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ILR Impact Brief - Sustainable Workforce Development: The Paths of Singapore and India

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Abstract
Globalization compels developing economies to address workforce skill levels. Reliance on a low-skill, low-wage competitive advantage is perilous because countries with even less developed economies will inevitably undercut local standards. Given the established link between investment in human capital and economic growth, developing countries have a strong interest in fostering continuous skills improvement. Singapore and India are two cases worth noting.

Keywords
workforce, development, Singapore, India, industry, education, training, skill, government, business, labor, capital, export

Comments

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IMPACT BRIEF

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Sustainable Workforce Development: The Paths of Singapore and India

Research question: What policies and strategies have India's outsourcing industry and Singapore adopted to facilitate workforce education and training in order to foster economic growth?

Conclusion: These two countries have so far traveled different paths. Singapore is relatively well positioned to continuously upgrade the skills of its population. A 25-year history of concerted government efforts to link economic development with workforce development by focusing on training and education, forging consensus over goals and strategy with business and labor, and adhering to an export orientation have been a boon to Singapore. Its drive may be slowed, however, by limited basic research capabilities, insufficient venture capital, and low social tolerance for entrepreneurial risk. India's situation is less clear-cut. With a booming outsourcing sector for high- and low-end information technology (IT) services, labor shortages are emerging. Until 2005, there was little or no interaction among key actors (government and business) and thus no coordinated policy or strategic consensus on training and education, investment, research, or human resource practices. Dialogue about these critical issues is just now beginning.

Policy implications: The capacity of developing economies to improve the skill set of the workforce depends on a variety of institutional factors, including the relationships between and within the public and private sectors, the economic and educational infrastructures, and social norms. Unfortunately, policymakers' job is complicated by a dearth of theory and research about this critical development issue.

Abstract: Globalization compels developing economies to address workforce skill levels. Reliance on a low-skill, low-wage competitive advantage is perilous because countries with even less developed economies will inevitably undercut local standards. Given the established link between investment in human capital and economic growth, developing countries have a strong interest in fostering continuous skills improvement.

Singapore and India are two cases worth noting. Skills development in the tiny city state of Singapore is deliberate and systematic. Five features characterize its approach: 1) government-shaped national human resource policies tailored to each phase of economic development; 2) incentives for foreign investors to collaborate with the state in establishing training centers; 3) a "skills development fund" that collects money from and redistributes money to employers as skills-training grants; 4) an education policy that promotes long-term skills development; and 5) communication and coordination among government agencies involved in skills development, buttressed by a tripartite structure that gives labor, management, and government a place at the table. India, by contrast, lacks this unity of purpose as well as relational links between policies and institutions. Despite the booming IT outsourcing sector, planning occurs within organizational silos; thus, the ability to develop a coordinated response to the looming skills

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shortages in the high and low ends of this vital export industry is severely constrained.

Another way of assessing the ability of countries to continuously develop their human capital considers relevant policies, institutions, and practices and their effectiveness in producing the desired outcomes. Theorists suggest that government, companies, and workers must all be actively engaged in skills improvement. In addition, three institutional and market prerequisites must be in place: 1) factors that force organizations to take a long-term view; 2) factors that encourage inter-firm cooperation; and 3) an export orientation.

Again, Singapore stands out. A tight labor market, union agreements that promote job security, and social norms that value what education offers (qualifications, position, income) all sustain a long-term perspective. Government initiatives facilitate cooperation among companies for skills training, in particular by building administrative supports and providing investment incentives. Moreover, the country's corporatist arrangements facilitate ongoing communication and negotiation among government, business, and labor interests. Finally, international competition has been the cornerstone of Singapore's economic development strategy since 1965. Over the years, that strategy has evolved from an emphasis on low-cost manufacturing exports to value-added manufacturing exports and now, to services.

Apart from India's exposure to global competition through the IT sector, the prerequisites for continuous high-skills development are not yet fully apparent there. The absence of unions or other institutions that could sustain job security, labor shortages that facilitate job hopping, and immature capital markets all keep government, business, and workers focused on the short term. And yet, high turnover is prompting companies to take a longer view of their training and recruitment costs, a shift in perspective that is prompting cooperation and collaboration within the IT industry and between companies and educational institutions. In addition, human resources practices that cultivate employee loyalty and longevity are slowly emerging.

An assessment model based on a biological analogy may also be useful in determining countries' ability to sustain a high-skills eco-system in the mold of California's Silicon Valley. Using a standard based on *catalysts* (i.e., academic-industry links and universities that nurture basic research, autonomy, teaching, and academic freedom), *nourishment* (i.e., venture capital and human capital synergies involving research universities and private firms), a *supportive environment* (i.e., an infrastructure with transport and communications, science and technology parks, living conditions attractive to knowledge workers, and a regulatory regime and social milieu that encourage risk-taking), and *interdependence among actors* (i.e., vertical supply links upstream and downstream and horizontal links through intra-industry collaboration and professional networks), both Singapore and India have a way to go. Neither is strong in any dimension although Singapore shows some muscle in its vertical linkages.

These few models and examples can only take policymakers so far. What they need now is more empirical research on various countries' approaches to the interrelated challenges of economic growth and workforce development.

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