



Economic Thinking and Practice
in Singapore

Interview with Ravi Menon

Don't Close Off Options in
Tackling Income Gap

Interview with David Autor

Public Engagement: The Gap
between Rhetoric and Practice

Kenneth Paul Tan

Public Diplomacy: An Emerging
New Normal in Foreign Policy

Premarani Somasundram



ETHOS

ETHOS is a biannual publication of the Centre for Governance and Leadership, Civil Service College. It aims to provide thought leadership, insight and context on a wide range of public policy issues of interest to Singapore.

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The Editor, ETHOS
Centre for Governance and Leadership
Civil Service College
31 North Buona Vista Road
Singapore 275983
Fax: +65 6775 8207
Email: ethos@cscollege.gov.sg

EDITORIAL TEAM

Alvin Pang – *Managing Editor* | Sheila Ng, Liza Lee – *Editors*
Tan Li San, Stephanie Tan – *Editorial Advisors*

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“The challenge with globalisation,” argues Ravi Menon — currently Managing Director of the Monetary Authority of Singapore — is not its overall effects but its distributional ones. “There are almost always some who lose,” he points out in an interview published in this issue of *ETHOS* (*page 5*). That the survival and success of Singapore depends on our economic vitality and relevance to world markets remains a given. The question is how best to improve the lot of those who are less able to benefit from the particular activities that sustain Singapore — a concern, Menon suggests, that has always been at the core of public policy.

The matter appears far from settled. As the world’s economies continue to struggle through the tumult of financial crisis, the adequacy of venerable social structures and long-held values are being called into question. A more diverse socioeconomic and demographic landscape and other rapidly evolving market realities could place fresh strain on Singapore’s cornerstone tripartite partnership between labour, government and business (*p. 10*) as well as on current provisions for healthcare (*p. 30*) and wages (*p. 26*). Even Denmark — long considered a bastion of inclusive national development —

has had to reflect on its basic social institutions, seeking to strengthen those that confer “whole-of-society” competitive advantages (*p. 19*).

Some observers believe that Singapore needs to bolster its own institutions for consensus building and public engagement (a theme explored in the Oct 2011 issue of *ETHOS*), as a way to reduce blindspots in policymaking, and to galvanise broader participation in pursuit of shared public outcomes such as inclusive growth. Associate Professor Kenneth Paul Tan believes that recent efforts to foster greater engagement between the Government and the public have fallen short of expectations (*p. 36*). He attributes this to ingrained assumptions and structural biases that have to be overcome before a more constructive relationship can develop. Management consultant and former civil servant Chng Hak-Peng outlines strategies which the private sector has found productive in trying to harness the enthusiasm — and even criticism — of their stakeholders. Centre for Governance and Leadership researcher Vernie Oliveiro suggests ways in which the Government could make the most of the complex and diverse decision-making ecology in which public policy

now operates (*p.* 50). In a similar vein, Premarani Somasundram argues that it no longer suffices for states to conduct diplomacy behind closed doors: the reception of foreign publics is now a factor in achieving national goals, even as the line between domestic and foreign policy continues to blur in an interconnected world (*p.* 59).

That skews and limitations are inherent in human cognition and decision-making is a central theme of behavioural economics — a recent volume points out how insights from this relatively new discipline have informed policy design in Singapore (*p.* 67). Another recent book, by University of Michigan scholar Aneel Karnani (*p.* 71), calls into question the efficacy of prevailing strategies to fight poverty — including the notion that economic growth will readily trickle down to the poor. Instead, he advocates active government intervention to ensure that key services remain accessible to the poor, even as the public, private and civil sectors collaborate to address critical gaps in the market.

There are no ready-made solutions to the dilemma of globalisation, even if the contours of the challenges ahead have become better and more widely known, and hence more broadly contested. A pragmatic rather than dogmatic approach to policy should remain the gold standard in governance for some time to come, even if it could demand greater reserves of ingenuity, flexibility, compassion, and patience in the years ahead.

We have revised the visual presentation of ETHOS from this issue onwards, to provide a more attractive and effective layout, with better use of infographics, textual highlights, illustrations, and related information.

I hope you will find ETHOS an even better read, and look forward to any comments or suggestions you might have for the new format, or our editorial content.

Alvin Pang
Managing Editor, ETHOS
ethos@cscollge.gov.sg



INTERVIEW WITH RAVI MENON

Economic Thinking and Practice in Singapore

The application of economic principles to public policy has shifted significantly over the past decade, in response to new insights and changing circumstances, the Managing Director of the Monetary Authority of Singapore explains.

RAVI MENON

Ravi Menon was appointed Managing Director of the Monetary Authority of Singapore in 2011. He was previously Permanent Secretary at the Ministry of Trade & Industry and Deputy Secretary at the Ministry of Finance.

This interview was conducted as part of a research project on the evolution of economic thinking and practice in Singapore over the past decade by the Centre for Governance and Leadership, Civil Service College. It was prepared for publication by Godwin Tang, formerly Senior Researcher at the Centre.

In light of the recent global financial crisis, to what extent are the fundamental principles of economics still applicable?

The fundamental principles of economics remain relevant. For example, people respond to incentives; globalisation is on the whole good for national welfare. But we now have a richer and more nuanced understanding of these principles compared to say 10 years ago. Incentives operate in ways more complex than the rationality assumptions in classical economics. And the challenge with globalisation is not its overall effects (which are almost always positive) but its distributional effects (there are almost always some who lose).

So, the ways in which we apply economic principles to public policy must evolve and adapt. The operating context and circumstances have changed considerably. We should incorporate new paradigms such as behavioural economics to reinterpret these principles in light of changes to the operating environment so that they may be applied in more effective ways.

How have insights from behavioural economics influenced public policy?

In some sense, the Government has already been incorporating behavioural considerations in the design of its policies over the past decade. For example, the Government has adopted the use of

default options for policies aimed at improving participation — offering an “opt-out” rather than “opt-in” option for choices like human organ transplant and MediShield¹ coverage.

Other insights from behavioural economics have been more recent. For example, we now have a fuller appreciation of how “loss-averse” people can be — something we perhaps did not fully understand when we shifted the emphasis from ownership taxes to user fees with respect to controlling congestion on our roads. User fees like Electronic Road Pricing (ERP) make economic sense because they are based on two key insights: one, that it is *driving* a car rather than *owning* it that causes congestion, and two, rational people make decisions “at the margin” — meaning, if the marginal cost of an action (an ERP charge) is greater than its marginal benefit, then the rational choice is not to undertake that action (make that particular trip by car). But we now know from observed behaviour that car owners are more likely to drive their cars around as much as possible to “recoup” their initial “investments” on their vehicles, notwithstanding ERP charges! Economists call this the “sunk cost fallacy” — it is not rational behaviour, but it is real. And because it is real, we have to deal with it.

At the same time, we should not get carried away by these behavioural quirks and reject all notions of rational

behaviour. While the behavioural school provides an alternative avenue for understanding human motivations and responses, it does not readily throw up solutions or prescriptions to policy issues. The onus is still on policymakers to take a balanced view across different perspectives, apply judgement on the basis of reason and experience, and come up with workable solutions — all the while, maintaining a healthy dose of scepticism and a willingness to change and adapt if things do not turn out as expected. It is of critical importance that a pragmatic policymaker is prepared to hold opposing ideas in his mind and judiciously apply them according to different contexts and changing circumstances.

In what ways should the application of fundamental economic principles be reconsidered in light of changing contexts?

An area where we have been reconsidering existing paradigms is with respect to social safety nets. Singapore’s traditional antipathy towards welfare and safety nets is well-founded and premised on concerns about “moral hazards” — if something is subsidised, people consume too much of it; if benefits are given to those who have lost their jobs, they will prefer to remain unemployed. An entitlement mentality weakens the work ethic and moral fibre of society. And experience elsewhere has shown how real these effects can be.

But there is another dimension. The unfettered operation of the market will yield highly unequal outcomes, not to mention a high degree of volatility. There is also some evidence that growing inequality, in turn, leads to less social mobility. High inequality and low mobility also reduce public support for pro-growth policies. And all of this is indeed happening in many parts of the world, including Singapore. In our case, volatility will be exacerbated as we progressively transit to a high-wage, high-productivity economy. But how to design safety nets which blunt the more egregious effects of globalisation and yet preserve the work ethic? The Workfare Income Supplement (WIS) — which provides some income security to low-wage workers — is a recent example of how we have sought to do this.² We will need to examine other areas of our social policies to see how we can design safety nets that are more robust yet compatible with the right incentives — to create hope as well as opportunity.

