

**Speech by Mr Tharman Shanmugaratnam, Deputy Prime Minister and Minister for Finance, at the 20th Business Excellence Awards and Inaugural Singapore Productivity Awards Ceremony**

Professor Cham Tao Soon, Chairman, Singapore Quality Award Governing Council

Mr Mari Amano, Secretary General, Asian Productivity Organisation

Distinguished Guests,

Ladies and Gentlemen,

Good evening.

It is my pleasure to join you at the 20th Business Excellence Awards and Inaugural Singapore Productivity Awards Ceremony.

Recognising leaders with a mind for productivity and excellence

2. Organisations hardly succeed by accident. It takes leaders, people and a workplace culture. Leaders who inspire and make new ways possible; people dedicated to improving or picking up new skills; and a whole workplace culture that is committed to innovating and delivering the best quality product or service for customers. In total, it is about a mindset, starting from the top of the organisation, that pushes for productivity and excellence in what we do.

3. The Business Excellence Awards and the inaugural Singapore Productivity Awards celebrate the achievements of companies with this mindset of productivity and excellence.

4. There is of course a close nexus between the two: organisational excellence and productivity performance. I applaud the Singapore Business Federation for taking the initiative to organise and champion the Singapore Productivity Awards.

5. Our winners tonight embody this mindset. They come from all fields: a school, nurturing students with good character and a spirit of service; a bank that puts the customer at the centre of every operation; manufacturers in continuous pursuit of operational excellence so as to be best-in-class globally; and in retail services - a food caterer, supermarket chain and hotel, each invested strongly in technology and skills upgrading.

6. What is notable too is that most of the winners have distinguished themselves in the sectors where many companies are grappling with the challenges of our tight labour market.

7. They are all leaders in their own right, but let me take just one of the winners as an example. The Neo Group is an SME in the catering business. It took a comprehensive look at its operations, led from the top by the CEO, to see how productivity could be jacked up. Some of the key things that they did:

a. They brought in advanced, automated vegetable-cutting machines from Japan. Productivity increased six-fold, allowing the company to redeploy employees to other tasks. The vegetables also remain fresher for longer, improving the quality of their dishes.

b. They sought integration across the whole catering process: from order-taking to stock-taking and food preparation, to a delivery system that automatically plans the best routes for drivers, and to more timely invoicing and receipt of payments by customers. As a result, Neo Group has been able to increase orders three-fold but with only a 15% increase in staff strength. Employees also benefit from productivity gainsharing, and can focus on anticipating the needs of clients and cultivating relationships. Productivity improvement is achievable, but restructuring takes time

8. The lesson in each of these examples is simple - the companies took some risks, but embarked on programmes that were doable, and can reap the gains from improved productivity, for their owners as well as employees.

9. This awards ceremony also marks the close of the inaugural National Productivity Month (NPM). The business

community has lent strong support, and it has added momentum to our productivity drive. (There have been 16 productivity conferences and exhibitions for seven industries, showcasing a wide range of technologies and productivity best practices. More than 11,000 business leaders and executives have benefitted from the open exchange of experiences and insights.)

10. This is a major, multi-year journey, aimed at becoming an advanced economy and inclusive society - with superior business processes and enlightened management of employees, with a culture that celebrates expertise and constant learning, at every stage of life, and ultimately, a society with advanced country incomes.

11. It will take time. It cannot be achieved in a few years. We cannot transform our economy and achieve innovative breakthroughs in every sector in a few years. Nor can we develop deep pools of expertise in a few years.

12. But we only get to where we want in the long term by taking steps each year: to spread innovations, from the early adopters to firms across an industry, by engaging in deep tripartite collaboration to support change in every sector, and by never thinking that the status quo can last.

13. We must also recognise that market restructuring is part of the solution to achieve higher productivity - where more innovative firms, those which have retooled themselves, will take the lead and gain market share while others consolidate, shift out or shift to new businesses in order to survive in a tight labour market. Some countries achieve this restructuring within industries quickly because they go through major or prolonged recessions, with a significant shake-out of businesses and workers. They never wish a recession upon themselves, but it allows for 'creative destruction'.

14. Our situation is different - in fact we came out of the global financial crisis faster than most other countries - and we do not intend to engineer a major recession for the sake of accelerating the process of economic restructuring. We are also keen to help everyone who wishes to work to stay employed and contribute in their own way, even if their skills are basic. So let's bear in mind these differences. We are not operating in crisis, and that's a good part of the reason why economic restructuring for higher productivity will take time in Singapore. But everything the Government does, together with our industry associations, must work to support and favour the dynamic and progressive players. Our government incentives must support, not hold back, industry restructuring in favour of such firms.

