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Opening keynote address by Senior Minister Goh Chok Tong at the Singapore Human Capital Summit at Shangri-la Hotel on 22 October 2008, 1700 hours

1. I welcome all of you to the inaugural Singapore Human Capital Summit. This summit is a useful platform, bringing together prominent government and business leaders, HR practitioners as well as academics to discuss strategies to develop leaders and human capital in the Asian context. This is important because it is the effective leadership and the human capital of a country which determine how its economy performs, especially in a difficult global environment.

A Connected World

2. This forum is also timely as we are facing stronger economic headwinds. What started as a sub-prime housing mortgage crisis in the US has developed into a financial tsunami for the US and Europe. As international finance is global, the tremors caused by the credit squeeze and collapse of major banks there have shaken Asia as well, causing a plunge in stock markets. Now, there is increasing concern over the possibility of a

global economic recession. Governments, businesses and workers will have to brace themselves for tough times ahead. In such uncertain times, it is even more critical to reflect on the importance of human capital and talent in driving economic growth.

Asia's Human Capital Challenges

3. In a seminal report a decade ago entitled "The War for Talent", McKinsey concluded that "the most important corporate resource over the next 20 years will be talent". It asked if companies were "ready to fight for their share". However, I understand that its prescriptions have been criticised for contributing to the excesses which caused the collapse of companies like Enron. Likewise, one could criticise the financial wizards on Wall Street for its excesses in financial engineering and creating highly-leveraged, complex derivatives, which Warren Buffet had called the "financial weapons of mass destruction". Nevertheless, one must not draw the wrong conclusion from these episodes about the war for talent. The war for talent has not ended. Rather, today's financial turmoil only highlights the increasing pressure that firms and shareholders face in coaxing innovation and performance from their employees. It also highlights the urgency of how to draw a fair share of such talent into government and public service. Regulators and public officials must be a match for those in the private sector whose profit motive may drive them into activities which can potentially cause systemic failure in the business environment.

4. Beyond firms, increasingly, governments have realised that the competitiveness of their economies will be driven by how successful they are in attracting and retaining talent. If not enough are being produced domestically, many are prepared to import them liberally. For example, the UK has a points-based system to attract more skilled migrants, while countries like the US and Australia, have leveraged on their education systems to encourage foreign students in their universities to stay on after graduation. Likewise, Hong Kong has introduced its Quality Migrant Admission Scheme in 2006. Singapore too, has the Contact Singapore network to facilitate “brain gain”.

5. Singapore has, therefore, organised the Singapore Human Capital Summit for government, academic and business leaders to share innovative ideas and best practices so as to develop solutions for Asia’s many human capital challenges. When given the opportunities, Asians can do as well as those in the developed West. The sad part is much of Asia has not provided these opportunities. Asia also has a lower standard of living. So not only are we under-investing in human capital, we are also losing some of our best. On top of this, several Asian economies also have to grapple with the impact of an ageing workforce.

The Singapore Experience

6. While no two countries face exactly the same circumstances, I would like to share Singapore's experiences in educating our young and keeping our workers competitive in the hope that it may help you in your discussion on how to meet Asia's human capital needs.

7. Singapore is famously known for its lack of natural resources. But we did not bemoan how history and geography had dealt us a bad hand. Instead, we took advantage of it. We used our inherent vulnerabilities to mobilise our people to focus on developing their own potential. We focus on education and acquisition of relevant skills on a life-long basis. At the same time, compact as our living space may be, our people understand the need to top up our population with foreign talent and to employ guest workers. These two strategic choices – developing our own people to their fullest potential and welcoming foreign talent – formed the foundation of our early industrialisation drive, and enabled us to diversify our economy and sustain our high economic growth for decades. I use the term “foreign talent” loosely to include professionals, academics, investors, entrepreneurs, skilled workers as well as sportsmen and artists. However, while our talent strategy may sound simple, the real challenge lies in the execution.

Developing Talent Infrastructure

8. First, we invest heavily in developing our human resource in Singapore, from young students to adults. Every year, we allocate 4% of our GDP to the Ministry of Education. At the basic level, we provide general education to all our young for at least 10 years. We differentiate the learning needs of different groups of students and customised the curriculum and pace of teaching to suit them. After 10 years of general education, they could pursue post-secondary school studies in the Institute of Technical Education, polytechnics and the three publicly-funded universities, according to their abilities and interests. A fourth publicly-funded university will be established in 2011, with an interdisciplinary focus and a strong emphasis on entrepreneurship. We are trying to make this university unique by having a tripartite partnership with an American or European university and a Chinese university.

9. For those already in the workforce, we launched a comprehensive Continuing Education and Training Masterplan earlier this year to quadruple our capacity to help our workers learn new employable skills. The Economic Development Board is also building on its Global Schoolhouse programme to develop a cluster of business schools, professional services firms and corporate universities that will give our own local and foreign talent the opportunities for professional development, so that they can become better leaders in their own fields.

10. The real test of our manpower strategy is whether our young people are able to succeed in the global workplace, not just in Singapore. Beyond technical skills, language skills and a global mindset are critical. Equally important is the ability to work well with others and across different cultures. This is one of the reasons why American billionaire investor, Jim Rogers, has moved to Singapore. He wants his children to study and learn Chinese in a bilingual environment. To nurture a global mindset, our tertiary institutions have exchange programmes with leading universities overseas. Not only that. Our primary and secondary schools have also linked up with partner schools all over the world, including 200 in China, India and Southeast Asia.

