanations of what data is being used, how it is being used, as well as the consequences of decisions made using the data.

The authorities should also seriously consider mandating basic cyber hygiene for all businesses engaged in the digital economy, he said, calling actions such as installing security patches promptly and data encryption "as essential as fire safety requirements".

The Republic's two-pronged talent strategy – of growing a strong Singaporean core while attracting talents from abroad to complement the workforce – is coming under strain amid growing unhappiness among locals over job competition from foreigners, said Mr Menon.

He cautioned that the country's value proposition as an innovative business hub will be at "serious risk" if it restricts the flow of talent. But the anxieties that some Singaporeans feel about the influx of foreigners are real and need to be addressed too, he said.

"We need to resolve this affective divide... Singapore cannot afford to be seen either as lacking in opportunity for our own citizens or unwelcoming of foreigners."

He suggested doing two things: First, continue to raise the minimum qualifying salary for special pass (S Pass) holders and employment pass (EP) holders over time, with the minimum qualifying salary for S Pass holders pegged somewhere closer to the median monthly income, or around S\$4,500.

S Pass holders currently earn at least S\$2,500 a month, with older, more experienced applicants needing higher salaries to qualify.

He cautioned against tightening EPs at the higher end, as it could lead to the loss of adjacent local jobs.

This is because highly-skilled employment pass holders tend to create employment for locals by facilitating business expansion into new areas, rather than substitute for them, he said.

Second, more directly target discriminatory hiring in favour of for-

eigners in some firms. "Rather than curtail the inflow of foreign workers and thereby restrain business growth and job opportunities for locals, we might want to consider directly punishing the individuals in the firm found to have engaged in discriminatory hiring," he said.

Such measures could include imposing financial penalties, reducing bonuses and freezing promotions.

Mr Menon stressed that being an international hub is the only way a small country like Singapore can aspire to First World standards of living.

Singapore, he said, attained its current level of prosperity by being an international centre tapping international talents and serving an international market. But this also means that it must accept a higher foreign presence in Singapore than is the case in other countries.

"We can accept this as long as the foreigners who come here are of high quality, help to expand economic activity, and thereby help to create job opportunities for Singaporeans... and Singaporeans are always treated fairly." THE STRAITS TIMES