Another area where constant re-thinking is required is in the choice between general subsidies and targeted subsidies. The Government has generally eschewed subsidies and transfers that apply across the board and instead opted for targeted, means-tested help. The two obvious exceptions are in education and in public housing. But even in other areas, it is not as targeted

as often imagined. Take for example, hawker centres. I regard them as one of our safety nets. Singapore is one of the few First World cities which offer good quality meals at almost Third World prices — thanks to its hawker centres. How is this possible? It is in large part through the provision of “hidden” subsidies that keep rental costs low. It is therefore a general subsidy that is available to all those who patronise hawker centres — rich and poor alike. An economically more efficient approach would be to have the “correct” rentals (and therefore higher food prices at the stalls) and give food stamps and vouchers on a means-tested basis to target help to the poor. But this economically neat solution ignores the not insignificant transaction and coordination costs in administering a regime of food vouchers, not to mention the issue of adjudicating who would qualify. And so, our current regime is not a bad one.

There has been recent debate about the need to generate more “inclusive growth”. What are your views?

The pursuit of economic growth has never been for its own sake. It was, rather, for the purpose of serving the greater social good of enabling all Singaporeans to have rising standards of living. The sustained growth of the Singapore economy over the last four decades has been a critical factor in

lifting most, if not all, boats. Robust economic growth has also afforded the Government greater fiscal space to redistribute resources to help those who have lagged behind. However, in recent times, changes to the quality of Singapore's economic growth, due to a combination of external factors, such as the global financial crisis, and domestic factors, such as an ageing population, have raised questions over whether economic growth alone is sufficient for achieving that greater social good on a sustained basis. The problem is not growth per se, but the *quality* of that growth.

We also need to be clear on what we mean by “inclusive growth”. Some view it largely in terms of a “new social compact”, arguing that with globalisation and technological change, market forces will lead to worsening income redistribution and that the Government should therefore extend its social safety nets wider. The emphasis is on fiscal redistribution. Others have articulated the need for a “new growth model” which will focus on skills upgrading and higher productivity, which will enable the market mechanism to deliver respectable wage growth for the majority of the workforce. The emphasis is on economic restructuring. I think we need both aspects but economic restructuring should be the main approach. It is better to have a situation where 70% of the workforce enjoys good wage

growth through higher productivity and we help the remaining 30%, than one where only 50% of the workforce earn good wages and the rest have to be helped through redistribution. The latter approach would not be sustainable.

Have public policies in Singapore been guided too strongly by economic perspectives, at the expense of social and other considerations?

This is perhaps a misconception about the purpose of economic analysis. Economics is not about dollars and cents; it is about scarcity and choice. Because resources are limited, we cannot have more of everything; we have to choose. This entails weighing costs and benefits, and making trade-offs among competing ends, which is what most public policies are about.

Some costs and benefits can be quantified, many others cannot be measured easily. But in making any public policy decision, we are implicitly imputing a value to the benefits and costs of different options. Sound economic analysis helps us to be clear about these costs and benefits and find the most efficient ways to achieve multiple objectives. Which particular efficient option we choose depends on the judgements we make about unquantifiable factors. Economics cannot tell us what our judgements should be; they depend ultimately on our values.

The choices in our public policies will become more complex and difficult: between safeguarding the environment and promoting growth, between lowering taxes and helping the disadvantaged,

between reducing dependence on foreign workers and relieving cost pressures, and so on. Economic analysis can provide valuable rigour that will help us make better informed choices. ✧

NOTES

1. MediShield is a low-cost catastrophic illness insurance scheme designed to help members meet medical expenses from major illnesses, which could not be sufficiently covered by their Medisave balance. MediShield operates on a co-payment and deductible system to avoid problems associated with first-dollar, comprehensive insurance. For more information, see http://www.moh.gov.sg/content/moh_web/home/costs_and_financing/schemes_subsidies/Medishield.html
2. The Workfare Income Supplement Scheme provides more income and retirement savings when older, low-wage Singaporeans work and stay employed, while Workfare Training Support Scheme complements the former by encouraging them to go for and complete training, so that they take on more productive work, improve their employability and move out of low-wage employment. For information, see <http://www.workfare.sg/>

The Future of Tripartism in Singapore: Concertation or Dissonance?

Singapore's tripartite model of labour relations has underpinned three decades of success, but it must now contend with destabilising forces in the modern globalised economy.

BY SOH TZE MIN ■ Soh Tze Min is Senior Researcher at the Centre for Governance and Leadership, Civil Service College. Her research interests are in social policy research and the policy sciences. She holds a Masters in Public Policy from the Lee Kuan Yew School of Public Policy, National University of Singapore.



Tripartism in Singapore: A Social Partnership

While labour unrest is accepted as a common phenomenon and an unavoidable business cost for investors in many developed countries, it is almost unheard of in Singapore, where a track record of peaceful industrial relations has been a surety against the loss of business and production opportunities and a key attraction for investors. Singapore's peaceful industrial relations — a centrepiece of its economic competitiveness — have often been attributed to its model of tripartism: a “social partnership”¹ of the Government, employers and workers.² In a process of “policy concertation”,³ the tripartite partners negotiate, aggregate and align their interests towards national objectives of economic and social development even as they represent and advocate for the broad interests of their respective constituents.

The role of a centralised tripartite social partnership in fostering social and economic progress is not unique to Singapore, as it is also being practised in Germany and Austria. It is well recognised among labour economists that countries with some form of tripartite partnership and engagement have better economic and social outcomes — economic efficiency, top line growth and social equity — compared to those with enterprise-based bargaining.⁴ In this regard, Singapore's economic growth stands as a testimony to the success of

its tripartism model. In 2011, the World Economic Forum ranked Singapore as the most competitive Asian country that possessed the most cooperative labour-employer relations.⁵

Cultural and Structural Foundations of Tripartism in Singapore

In spite of its widely recognised benefits, the centralised tripartite model is fast becoming a rarity. Countries such as Australia, Ireland and the UK have turned from a centralised tripartite model to enterprise-based collective bargaining, characterised by growing numbers of disparate trade unions each competing for members, and contending with employers for employment benefits according to the particularistic interests of their members.

Given this global context, the longevity of Singapore's tripartite model continues to intrigue observers. Proponents exhort Singapore's tripartite partnership as a “really dynamic, effective tripartism that is very functional, very pragmatic, very operational”⁶ — one that deals with pertinent interests of the Government, employers and workers. Critics deride tripartism in Singapore as a tool for “bureaucratic-authoritarian corporatism” where trade unions have become “primarily, arms of government”⁷ that facilitate state control of labour for the interest of businesses and “are not, therefore, really trade unions”.⁸



In 2011, the US experienced a total of 19 work stoppages involving 113,000 workers, amounting to 1.02 million workdays lost.

Source: “Economic News Release: Work Stoppages Summary”, United States Department of Labor, Bureau of Labor Statistics, accessed 9 February, 2012, <http://www.bls.gov/news.release/wkstp.nr0.htm>

The US unemployment

rate increased from 5.8% in 2008 during the subprime crisis to 9.3% in 2009. It increased to 9.8% in 2010 and has been hovering between 8.8% and 9.2% in the first two quarters of 2011. Its GDP grew by 3% in 2010 and is projected to remain between 2.5% and 2.17% till 2012. Legislation such as minimum wage and labour union wage mark-ups have hampered flexible labour adjustments to market forces and kept its unemployment rates persistently high.

Source: United States Department of Labor; Bureau of Labor Statistics; International Monetary Fund.

Ireland's

unemployment rate increased from 6.4% in 2008 to 13.6% in 2010 and its GDP contracted by 13% from €180 million in 2008 to €156 million in 2010.

Source: UK National Office of Statistics; Central Statistics Office Ireland; International Monetary Fund.

