Gearing up SMEs for the future

This year’s Budget makes restructuring the Singapore economy a priority. That spells big changes for small and medium-sized enterprises. Insight delves into why they are necessary.

By Boon Lye

B
tchers had not seen a job worth $2,500 a month when they left their hometowns in the 1970s for a better life in Singapore. The payment was more than the wages of a rice farmer or a factory worker in the Philippines or Malaysia.

But the-accentuated from being paid pittance and struggling to make ends meet to a life of relative content and security. They set an example that small and medium-sized enterprises (SMEs), which can soon become huge in size, are capable of not just defining but shaping the future of Singapore and the world.

SMEs are defined as having up to 100 employees and are a growth opportunity for the economy. More than 160,000 SMEs in Singapore are a key source of employment and innovation. They contribute 50 per cent of Singapore’s gross domestic product and 40 per cent of its exports. They are the engine of job growth.

Singapore has no choice but to work harder to keep our competitive edge. We cannot rely too much on low-wage workers, so we have to go to the next step of productivity improvement.

The government has set a productivity improvement target of 2 per cent to 3 per cent a year in the next 10 years. The productivity improvements will come from greater investments in research and development, better use of technology and productivity-enhancing training programs. And the SMEs will play a key role in this.

The restructuring process is likely to shake out companies, which can secure lower prices for raw materials and control variable costs. They have no control over these costs, he says.

Mr Chan of Asme notes that for the productivity improvement, SMEs could not adapt to “a new normal” of tighter controls on the inflow of foreign labour.

If access to foreign labour remained too easy, SMEs would not have to make productivity gains.

But even as the Government wields more with less, nor just about wage improvements. SMEs are “price takers” and “wage takers”.

Mr Chan of Asme notes that for the productivity improvement, SMEs could not adapt to “a new normal” of tighter controls on the inflow of foreign labour.

If access to foreign labour remained too easy, SMEs would not have to make productivity gains.

But even as the Government wields more with less, nor just about wage improvements. SMEs are “price takers” and “wage takers”.

Mr Chan of Asme notes that for the productivity improvement, SMEs could not adapt to “a new normal” of tighter controls on the inflow of foreign labour.

If access to foreign labour remained too easy, SMEs would not have to make productivity gains.

But even as the Government wields more with less, nor just about wage improvements. SMEs are “price takers” and “wage takers”.

Mr Chan of Asme notes that for the productivity improvement, SMEs could not adapt to “a new normal” of tighter controls on the inflow of foreign labour.

If access to foreign labour remained too easy, SMEs would not have to make productivity gains.