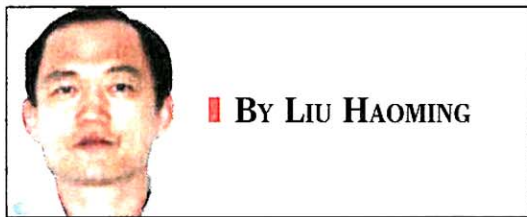


ST-NUS ECONOMICS DEPARTMENT SERIES ON THE IMPACT OF CHINA'S GROWTH

Don't take 'unlimited supply' of Chinese workers for granted



BY LIU HAOMING

SKILLS shortages when the unemployment rate hovers at 4 per cent? Believe it or not, that is the reality for many employers in Singapore and elsewhere.

Last year, Manpower Inc, a United States consultancy, published the results of its Talent Shortage Survey. It found that 30 per cent of employers worldwide had difficulty filling positions due to the lack of suitable talent. The corresponding figure for Singapore is 37 per cent.

The 2008-09 global economic crisis somewhat alleviated the skills shortages. In 2008, 57 per cent of Singapore firms said they had problems filling positions. But the situation could become serious again in the coming years as the global economy recovers. The rapid upgrading of Chinese industries will make it more challenging for Singapore firms to hire talent from that country.

As countries transform themselves

from being capital-based to knowledge-based, the ability to attract talent will be a crucial factor in determining which countries are competitive. Indeed, this was one of the major themes in the recently released report of the Economic Strategies Committee.

Singapore has been very successful in attracting talent from China in the past decade. One can get a rough picture of how successful just by counting the number of Chinese professors and researchers in Singapore's universities. Unfortunately, past results do not guarantee future performances.

As salaries rise in China, working in Singapore might no longer be obviously preferable to working in China. If China's economy keeps growing at its current pace, Singaporean firms will find it harder to recruit Chinese workers. This will not be limited to people with PhD degrees.

Given the difference in average salaries between China and Singapore, one might think that wages here should be attractive. However, the reality is not as simple as the average suggests. China's average is depressed by its relatively poor interior. But according to *The Economist*, the going rate for a director for human resources in a multinational company in



Employees assembling electric bikes at a factory in Wuhan. As salaries rise in China, Singapore may lose its allure for Chinese workers. PHOTO: ASSOCIATED PRESS

Shanghai reached US\$250,000 in 2007. Based on information gathered by Singaporean recruiting firm Kerry Consulting, the salary range for a similar position in Singapore is \$180,000 to \$400,000. After adjusting for cost of living, even the top Singapore offer is unlikely to lure a Shanghai human resources director to the Republic.

Even at lower levels, we cannot take the seemingly unlimited supply of Chinese workers for granted. The labour shortage in Guangdong two years ago may foreshadow what might happen in the future. Some assembly line workers in Tianjiang were already earning about \$6,000 a year last year. After adjusting for cost of living and other factors, a Sin-

gapore firm might have to pay twice as much as that in the near future to attract an unskilled Chinese worker. At that level, can Singapore firms still gain a cost advantage by hiring Chinese workers?

China's ageing population further limits its ability to export talent. Given that the current generation of young adults comes mostly from one-child families, their willingness to work far from home is much weaker than in previous generations.

If we can rely more on talent from other countries - say India - we might be able to limit the impact of China's changing demographics on Singapore. But this will only postpone rather than solve the problem of skills shortages. Employers

may have to rethink their business models and the government its manpower policies.

The resilience of Singapore's economy derives from its ability to respond quickly to change. Being able to adjust the labour force in a timely fashion is an important component of this resilience. Skills shortages might limit the ability of employers to respond to change.

New policies to boost the supply of local talents and attract foreign ones might be needed. The Economic Strategies Committee proposed several new measures, among them:

■ **Make Singapore a multi-cultural city that "provides an outstanding quality of life".**

Improving the quality of life will help attract and retain talent. Because many people are willing to sacrifice monetary compensation for a good quality of life, improving the living environment might alleviate the pressure of salary competitions with foreign firms.

■ **Promote human capital investment.**

It is always cheaper and easier to recruit and retain local rather than foreign talent. Increasing the supply of local talent will reduce Singapore's reliance on foreign talent. In addition, a better educated local labour force will smooth the adoption of new technologies, which in turn will reduce Singapore's dependence on cheap foreign workers.

Worrying about skills shortages when many Singaporeans are still unemployed might sound unreal. However, given how quickly the global economic environment can change and the time needed to cultivate human capital, it would be better to be prepared rather than be caught off guard.

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