LABOUR RELATIONS AND THE GLOBAL CRISIS

The 2008 global financial crisis brought into sharp relief the centrality of Singapore's tripartism model to its economic development. The concertation of tripartite interests kept industrial relations in Singapore peaceful and facilitated labour market adjustments during the crisis. Consequently, Singapore bucked global trends and continued to experience overall employment growth during the 2008 crisis. This is the first time that Singapore's employment rate grew during an economic downturn. Employment numbers continued to increase from 2.95 million in 2008 to 2.99 million in 2009.¹ The retention of human capital gave Singapore the competitive advantage to respond quickly to the unexpected rebound. As a result, Singapore achieved a strong economic performance of 14.5% growth in GDP in 2010, fuelled mainly by expansion in the manufacturing sector which grew by 19.3%.²

In stark contrast, social tensions arising from the breakdown of trust between businesses, labour and the governments in the US, UK and Europe Union countries brought labour negotiations to a stalemate, exacerbated unemployment and further attenuated economic growth.

NOTES

1. "Key Manpower Statistics. Employment", Ministry of Manpower, accessed July 24, 2011, <http://www.mom.gov.sg/statistics-publications/national-labour-market-information/statistics/Pages/employment.aspx>
2. "Singapore Yearbook of Statistics 2011: Key Indicators", Singapore: Ministry of Trade and Industry, Department of Statistics, June 2011.

What is evident is that tripartism has developed into a key institution that is central to Singapore's social and economic development. Its institutional strength rests upon its resilience and adaptive capability, which rest on its structural and cultural foundations.

Structural Foundation

Singapore's tripartite model institutionalises structures and processes that aggregate and align interests between the Government, employers and workers. It provides a

platform for balancing the trade-offs and benefits among its stakeholders:

- Businesses enjoy profitability from access to high quality human capital and factors of production at competitive rates. In return, they contribute to economic growth and the transfer of knowledge and skills to Singapore's labour force.
- Workers accept wage moderation in return for economic growth, which sustains employment and wage growth through redistribution of economic gains. Since the unions take the broader view of supporting employment for all workers, rather than protecting only unionised employed workers, Singapore is able to avoid insider-outsider conflicts that typically characterise industrial relations elsewhere.
- The Government leverages culture, structures and leadership within the tripartite partnership to signal national directions. It also provides resources—convening capital and labour to move in an aligned and cohesive manner towards national goals.

Cultural Foundation

Balancing the conflicting interests between the tripartite partners — in particular potentially contentious

employer-employee relations — requires profound trust. While institutionalised structures and processes for negotiation form the hardware of tripartism, the software that keeps it going is a culture of mutual understanding and consensus. This cultural foundation was laid in the early days of Singapore's Independence, between the National Trades Union Congress (NTUC) and the Government.

Workers organised under the NTUC have distinguished themselves from more confrontational union approaches by positioning themselves as “positive agents for modernisation and progress”.⁹ Rather than contending with employers for wages and employment benefits through collective bargaining, the NTUC has supported the national objective of economic growth and seeks benefits for all workers, not only unionised workers. It has done so from the premise that it is “bourgeoning areas of employment”¹⁰ — from economic growth and progress — that fuel organised labour.

NTUC's fundamental position of voluntarily supporting economic growth to preserve employment and income security for workers help disprove criticisms that trade unions in Singapore are co-opted “de facto arms of the government”.¹¹ The symbiotic relationship between NTUC and the Government was born out of a convergence of respective interests during the early days of independence, when the ruling party's policy of



2010: The average income of households in the top 20% was 12.9 times more than those in the bottom 20%.

economic growth through rapid industrialisation also advanced worker interests. This early relationship established a foundation of mutual trust and consensus that continues to this day.

“‘The right to work’ and ‘the right to organise’ and all the other sacred cows of trade unions in the developed countries are the RESULT, and not the CAUSE of economic growth and progress.”

- The late Devan Nair, then Secretary-General of NTUC¹²

The Challenges of Tripartism

Around the world, tripartism is waning: union membership is declining across Europe, Ireland, Netherlands and South Korea.¹³ Globalisation has skewed bargaining power in favour of businesses by expanding labour supply and increasing factor mobility, heightening conflicts between business and worker interests. With an open economy, Singapore is hardly immune to the destabilising forces of globalisation. Furthermore, changes in the social, economic and political environment are raising questions about the sustainability of tripartism in Singapore.

Widening Socioeconomic Disparity

Growing economic volatility, wage stagnation and widening income

disparity are undermining the foundation of a centralised tripartite partnership premised upon the distribution of the fruits of economic growth. In the last decade, real wages in Singapore have fallen two-fold from 5.3% in 2000 to 2.7% in 2010.¹⁴ Correspondingly, Singapore's Gini Coefficient has seen an upward trend, increasing from 0.43 in 2000 to 0.45 in 2010 where the average income of households in the top 20% is 12.9 times more than those in the bottom 20%, an increase from 10.1 times in 2000.¹⁵

Left unmitigated, such trends are likely to increase workers' demands for jobs and income security through collective bargaining and representation which contradict employers' interests to minimise business costs. Such opposing interests between businesses and workers can strain tripartite relations and are likely to make it more difficult to achieve consensus in the future.

Growing Workforce Diversity

With the restructuring of Singapore's economy to focus on knowledge-based activities, the proportion of Professionals, Managers, Executives and Technicians (PMETs) in Singapore's resident labour¹⁶ force has increased from 42% in 1999 to 52% in 2010.¹⁷ This implies that the NTUC, which has traditionally focused on Singaporean rank and file workers, will need to recalibrate its advocacy and representation.

Changes in the social, economic and political environment are raising questions about the sustainability of tripartism in Singapore.

In order to strengthen its relevance to its constituents, NTUC is already attempting to regain ground with its constituents. NTUC's recent push to be more "pro-worker" and seek better employment for Singaporeans¹⁸ is manifested in its open thoughts about "pushing for a cap on the number of foreigners in white-collar jobs"¹⁹ and a review of CPF cuts for older workers.²⁰ Such assertions signal a shift from the traditional approach of consensus building within the tripartite partnership.

Alternative Platforms for Representation and Advocacy

Contending with NTUC's role of advocating and representing worker rights are the growing numbers of alternative worker advocacy platforms. Social media organisations are harnessing the reach of the Internet to challenge traditional union representation and provide advocacy for specific segments such as displaced and unemployed PMEs. Many of these new advocacy movements are now able to garner sufficient support online to enact real world action for change. For

example, Transitioning.org's online petition "Employ Singaporeans First" led to a public forum for unemployed PMEs at the Speakers' Corner on 25 June 2011. The forum called for the implementation of minimum wage, "Singaporeans first" employment practices, and a re-examination of the pro-business tripartite model.²¹

While such "alternative unions" remain isolated and relatively small, they portend a proliferation of advocacy platforms and interests that could well detract from the efficacy of Singapore's tripartite model based on the aggregation of interests. As concertation becomes difficult, if not impossible, worker interests that have fallen through the gaps are more likely to seek a voice with alternative advocacy groups, accelerating the disaggregation of advocacy. Given this backdrop, the NTUC may even have to seriously consider the possible emergence of a rival union in future.

Risk of Complacency

In addition to external social and political pressures, the cultural foundation of tripartism in Singapore, building on its historical legacy, faces the risks of erosion by its own success. Three decades of peaceful industrial relations may have come to be taken for granted by a new generation of Singaporeans who have not experienced fractious industrial relations, and who may not feel the need to maintain the health of



In January 2012, a public transport strike in Belgium opposing the European Union's proposed austerity measures halted rail, buses, flight and port services and other essential activities.

Singapore's union membership grew by

40%

from 314,475 in 2000 to 549,878 in 2010.

THE FUTURE OF TRIPARTISM: THREE SCENARIOS

How might tripartism evolve in an increasingly complex and challenging environment? Three scenarios are possible:

Tripartism Endangered

Driving forces in the environment are pulling the respective tripartite partners in different directions, and gaming by any one of the partners to gain maximum benefits for its constituents could damage trust in tripartite processes. Tripartism could be superseded by growing numbers of disparate independent interest groups advocating and contending for different worker interests — such as older workers, women, foreigners and local workers — along with alternative business interest groups who have similarly broken away from a federation representing employers' interests.

Tripartism Rejuvenated

The adaptive capacity and resilience and the institutional strength of Singapore's tripartite model could prevail, allowing the essence of trust, mutual understanding and consensus to be retained while engaging with more diverse and complex worker demands. Should the process of negotiations and consensus building then become messier and more complex, the Government would have to play a greater role in balancing the interests between business and workers.