15. However, making the transition to a high productivity economy is absolutely essential for Singapore. The fact that we face a tight labour market is a reality. We all know that, and it means that to sustain business competitiveness and continue to raise Singaporeans' incomes, we have to make this major transition.

16. Otherwise we get caught in a zero sum game, with neither labour nor business winning. There are three scenarios if productivity does not go up. If wages go up without an eventual rise in productivity, there is no escaping a loss of business competitiveness and hence future jobs. Alternatively, in the domestic market, we get higher consumer prices that hurt everyone, and erode the gains from higher wages. The third scenario is no better - that businesses seek to preserve competitiveness and profits by keeping wages down. It is not a sustainable or acceptable solution either. Higher productivity is the only way to avoid this zero sum game between labour and business.

17. The Government's basic strategy to encourage productivity and innovation has been to moderate foreign manpower growth, while providing generous support for every form of upgrading by companies - not just buying machines, but building capabilities, training workers, or investing in design and intellectual property. Most of these incentives were shaped by feedback from our business federations and firms, on the types of upgrading they wanted to do and which needed support. And most of our support schemes are aimed at helping our SMEs make the transition. They are the most affected by the tight labour market, and we have to make sure that as our economy restructures, we emerge with a vibrant and competitive SME sector. (Besides the broad-based incentives like the Productivity and Innovation Credit (PIC), the Government is providing concerted support to spur adoption of high-speed broadband, ICT solutions and other innovations among SMEs.) I hope you continue to give us feedback on how our incentives can be refined, or their application broadened, to meet your needs.

18. Further, as a country, we have to place much greater importance on continuous learning and the development of deep expertise, in every trade. We are embarking on the 'SkillsFuture' movement to enable every

Singaporean to pick up or deepen his or her skills at every stage of life. Amongst our early moves will be deeper internship and apprenticeship programmes for our students. Over the next two years, we will be implementing enhanced internships for polytechnic students, and new place-and-train programmes for fresh polytechnics and ITE graduates. Tackling the sources of low productivity growth

19. We had in early 2010 set an ambitious target of achieving 2-3% in annual productivity growth over a decade. We are now coming to the half-way mark at end of 2014. In the first five years, productivity is expected to grow by slightly over 2% per annum on average, but almost all the gains were achieved in 2010, when we were recovering from the recession.

20. The weak productivity performance since then has reflected a mixed picture across different sectors. Progress has been strong in manufacturing, including traditional industries like food manufacturing and precision engineering. However, overall productivity has been weighed down by construction and certain domestically oriented services like retail and F&B.

21. Within each sector too, we see some firms moving ahead with innovations that enable them to do well even in a tight labour market, or by bringing in practices seen in other advanced countries, while others struggle to survive on old methods. The firms that are retooling, collaborating on shared services projects, show what is possible. Upgrading skills in the construction workforce.

22. We will take further steps to support this process of innovation and industry restructuring in construction and in the retail and F&B industries.

23. The construction sector will need time to transform. But we have to be clear about our objective, and work towards getting there: construction must be transformed into an efficient and more integrated industry, led by progressive firms and supported by a higher skilled workforce.

24. Our strategy to manage foreign workforce growth in construction is seeing results. It is slowing down this year, towards more sustainable levels. Therefore, as PM has already said, we do not expect to make major, further tightening to our policies. In particular, we will not need to further reduce the Dependency Ratios anytime soon.

25. Instead, we have to focus on raising the quality of the construction workforce, including bringing in more of the higher skilled and experienced workers. We will be introducing new measures to support this.

26. As I mentioned in Budget 2014, we have been considering mandating a minimum proportion of Higher Skilled (or R1) workers in each construction firm. We have consulted the industry on the way we should do this. From 1 Jan 2017, we will require construction firms to have at least 10% of their Work Permit Holders qualified as R1 workers. We will phase this in over the next two years, so as to avoid a large move at once, and to get progress in growing the overall R1 pool. Construction firms will have to upgrade 5% of their own workers to R1 status by end 2015, and another 5% by end 2016. (BCA will also phase out the project-level CoreTrade deployment requirement for Tradesmen, and focus on building up key construction personnel at the Foremen and Supervisory levels.)