Beyond a Talent Hub to a Distinctive Global City

11. Our second thrust in attracting and retaining talent is to build a distinctive global city. This means building a distinctive city that is cosmopolitan in outlook and Asian in heart. It is not easy as this goes beyond physical infrastructure, modern buildings and leisure facilities. Most cities are agglomerations of highly mobile professional nomads. To integrate them, or at least have them around for long periods, we have to offer a lifestyle which they want to be a part of, and importantly, jobs that challenge them intellectually and pay well. An open economy which allows for free movement of trade, capital, people and ideas is essential.

12. Next, Singapore must be a “cool” place, a “funky” place or whatever term the creative and entrepreneurial types use to describe the kind of city they like to live and work in. This is why we host prestigious golf events and the Formula One Grand Prix. F1 races are not new but having a night race set on a street circuit in the heart of the city is. During the night race last month, pictures of Singapore’s skyline were splashed over the international media. Now others are going to have night races. That is the nature of competition, and it keeps us on our toes. So we will be adding other attractions such as the two new integrated resorts, the Gardens by the Bay, a new Sports Hub, and the new arts and cultural offerings to multiply our lifestyle choices. It is a total approach. At the same time, we have continued to invest in our reputation as a safe and clean place, with good schools and medical care to raise a family. To do all this, we need people, skills and talent.

Human Capital Research for Asia

13. The third thrust which we have been working on is to build up Singapore as a centre for leading human capital practices and capabilities. This will help our own companies and HR professionals raise their human resource standards and better develop and deploy their human capital. We therefore welcome research and the generation of new knowledge on human capital practices for Asia. In this regard, I am pleased to note that

leading consulting firms have decided to set up centres for applied research in HR and organisational thought leadership in Singapore.

14. For example, the Hay Group will be establishing its global R&D centre in Singapore. The centre will develop HR tools, methodologies and knowledge in strategy execution to help companies manage issues such as mergers and acquisitions, globalisation and modernisation of family-owned enterprises. Another example is Aon Consulting which will be setting up a regional R&D centre with a specialised team dedicated to research into the human capital aspects of corporate governance – a key concern to boards in the Asia-Pacific. In addition, Accenture will establish a Management Consulting Innovation Centre to capture the company's best thinking and experience from around the world; and Mercer will set up a physical presence for Mercer College in Singapore by early 2009.

15. These new developments will, we hope, enhance HR professionalism and practices in Asia.

Integrating Foreign Manpower

16. In addition to talent, Singapore needs foreign or guest workers. Having foreign manpower is necessary but there is also a political cost. In many countries, immigration policy is potentially even more controversial than trade policy. Unlike nameless production workers who live many thousands

of miles away, guest workers are often seen as directly taking away jobs from the locals. So governments are often forced to restrict the much-needed inflow of talent and foreign workers, at the expense of economic growth.

17. Just last week, the UK Immigration Minister hinted at an upper limit on immigration numbers, a policy that has long been resisted by the UK. Similarly, more Australians now favour a reduction in immigration than at any time since 1993.

18. Therefore, looking ahead, countries which need and welcome foreign manpower must manage the political friction that may arise with large numbers of foreign workers in their midst. Partly due to our history as a nation of immigrants, Singaporeans find it easier to accept intellectually and emotionally that foreign manpower is overall a plus for our economy. They understand that investors come because they are able to tap a foreign pool of labour to supplement local labour, especially with our ageing population. But still, it is important for the government to recognise the anxiety and fear of Singaporeans in the job market with so many hungrier foreign workers willing to do their jobs for less. They worry too that their children may be edged out in our schools and universities by foreign students. These are legitimate concerns that governments must deal with.

19. And indeed, we are faced with the dilemma of either going for maximum growth or accepting slower growth in order to slow down the inflow of foreign workers. It will not be an easy balance to achieve. For when growth slows down, so do the incomes of Singaporeans, while the costs of living may rise. Moreover, many Singaporeans may lose their jobs. But if the Government goes for growth, Singaporeans have to accept the increasing social costs of a growing foreign population in their midst.

20. Regardless of how this dilemma is resolved, our public policies must continue to make Singaporeans feel that it is worthwhile to be Singaporeans. So locals will continue to enjoy significant subsidies for public housing, education, and health care which foreigners do not. And when we run a budget surplus, we share them with Singaporeans only, through various surplus sharing schemes such as Growth Dividends and top-ups of their Central Provident Fund accounts. This is not a policy to disadvantage foreign talent in Singapore. It is a policy to recognise the nationality of Singaporeans, our citizen core for whom Singapore is their home, for which we defend with our arms and live for with our hearts. . Therefore, Singapore will stay open to talent flows, manage the rate of flow of unskilled and low-skilled foreign workers and minimise the social costs.

Conclusion

21. In concluding, may I congratulate the Ministry of Manpower and the Workforce Development Agency for organising the inaugural Singapore Human Capital Summit to assemble CEOs and Chief HR officers from around the region to discuss strategic human capital issues. Singapore has staged the event because we believe we can connect leading Western ideas and practices with the relevant traditions of Asia to meet the needs of the growing Asian markets.

22. I wish you all a fruitful Summit. Thank you.