From Tripartite to Multipartite Relations

The essence of trust, mutual understanding and cooperation may well be preserved within the tripartite partnership. But rather than having individual leaders representing aggregated interests from each stakeholder group, there will be collective leadership from businesses and unions to represent variegated stakeholder interests. Similarly, the Government would have to play a greater role in balancing these interests.

tripartite institutions. Were tripartism perceived to become less relevant to stakeholders, the partnership could splinter into disparate, even contending, interest groups, each attempting to amplify their value to their respective constituents.

Whither Tripartism?

Tripartism has helped maintain Singapore's social cohesion, competitive advantage, and economic resilience for the past 30 years. Its viability and value are premised on the delicate balancing of diverse interests among tripartite partners, and aligning energies towards common objectives that maximise all interests. The inherent fragility of such a balancing act has been mitigated by the shared dedication and mutual trust of generations of active tripartite partners.

Will tripartism in Singapore persist as a partnership of concertation or will it break down into a dissonance of interests? The reality that tripartism has to contend with is one where interests are likely to be disparate and diverse. In such an environment, would it crumble and be superseded by disparate independent interest groups? Or would it evolve new forms of consensus building — perhaps more untidy and

complex ways of working through divergent interests and views — but nevertheless coming to a constructive consensus between workers, employers and the Government?

While its institutional strength, strong cultural and structural foundations seem likely to sustain this centralised form of collective representation in the near- to medium-term, tripartism's long-term survival amidst an increasingly complex environment remains debatable. Nevertheless, the demonstrated adaptability of Singapore's tripartite partnership could well see it through the many uncertainties ahead. ✨

NOTES

1. Katz, Harry, Lee, Wonduck and Lee, Joohee, eds, *The New Structure of Labor Relations: Tripartism and Decentralization* (New York: Cornell University Press, 2004).
2. In Singapore's tripartite process, employers are represented by the Singapore National Employers Federation (SNEF), and workers by the National Trades Union Congress (NTUC).
3. Fraile, Lydia, ed., *Blunting Neo-Liberalism: Tripartism and Economic Reforms in the Developing World* (Basingstoke, UK; New York: Palgrave Macmillan, 2010).
4. See Endnote 3.
5. Schwab, Klaus, *The Global Competitiveness Report 2011–2012* (Geneva: World Economic Forum, 2011), 470.
6. Quote from Mdm Cleopatra Doumbia-Henry, Director for International Labour Standards, International Labour Organisation, in Speech by Mr Gan Kim Yong, Minister For Manpower at the 2nd International Trade Union Confederation For Asia And The Pacific (Ituc-Ap) Regional Conference, 11 May 2011, Wednesday, 10.20am, NTUC Club Downtown East.
7. Barr, Michael D., "Trade Unions in an Elitist Society: The Singapore Story", *Australian Journal of Politics and History*, 46 (2000): 480-496.
8. See Endnote 7.
9. Nair, Devan C., *Not by Wages Alone: Selected Speeches and Writings of C.V. Devan Nair, 1959–1981* (Singapore: The National Trades Union Congress, 1982).
10. See Endnote 9.
11. See Endnote 7.
12. See Endnote 9.
13. See Endnote 1.
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The Danish Negotiated Economy

Denmark thrives on a strategy of institutional competitiveness: policies, incentives and norms that create a whole-of-society comparative advantage.

BY
OVE K. PEDERSEN

Ove K. Pedersen founded the International Center for Business and Politics and is Professor in Comparative Political Economy at the Copenhagen Business School. He is Honorary Professor of Public Administration at Aalborg University and has been a visiting scholar to Stockholm, Harvard, Stanford and Sydney Universities and Dartmouth College. He has been writing political commentaries for several years for a number of Danish newspapers and was awarded the best communicator of scientific knowledge (2008) by the Minister for Science, Technology and Development.



Introduction

Denmark is characterised by a number of distinct traits: a small and open economy, a stable democratic political system, a high proportion of organised wage earners covered by collective agreements, a political culture marked by social partnership, and a long tradition of institutionalised class-cooperation. In this sense, Denmark has not only developed from a market to a mixed economy, but from a mixed to a negotiated economy.

Because of its political history, the institutional structure in Denmark is hybrid. Market power and state authority are mixed in corporate bodies. Public authority is delegated to a large number of private and semi-public institutions, and decisions are taken in negotiations among mutually autonomous and collectively organised partners.

Negotiations and the Economy

In Denmark, negotiations are widely used as instruments for decision-making in relation to the allocation of productive resources as well as the (re)distribution of output. This said, important changes have taken place in the last 25 years as a result of European integration and globalisation. For example, new and more extensive and intensive cooperative arrangements have been erected — with the result that a growing proportion of economic allocation is now conducted through institutionalised

negotiations involving a still greater number of organised interests.

Consequently, we see a general long-term trend in the direction of a negotiated order in important sectors of the economy: in the labour markets managing the wage formation by consensus mobilisation; in the political system managing state reforms through cooperative negotiations; in intensive formal and informal relations between the state and organised interests managing European integration; and finally in adapting national industrial structures through collaborative arrangements between the state and other actors.

The negotiated economy, however, is more than an instrument for decision-making. In general, the negotiated economy consists of several types of organisations, each covering different functions. Some of these organisations analyse socioeconomic problems and identify the political measures necessary to solve them. Others describe actual problems in socioeconomic terms; at the same time they conceptualise social issues in ways that can achieve broad acceptance throughout the political system by the majority of the population. Others aim at transforming the dominant perception of socioeconomic problems into systematically structured, analytically justified language codes.

All these organisations attempt to mobilise mutual understanding of a socioeconomic situation, which

functions as a discursive framework for negotiations. The actual framework, known as the *socioeconomic discourse*, has taken more than 50 to 60 years to develop and constitutes a blend of liberal and social democratic principles. It is liberal in the sense that it respects the autonomy of economic actors and organised interests, and it views the Danish economy as an open economy that is exposed to international competition and must find ways to be internationally competitive. It is social democratic in the sense that it portrays the national economy as a “community of fate” with a multiplicity of social interests, and attempts to secure the interests of the whole by inducing social pacts, helping the parts to act responsibly with respect to the overall socioeconomic balance.

Because of its political history, the institutional structure in Denmark is hybrid. Market power and state authority are mixed in corporate bodies.

Within this common worldview, multiple actors engage in institutionalised negotiations on the themes and procedures for negotiations, and sign agreements. Arbitration and sanctioning organisations conciliate and sanction breaches of agreements.

Reform of Society and State

In the 1990s and early 2000s, Denmark experienced a relatively short but very hectic period of prosperity after a comprehensive reorganisation of its political and economic institutions. In the 1980s, Denmark’s welfare state was reformed through a series of pragmatic compromises between multiple parties. At the beginning of the 1990s, the unintended consequences of this unplanned reform became evident. In 1960, Danish public expenditures, as a proportion of gross national product (GNP), were lower than the average within the Organisation for Economic and Co-operation and Development (OECD) (24.6% of GNP in Denmark versus 26% of GNP in the OECD). In 1992, the picture had changed: Danish public expenditure was 60.2% of GNP, compared to the OECD average of 48.5%. Again, it was not before the mid-1980s that the need to curtail internal cost and external demand was translated into a policy to reduce public expenditure, and not until mid-1990s that this policy achieved rather remarkable results.

Despite the successful application of austerity measures, severe macroeconomic problems remained. The growth of the competitive industrial sector was never sufficient to finance imports and growing welfare expenses. Austerity created a high and persistent level of unemployment. Annual inflation soared. Many believed that inflation was

driven by public and private sector wage growth and began to doubt whether traditional corporatist institutions could still moderate wage demands. The efficacy of Keynesian demand management was also questioned, particularly when public sector spending appeared to be unsustainable. Consequently, the government needed new means to address the macroeconomic imbalances.

It was eventually acknowledged that the most decisive elements in the economic downturn stemmed in fact from the international nature of the crisis in the 1980s. This led to the recognition of the need to move from a policy of stabilisation (demand oriented) to one of growth (output oriented). The acceleration of economic integration across Europe, and the gradual deregulation of industrial and financial sectors under the World Trade Organisation and European Union, put pressures on the Danish industrial structure. This accentuated the relative importance of having a long-term structural policy and supply-side measures, and the need for reform of available macroeconomic instruments.

In Search of a National Strategy

This reform took place between 1976 and 1996. Measures towards a structural policy were established, including the development of an active industrial policy, the modernisation of the public sector, and the reframing of macroeconomic and microeconomic issues. By the end of

the 1980s, greater understanding of the nature of international competitiveness led to the development of a new set of microeconomic problems and instruments. The need for structural adjustment was addressed with initiatives emphasising much closer coordination — across issues, and between public and private actors.