27. We also want to help firms to bring in more of the higher skilled workers they need. We will introduce a new R1 qualification pathway to further increase supply of such skilled workers. From 1 September 2015, construction workers who earn a salary of \$1,600 or more, and pass the CoreTrade or Multi-Skilling equivalent test, can enter Singapore directly as an R1 worker. This will also benefit existing skilled workers who can draw a better pay by being upgraded. By upgrading and retaining a greater proportion of skilled workers, construction firms can enjoy lower foreign worker levies, better manage manpower costs, and stay competitive.

28. To retain this pool of more capable workers, we will also allow firms to hire Construction Work Permit Holders who are at the end of their work permit period, without them having to first leave Singapore, with effect from 1 June 2015. This will enable firms to tap on the experience that these workers have built up on the job in Singapore, while reducing the firms' search and hiring costs for skilled workers.

29. MOM and BCA have consulted the Singapore Contractors Association Ltd (SCAL) extensively on these measures, and will organise industry briefing sessions with SCAL on the details of these measures.

## **Retail and F&B Services**

30. Retail and F&B also offer potential for transformation.

31. We see three key trends globally in the retail business. First, shopping behaviour is changing rapidly and consumers expect more. They shop more online and do more research online and on social media. Next, retail is going digital, not just online but within the physical store, with the proliferation of new technology such as nearfield communication (NFC). NFC allows for quick digital payments in stores. And thirdly, Asia's growth is fuelling consumer demand, especially for e-commerce.

32. Together, these trends present significant opportunities in overseas markets, but also a need to evolve business models to serve a highly mobile, informed, and social consumer base. SPRING will work actively with our retailers to help them re-model their businesses, embrace an omni-channel strategy, and internationalise.

33. We will give self-service a bigger push, to make it a norm. SPRING will work with supermarkets to make selfservice checkout counters more of a norm. More restaurants and cafes too can use self-service systems, both for ordering and payment.

34. Self-service will also be extended to more sectors. Changi Airport will roll out the Fast and Seamless Travel (FAST) initiative at Terminal 4 when it opens in 2017. With FAST, each step of the departure process will be selfservice. At the Check-in Kiosks, passengers print their own boarding passes and drop off check-in luggage at a Self-Bag Drop. Moving through a fully-automated Departure Immigration Lane, passengers then enter the transit area where they can enjoy the full range of shopping, dining and entertainment options. Boarding is also automated - a tap of their boarding passes and passengers can proceed through the Self-Boarding Gates. For those who need assistance, customer service agents will still be on hand. FAST will be more seamless and provide better security. It will enable Changi Airport to handle more passengers, and grow as an aviation hub, with less manpower and space.

35. Second, we will look into payments. Innovative payment systems bring about several productivity benefits and time savings. For example, you can now make nearly instant transfers between bank accounts in Singapore, with the introduction of Fast and Secure Transfers in March (incidentally, also called FAST). When more customers use FAST instead of cheques, businesses have to do less paperwork. In the retail and F&B industries, payment innovation supports the shift towards more extensive self-service. For example, at some cafes, customers can already order food and pay through a mobile phone app without the need for wait-staff.

36. We can do more. Wireless handheld payment terminals that accept different cards are widespread in US and Europe in shops and restaurants. These allow staff to process payments right at the customer's table, or once a customer picks up an item, raising productivity through shorter waiting times and fewer dropped sales. This has not taken off in Singapore, partly due to our market structure. Payment terminals are supplied by individual banks, and many merchants hold multiple terminals.

37. The technology is available for unified terminals. Indeed some companies like Comfort Delgro already use a unified terminal in their taxis. However, it is realistically only large players who can negotiate with the banks and payment providers to achieve this. In Europe, it is made possible through the EU policy, which imposes crossborder interoperability across the continent. In the US, the large market size has resulted in a different structure, where merchants typically own their terminals and work with specialised payment providers.

38. Unified terminals bring real productivity benefits and we should work through the issues and scale it up. We will study this in depth with the industry, including the regulatory options.

## **Conclusion**

39. Tonight's award winners show us what is possible, and what steps companies can take on their productivity journey. Productivity improvement is possible in all areas, even in traditional realms like the catering business.

40. We can make this transition, and we must. We must make the transition to a vibrant and advanced economy, enabling a fully inclusive society.

41. My congratulations to all our award winners.

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[About Singapore Business Federation \(SBF\)](#)

As the apex business chamber, the Singapore Business Federation (SBF) champions the interests of the business community in Singapore, in trade, investment and industrial relations. Nationally, SBF acts as the bridge between the government and businesses in Singapore to create a conducive business environment. Internationally, SBF represents the business community in bilateral, regional and multilateral fora for the purpose of trade expansion and business networking. For more information, please visit our website: [www.sbf.org.sg](http://www.sbf.org.sg)