Around 1990, the conception of structural problems shifted from a focus on barriers to growth and adaptation in Danish industry, to the adaption of Danish society as a whole — including both the public and private sectors. This new conception of structural policy represented a much more continuous, simultaneous and, importantly, integrated structural adaptation of the public and private sectors. The concept of *institutional competitiveness* was introduced, and emphasis was put on institutional change.

The intent of institutional competitiveness is to use institutional reforms and behavioural change to create comparative advantages.

Consequently, structural policy became more micro-oriented, entailing not only coordination and restructuring within and between policy sectors but also a continuous review of policies for

WHAT IS INSTITUTIONAL COMPETITIVENESS?

In the 1960s and 1970s, international competitiveness was understood as wage competitiveness, managed by demand-side policies.

By the 1980s, measures of competitiveness were reformulated as a composite index to include the relative unit cost of labour, capital costs, productivity, and exchange-rate development. The dominant emphasis was on the importance of a national economy's productive structure, the technology content and marketing of its products, the degree of flexibility of its labour markets and industrial organisation, as well as the productivity and efficiency of its public sector. The modernisation of the state was seen as a condition for the restructuring of industry and labour, with a review of the welfare state regarded as necessary for enhancing competitiveness.

International competitiveness came to be understood as structural competitiveness, and later as *institutional competitiveness*. Active industrial and labour-market policies, and the creation of an efficient welfare state, would come to dominate the socioeconomic discourse with a focus on supply-side oriented measures.

In general terms, *institutional competitiveness* is the capacity of a country to compete by reforming the institutional (legal, political, economic and cultural) context for firms, and by intervening in the attitudes, values, aspirations, and interests of citizens and firms. The intent is to use institutional reforms and behavioural change to create comparative advantages.

the population as a whole. This entailed an ongoing emphasis on institutions (norms and incentives) and their reform.

This shift in strategy was perhaps clearest in the area of public sector modernisation, where there were efforts to reconsider the role and boundaries of the entire public sector:

- From 1990, Fiscal Policy Statements published by the Ministry of Finance began to treat questions of **structural transformation** as the overarching consideration towards which most

other policies were oriented, including stabilisation policies.

- Next, several programmes and plans were initiated to promote **experimentation** with new types of public sector governance and new relations between public and private bodies.
- In a third phase, drawing attention to the existing boundaries between state and economy, the **microeconomic efficiency of the entire public**

sector became a key ingredient. The welfare state came to be looked upon as a primary instrument for shifting incentives and motivations for youths as well as the working population, through reforms to the tax structure as well as welfare benefits and services.

In Search of New Instruments

Since this strategic shift in the 1990s, the institutional reform of four policy areas has been at the centre of continuous negotiations and policy changes:

1. **Wage policy.** Since 1987, a peculiar institutional arrangement on the labour market has made it possible for the government and peak-organisations in the private and the public labour market to manage wage formation by consensus mobilisation. Indirect guidance and control of the wage formation was increasingly used to adjust nominal wages to ever-changing macroeconomic conditions. The flexibility gained by this lack of clear-cut distinction between state intervention and self-regulation was based on the willingness of the organisations to implement wage limits without government intervention.
2. **Structural policy.** During the 1980s, institutionalised forms of investment through pension funds and wage-earner capital were

introduced. A key premise for this development was a number of legal adjustments in 1983 that gave wage-earner funds and pension-funds more leverage on the Danish capital market, allowing these funds to play an important role in capital allocation. This development was made possible by the emergence of bipartite and tripartite institutions, who came to a consensus on the necessary policy adjustments and structural changes.

3. **Welfare policies.** Massive employment programmes were implemented from 1976 in the light of high (8% to 9%) unemployment rates. From 1982 to 1989, a new labour market policy was attempted. The intention was to restructure the composition of the labour force and improve its flexibility through pre- and on-job-training programmes. Today, education (including re-education) is considered the primary mechanism for adjusting the labour force.
4. **State reforms.** Public expenditures came under control due to strict austerity measures at the end of the 1980s. New models for managing the public sector were introduced, including limits established in the 1990s that made deficit spending next to impossible. Other public sector reform initiatives included privatisation programmes (few

examples), deregulation (some examples), outsourcing (several examples), New Public Management measures (many examples), and decentralisation of the wage formation (very many examples).

Conclusion

Today, Denmark has a general system of negotiations. Each year, the Ministry of Finance negotiates the state budget with other ministries in order to prepare the government's budget proposal for parliamentary approval. Once the budget is approved, the Ministry negotiates with local authority peak organisations to determine how much money the regions and municipalities get from the national budget. Every second year, the labour market organisations negotiate national wage agreements that set the parameters within which subsequent labour market negotiations transpire at the sector and firm levels. The Ministry of Finance participates as the peak organisation for all public employers at the state, region and county levels.

The emergence of a strategy for institutional competitiveness is a rather new phenomenon. Severe questions remain as to its implementation. Problems and ambiguities persist. The overwhelming complexity of a negotiated economy is one reason why the new national strategy has remained vague. Another is the small and open character of the Danish economy. While

a time lag for policy adjustments is to be expected, questions about the efficiency of the change process have been raised. This is why the economic results of this highly cooperative political culture in Denmark have been slow in coming, yet have been very impressive once they took momentum in the 1990s up till 2008.

Significantly, the global financial crisis from 2008 did not mark Denmark as it had other European countries. Unemployment from 2008 to 2012 has been relatively low (6%); the balance of payment positive; foreign debt is now at a historic low; inflation has been moderate. Relative to Sweden and Germany, Denmark was hit by low productivity — a reminder of the need for ongoing labour market reforms. Private household debt did soar as a result of deregulation of the house market in the 1990s and financial policies in the 2000s. The general system for negotiations has been expanded to include more actors, levels and policies. A new wave of major labour market reforms was initiated by tripartite negotiations at the beginning of 2012. Denmark's strategy for institutional competitiveness remains intact. ✎



INTERVIEW WITH DAVID AUTOR

Don't Close Off Options in Tackling Income Gap

A leading US labour economist discusses the challenges of rising income inequality in Singapore.

DAVID AUTOR

Professor Autor, Associate Head of the Economics department at the Massachusetts Institute of Technology, is a labour economist specialising in human capital and earnings inequality, as well as the impact of globalisation and technological change on labour markets. He is known for his work on the polarisation of job opportunities in the American labour market, where the replacement of routine, middle-rung jobs by technology has left the bulk of openings in the high-skill, high-wage sector and labour-intensive, low-wage sector. His work has won him awards from organisations such as the National Science Foundation and the Society of Labor Economists in the US. He serves as a faculty research associate at the US National Bureau of Economic Research and editor-in-chief of the *Journal of Economic Perspectives* published by the American Economic Association.

Professor David Autor was in Singapore to speak at a symposium on achieving inclusive growth organised by the Ministry of Trade and Industry and the Civil Service College. He was interviewed by *The Straits Times* journalist Tan Hui Yee, who contributed this article to ETHOS.

Can wage inequality be tackled by raising productivity?

Focusing on productivity growth alone may not close the wage gap because productivity does not rise evenly across all sectors. Technology has allowed productivity in manufacturing to rise manifold, but society has not yet quite figured out how to make less standardised work, like domestic work or food services, a lot more productive. You are not going to make someone 100 times more productive at hair-cutting, for instance. In such cases, wage growth may not hinge so much on productivity

but rather on the options available to people holding those jobs.

This is where education comes in. If you make people skilled in doing other things, they will demand higher wages to do their current jobs, because they have other opportunities. Barbers have not grown their productivity much over the past few decades, but are paid more over time because they have to be compensated for cutting hair instead of doing something else.

People care a lot less about inequality when everybody is getting wealthier, but economic growth does not reduce

inequality. If everything grows at the same rate together, then inequality does not increase.

You have advocated making higher education available to as many as possible. How will this be paid for?

Raising the education level of your population increases productivity and incomes. In many ways, educated people also do better in life. However, not all of it has to be paid for publicly, because a lot of the benefits are private. The fact that more people go for college education does not mean the government has to spend an ever larger share of national income subsidising higher education.

Economic growth does not reduce inequality. If everything grows at the same rate together, then everything stays the same.

Over time, I would hope that higher education becomes more efficient. Currently, it is an elite system and carried out in a very expensive way. You have educator-scholars, but they are expensive because they do not spend most of their time teaching. A lot of their salaries goes into allowing them to conduct research. But that need not be the case. When college education is universally provided, the teaching

does not necessarily need to come from frontier scholars.

Singapore's leaders have called for businesses to be more inclusive, to create better jobs for those in the lower rungs and give them a fair share of the productivity gains. What do you think about this?

If you said this in the US, I would say it is not viable. In Singapore, the power of public officials to influence behaviour of corporations through moral suasion and through examples is probably much larger. But, to the degree that equality is a public good, it is very difficult to get private actors to provide it.

The nature of a public good is that we all benefit from it but it does not make sense to do it on our own. We all believe we should have taxes, but if we made taxes voluntary, you would be an idiot to pay them. If you want to have a military, you cannot hope that people will just donate weapons and show up for military training; you tax people in order to form a military.

It is not logical to expect individual companies to provide public goods, because it may hurt their competitive position to do so. For example, it will be very expensive for one company to provide maternity leave when others do not, because a lot of people who know they are going to have kids will choose to work for that company. But we can all agree that these things need to be

provided, and so collectively pass a law to say we are all going to do it.

Recently there has been discussion about the low salaries paid to cleaning contractors, which then depress the wages of cleaners. What is your view of the practice of outsourcing functions like cleaning?

Having companies specialising in contract cleaning, contract security, and so on is not necessarily a bad thing. But if you are concerned about labour standards — whether cleaners are given vacation time, guaranteed hours and reasonable wage standards — you want to make sure those standards are applied regardless of whether they do it at a contract labour firm or at the primary employer. It is a matter of legislating in a manner that does not create special advantages in one sector at the expense of another.

Traditionally, many employers who hired their own cleaners would treat them well because they were long-term employees. They did not want to give the impression that some workers were treated badly while others were treated well. When they moved to contracting, they said, “Well, it’s not our problem anymore”. Therefore, it may lead to the effect of reducing labour standards in those activities. But if you are concerned about that, it is not outsourcing per se that is the problem. It is about not having labour standards.

What do you make of the common lament that locals simply will not do certain jobs, like construction and waiting on tables?

We have this debate in the US all the time about agricultural work. People say if we did not have Mexicans illegally coming into California and Texas to work the fields, then it could not be done because no native would do it. Of course, what they really mean is that “no native would do it at the wages we are paying”. It could well be that locals would have to be paid twice as much as immigrants before they are willing to work in these unpopular jobs. But if you set the wage high enough, people will do it. People will do a lot of things for money.

The problem with filling low-wage positions with immigrants from poorer countries is that it not only depresses wages in those sectors, but also makes those jobs unappealing to locals. Once jobs are perceived as immigrant jobs, natives are less likely to take on the work as it diminishes their status.

Are there any other areas worth looking into as Singapore tries to tackle wage inequality?

It could re-examine its stance on the capital gains tax. Taxation is the most common way of transferring resources from the rich to the poor, but choosing to tax income and not capital gains — as Singapore does — is not necessarily efficient. People can always try to reduce their tax burden by transforming their earnings into capital gains. The idea

that a capital gains tax will drive the rich away is largely unfounded. There are reasons why people want to be in Singapore. It is a dynamic society; it is a great place to live; it is safe and a great place to do business; and it is not corrupt. The circumstances in Singapore are not such that if you make just one small adjustment, the next day you wake up and there will be no rich people left. True, some wealthy residents may choose to pack up and go if taxes rise, but many countries with high tax rates, like Norway and Germany, continue to retain large numbers of wealthy, productive citizens.

Another area worth looking into is minimum wage. It has not had a destructive effect on jobs in countries that have implemented it. Instead, it means that workers are used more productively, because workers are not so cheap that you can use them unproductively. And neither will it stop low wage workers from working harder. A government would not set the minimum wage at a level where people can say, “Wow, I’ve got a minimum wage, I can just chillax for the rest of my career”. People aspire for much more. As growing incomes put erstwhile luxuries within reach, people tend to strive harder in order to be able to afford these goods and services.

What are some potential stumbling blocks that Singapore might face?

It is important for Singapore not to close off any option. You do not have

to choose between extremes. There is a lot of room to adjust at the edges. I fear that Singapore’s policymakers perceive the country to be far more economically vulnerable than is warranted — as if the game is over if they make one false move. In reality, and to the credit of Singapore’s sound public policies, the country is in an enviable position, with a well-educated workforce, quality business environment, robust institutions and access to a dynamic Asia which provide a lot of room for economic expansion in the future. There is scope to experiment with new policies — such as a minimum wage or more progressive capital taxation — without needing to fear disaster. Singapore could raise labour costs a bit; it could tax this or that. And it might, after a while, say this was a good or bad idea, but it would not make some horrendous irreversible error that would cause the country to be ruined within a year, or anything along those lines.

Singapore’s foundations are quite solid. There are countries that get wealthy quickly in ways that are not sustainable, primarily through the export of natural resources. When the oil runs out, the whole game is up. Singapore, in contrast, has something more durable — skills, good government and social harmony. Those tend to reproduce themselves. They are very difficult to replicate. And they do not fade away quickly. 🌸



OPINION

Population Ageing Requires Adaptive Responses, Not Just Technical Ones

Beyond increased public spending, Singapore's ageing population should prompt a deep rethinking about the structures, risks and values underpinning our healthcare system.

BY
DONALD LOW

Donald Low is currently Vice President of the Economics Society of Singapore and a consultant on economic and social policies. He has served in various capacities in the Singapore Government. Donald helped to establish the Centre for Public Economics at the Civil Service College in 2009, and served as its founding director for the first two years. He was formerly Director of Fiscal Policy at the Ministry of Finance, as well as Director of the Strategic Policy Office in the Public Service Division. He is also the editor of the book *Behavioural Economics and Policy Design: Examples from Singapore* (reviewed in this issue on page 67). The views expressed in the article are his own.

AND
MELINDA ELIAS

Melinda Elias is a researcher at the Healthcare Leadership College at MOH Holdings Pte Ltd. The views expressed in the article are her own.

The Singapore Government's Budget for 2012 has been widely lauded for its commitment to increase social protection and invest in the country's capacity to cope with an ageing population. In a Budget remarkable for its emphasis on social spending, the measures in healthcare are arguably the boldest and most important. The Government has projected a doubling of healthcare spending, from the current S\$4 billion to about S\$8 billion a year, in the next five years. This will enable a 30% increase in the number of beds in acute

hospitals and a doubling of the capacity of long-term care services. Equally welcome are the announcements to expand the coverage of MediShield to those aged between 85 and 90, the extension of subsidies for long-term care to a larger segment of the elderly population requiring such services, and top-ups to citizens' Medisave accounts.

Nevertheless, increased spending and capacity in healthcare do not automatically produce better outcomes in the health and well-being of the population. The ageing of our population,

and its implications for our health, social and fiscal systems, constitute an adaptive challenge¹ — our leaders and policymakers in public healthcare will have to consider at least three distinct perspectives beyond increasing public spending in healthcare: how our healthcare system is organised, how incentives and risks are structured, and whether we foster the right norms and values to support successful ageing.

Taking a Systems Approach to the Organisation and Delivery of Care

Significant changes in Singapore's demographics and disease patterns in the long term may have fundamental implications on how our healthcare delivery system operates in the long run. For instance, around 80% of those currently above age 65 suffer from one or more chronic illnesses; the incidence of chronic illnesses is likely to increase as Singapore ages. Along with this epidemiological transition, healthcare utilisation patterns will shift from acute care to the primary, long-term and social care sectors.

Historically, the Singapore Government has invested in developing a strong acute care sector, but has left primary care and long-term care mostly to private and non-profit providers. The shifts in our disease patterns, largely as a consequence of an ageing population, will necessitate significant changes in the way care is organised and delivered.

Indeed, the current reorganisation of Singapore's health services clusters — from two large clusters to six geographically-based regional health systems — reflects a shift to a more population- and patient-centred approach in healthcare delivery. The 2012 Budget measures to engage private and non-profit providers also hint at longer-range efforts to harness the resources that reside outside of the public sector.

Increased spending and capacity in healthcare do not automatically produce better outcomes in the health and well-being of the population.

Within each regional health system, the emphasis is very much on providing more patient-centric care through multi-disciplinary teams involving specialists, general practitioners, nurses, care coordinators, social workers and allied health professionals. There are also efforts to integrate care across different parts of the healthcare system. Over time, our healthcare system should evolve from one structured as separate hierarchies — usually with doctors at the apex — to one organised as a *fluid network* in which the professional taking the lead may change depending on context and the circumstances of the patient. Our healthcare system would become better organised around the needs of the patient and the population,

rather than the needs of professionals or healthcare organisations. These changes to the organisation of the healthcare system reflect the Government's recognition that an older population with a higher incidence of people with co-morbidities² will require a more connected healthcare system.

Such structural changes will involve shifts in organisational cultures, the expectations of healthcare professionals, and the ways in which they work with one another across government. They will require leaders and policymakers in public healthcare to take a systems view of policy reforms: recognising that what is optimal for the system and its intended outcomes may not always be optimal for individual institutions or constituent parts of the system.

Our healthcare system would become better organised around the needs of the patient and the population, rather than the needs of professionals or healthcare organisations.

The magnitude of the inputs into healthcare may matter less than how the resources are allocated and which specific interventions are implemented. From a systems perspective, the right question may not be how much healthcare spending there is, but how healthcare expenditures are allocated over the lifetime of citizens.

Getting the Balance of Risks in Healthcare Right

The allocation of healthcare risks between state and individuals will also have to adapt as our population ages. Singapore's healthcare financing system is widely regarded to be well-designed and financially sustainable. The 3Ms (Medisave, MediShield and Medifund) and state subvention ensure that the large majority of Singaporeans have affordable access to good healthcare while maintaining patient choice. Seven out of ten patients in our restructured hospitals do not have to pay anything out-of-pocket. The state's ownership of public hospitals also limits cost pressures, while the emphasis on individual responsibility and co-payment curbs the tendencies for over-consumption. In addition, the provision of a low-cost, near-universal catastrophic insurance scheme (MediShield) provides citizens a certain degree of protection against the risks of catastrophic medical episodes.

However, Singapore's healthcare financing system will come under increasing stress. First, increasing longevity and a larger proportion of older persons in our population will inevitably raise national expenditure in healthcare. The state will come under increasing pressure to expand its financing of healthcare. Second, medical advances will push healthcare costs up as more conditions become treatable and more effective drugs and treatments become available. Again,

there will be greater citizen expectation for the state to provide these new drugs and treatments on a subsidised basis. Third, citizens will expect seamless, integrated care. Adapting to these long-term, structural challenges will require Singapore's healthcare system to develop efficient financing schemes that provide citizens greater assurance without health spending spiralling to unsustainable levels.

Singapore's healthcare financing philosophy of shared responsibility — reflected in the combination of tax-financed subvention to public healthcare institutions, individual savings, social and private insurance, and patient co-payment — is basically sound. Because the severity of market failures in healthcare varies significantly across the healthcare system, it makes economic sense to calibrate the extent of government intervention at different points in the healthcare continuum. For instance, in primary care where informational asymmetries are less pronounced, it is easier for consumers to exercise informed choice. Consumers also have relatively more discretion over how much care they consume. In this sector, it is not unreasonable or inefficient for citizens to bear a larger part of the costs and responsibilities. In acute care, on the other hand, bill sizes are much larger, patients have less control over their consumption of such care, and they are far more reliant on the advice of their physicians (i.e.

informational asymmetries are more severe). Correspondingly, there should be more state intervention and subvention in this sector. This calibrated, “surgical” approach to healthcare financing is one of the strengths of Singapore's healthcare system, and helps to contain spending.

The allocation of healthcare risks between state and individuals will also have to adapt as our population ages.

Nonetheless, the state-market balance in healthcare needs to adapt dynamically to changes in the socio-economic environment. The larger increase in healthcare costs relative to median wage growth in recent years may have led to gaps in the ability of low- and middle-income families to afford good healthcare over their lifetimes. The relatively high share of private spending in healthcare is another area of concern. The confluence of these factors may result in inadequate access for a growing minority that has insufficient financial provision for *long-term care*, but who face higher risks of requiring it. At the same time, an ageing population and the rising incidence of chronic conditions that are best managed at the primary and long-term care sectors may require a different state approach to those sectors. In this regard, it is worth noting that the 2012 Budget extends long-term care subsidies to two-thirds

of Singaporean households with elderly members, or about 80% of elderly in Singapore. Furthermore, all patients in community hospitals will now be eligible for government subsidies.

The distribution of risks and rising costs in long-term care also suggest that the state should make more aggressive use of *risk-pooling* and *social insurance*. This means, for instance, expanding and strengthening ElderShield. The introduction of universal health insurance (UHI) models in advanced Asian countries like South Korea and Taiwan has seen out-of-pocket shares in healthcare spending fall significantly. While co-payment also features in these systems, out-of-pocket amounts are capped for insured services, and the exposure to the risks of catastrophic spending is significantly reduced. On the other hand, UHI systems are more expensive, and require ever-increasing premiums as the population ages, unless benefits are curtailed or rationed.

Clearly, there are few easy answers as to how Singapore's healthcare financing system should be adapted and calibrated for an ageing population. While there is certainly a need for more risk-pooling to finance higher health and long-term care costs — something which the Government has acknowledged — the benefits of such risk-pooling have to be balanced with longer-term considerations of affordability, and how changed incentives might alter people's healthcare

consumption decisions. At the same time, changes to incentives in healthcare do not just reflect technocratic or cost-benefit calculations; they are also shaped to a large extent by societal values and the extent to which the Government can forge a social consensus on more risk- and cost-sharing.

Shaping Norms and Values for an Ageing Population

An ageing population will demand a corresponding shift in social norms and values. Much of the emphasis so far has been on what the Government has to do to deal with ageing. However, the state cannot mandate or incentivise a change in norms and values; the technocratic options are relatively limited.

That we need a culture and a set of norms that would support successful ageing was recently made more salient by the reactions of some Singaporeans to the proposed development of eldercare facilities in their estates. There is some evidence to suggest that these are not isolated responses but constitute a wider pattern.³

Perhaps the most contentious subject for healthcare leaders to engage the public on is death. Not only do people generally avoid thinking about bad outcomes, but they may also hold unrealistic expectations of what medicine can do for people with terminal illnesses. This also needs to be addressed if we are to ensure that population ageing does not impose significantly higher healthcare

costs without commensurate health or quality of life benefits. Addressing end-of-life issues would require leaders — not just in healthcare but also in society at large — to engage in difficult conversations with citizens: for instance, to sometimes make the case for letting things take their natural course and helping people to die gently if that is what they want. This may involve options such as providing adequate pain relief and coordinating treatment across specialists, allowing patients to be cared for at home where possible, rather than using technology to keep them alive when there is no hope of improvement.

Fostering new norms for an ageing society is arguably the hardest adaptive challenge facing Singapore. It cannot

be addressed simply by government spending more or doing more. Similarly, changes to the healthcare financing regime are only viable if they command the support of broad swathes of society. More than ever, leaders in healthcare will have to engage in an ongoing dialogue with Singaporeans on the trade-offs that an ageing population brings, on the difficult shifts that the government is trying to make in our healthcare systems, on the changing roles of the state, community and individuals, and on the limits of medicine. Not only will such a dialogue help to shape citizens' expectations of what the state should do as our population ages, but it will also foster a stronger sense of citizenship and ownership of the challenges of an ageing society. ✎

NOTES

1. Harvard's Ronald Heifetz makes a useful distinction between two kinds of challenges. *Technical* challenges can be clearly defined and addressed with known solutions and current structures or ones developed by technical experts. *Adaptive* challenges, on the other hand, require significant and sometimes painful shifts in people's habits, roles, status, identities, values and ways of thinking. Adaptive challenges invariably involve conflicts, which have to be carefully managed in order to sustain positive change. Heifetz, R. A., Linksy, M. and Grashow, A., *The Practice of Adaptive Leadership: Tools and Tactics for Changing Your Organization and the World* (Harvard Business Press, 2009).
2. Co-morbidity is either the presence of one or more disorders (or diseases) in addition to a primary disease or disorder, or the effect of such additional disorders or diseases.
3. In recent months, news reports have highlighted a number of Singaporeans voicing their concerns over elderly care facilities being built in their vicinities: for example, some residents of Woodlands, over the proposed construction of an elder daycare centre; some residents of Toh Yi estate in Bukit Timah, over plans to build an eldercare facility; and some residents in Bishan, over plans to build a nursing home.



OPINION

Public Engagement: The Gap between Rhetoric and Practice

Deeply ingrained habits and structures may have to be shed before a more productive relationship can develop between the state and the public.

BY

KENNETH PAUL TAN

Kenneth Paul Tan is Associate Professor and Vice Dean (Academic Affairs) at the National University of Singapore's Lee Kuan Yew School of Public Policy (www.lkyspp.nus.edu.sg/Faculty_Kenneth_Paul_Tan.aspx). He can be contacted at kennethpaultan@nus.edu.sg.

The language of public engagement is no longer foreign in Singapore's Public Service. Many senior civil servants speak it and do so quite eloquently.

But speaking about public engagement is, of course, quite a different thing from carrying out public engagement. And this is where there seems to be a gap between rhetoric and practice in Singapore. For instance, government officials recently met selectively with concerned members of the public to discuss a controversial decision to build a road through a historically significant graveyard. When criticised for not taking the public's views seriously, the Government explained that the meeting was never meant to be a "consultation".¹ So it is important to ask why such a gap exists and why it might be difficult to

close it, assuming of course that closing it is what we want to do.

Firstly, the gap may exist for ideological reasons. Highfalutin descriptions of one's practice can be a nice way to obscure a rather more prosaic reality. Bureaucracy, after all, remains a necessary institution to tame and harness the chaotic energies of society and to rationalise and limit social variety as a means of establishing some measure of predictability and stability in a complex world. To re-assert control over rising democratic pressures while maintaining its legitimacy to do so, the Public Service may initiate public engagement exercises that are, in reality, forms of non-participation or tokenism at best. The bottom half of the citizen participation ladder, Sherry Arnstein

famously argued, consists of efforts to manipulate, correct, inform, consult and placate citizens, a far cry from the citizen power that comes from partnerships, delegated power and citizen control.² In this sense, public engagement platitudes serve to disguise a basic reality that is resistant to change and power-sharing.

Secondly, the gap may exist simply because of real practical challenges that attend to even the most genuine desire to engage the public. Here the gap is really between what public service leaders (and preferred public management gurus) may say their organisation should be and what the organisation at the rank-and-file level is truly capable of being. It could take a long time before the practice catches up with the ideals expressed in the leaders' idealistic and sometimes even "revolutionary" rhetoric. Mid-level and frontline officers, who are confronted by a different set of risks and rewards in their daily challenges, are likely to be more sensitive to the practical limitations in the day-to-day choices that they make. Genuine public engagement is difficult to account for. The risks of failure, traditionally conceived, are high. And the work that it entails is much more complicated, troublesome, and slow in achieving results (which an officer needs to show at the end of each reporting year). What will all of this contribute to a promising officer's career prospects? Celebratory talk at the elite levels of the Civil Service about inclusiveness could trivialise real concerns

that anxious mid-level bureaucrats have about being able to reconcile the new-fangled rhetoric with traditional goals of efficiency, consistency and results in the practice of policymaking.

The gap between rhetoric and practice may exist because of deeply entrenched public sector mindsets rooted in Singapore's political culture.

To progress towards genuine public engagement, it is important at the very start to acknowledge and work through its ideological and practical obstacles. This, I suggest, requires critical understanding of a third factor: the gap between rhetoric and practice may exist because of deeply entrenched public sector mindsets rooted in Singapore's political culture, unique historical development, and the public mythologies that have nourished (or perhaps impoverished) our understanding of them.

Prospects for Public Engagement

As a neo-liberal global city, Singapore has been witnessing rising popular pressure. Politics has come to the fore again, prompting the policy establishment to pay greater heed to the demands of a new and more variegated citizenry, with political leaders now more sensitive to the real prospect of losing elections. At the same time, the cultural, ideological, practical and institutional legacies of the earlier survivalist and development

Singapore's history, and how that history has been understood, shapes the limitations and prospects of public policy as a discipline and as a practice, and has influenced the evolution of Singapore's political culture as a whole.

The Survivalist Stage

A number of features of Singapore's political culture today may be traced to the period from Singapore's independence to the mid-1970s, when the focus was on coping with an acute sense of national vulnerability and building upon the institutional foundations that the colonial government had left behind. To achieve this, the nascent state strengthened and expanded public administration to take over and centralise the provision of public goods and services that the relatively more *laissez-faire* colonial administration had generally left to community leaders, social groups, and even unlawful secret societies. This *survivalist stage* in Singapore's history, characterised by a state-led determination to succeed against difficult odds, may have habituated a craving for immediate tangible results and fear of failure that both manifest as an aversion to taking risks in public administration and policymaking. The sometimes coercive muscularity of the nation-building project in the early decades may have led to a hyper-masculine paternalistic state that tends to privilege growth and achievement over "soft" options, emotional input, intangible values, and the spiritual and aesthetic dimensions of life. The paradigm at

work is of a heroically proportioned state, often couched in hyperbolic language, which pits apocalyptic imagery against opposing views, presenting all-or-nothing arguments that sometimes culminate in claims about slippery slopes to devastating failure. The public is often informed that "Singapore cannot afford to be or do X", where X is a suggestion from the public that does not sit well with orthodoxies prevalent in the policy establishment.

The Developmental Stage

In the 1970s and 1980s, the impressive growth rates of the "Asian Tigers", including Singapore, Hong Kong, South Korea and Taiwan, confounded conventional debates between proponents of the free market and centralised planning. A common trait among these East Asian "developmental states" was the role played by a technocratic state bureaucracy in directing economic development towards the achievement of growth and economic competitiveness. These were high performance state agencies — such as Singapore's Economic Development Board — well-coordinated in responding to opportunities and threats, enjoying a great degree of insulation from interest group and other political pressures, even as they themselves were embedded in the domestic economy as major players.

As the end of the Cold War approached, the liberal West began to direct its criticism more pointedly at the human rights and democratic deficiencies it perceived of regimes in Asia.

Singapore mounted an ideological defence by constructing a discourse of Confucian and then Asian values as an alternative to Western liberal democracy — an alternative that was also appealing because of the implied connection between these supposedly communitarian values and high economic performance. A Singapore model of governance was gradually being codified, including principles such as meritocracy, pragmatism, and intolerance of corruption.

Some features of Singapore's political culture today can also be traced to this *developmental stage*, characterised by the primacy of economics and economic growth in determining contours of policymaking, and the significant role of the state as a director and major player in the economy. As the Singapore Government's palpable developmental achievements formed the material and ideological basis for a hegemonic one-party dominant state,¹ politics became a dirty word in the "administrative state".² Policy implementation is a relatively straightforward matter in Singapore, rarely confronted by effective political and popular resistance. The meritocratic talent management policies of the Public Service³ have produced not only a cadre of highly qualified and self-confident officers in the policy establishment, but also an elite strata of decision-makers distrustful of the public's ability to offer any input to the policymaking process that is not ill-informed, short-term and self-interested.⁴

The Neo-liberal Global-City Stage

Since the late 1980s, Singapore as a global city

has become more deeply entrenched in the logic and dynamics of neo-liberal globalisation. Singapore was liberalising economically (through the openness of its economy and privatisation measures) and culturally (through the relaxation of socially conservative regulations). Its Public Service was reimagining itself through the prism of private sector values, rewarding its officers according to their performance and taking a customer-focused approach to serving the people. The more concerted effort by the state since the 1980s to institutionalise official channels of communication between government and people, and to de-concentrate decision-making powers to unelected local councils in an enhanced grassroots sector reflected, in some ways, the state's attempts to gradually dissipate pressures for political liberalisation.

The irony of Singapore's success is that the direct beneficiaries of that success now have higher expectations of their Government and have become empowered by education, affluence, and global exposure to articulate these expectations and present their demands to a state that can no longer afford to be as insulated from popular pressure as it once was. Nevertheless, it is not necessarily the case that Singapore's growing middle class is politically liberal in its outlook, since its fortunes are still largely dependent upon the establishment. However, economic and social tensions in the past decade, brought about in part by rising costs of living, accelerated flows of foreign labour, and the threat of widening income gaps and urban pressures on an already densely populated city, have bred popular dissatisfaction.

In the 2011 general elections, the PAP's performance was its worst since Singapore's independence. The opposition parties were able to field well-qualified candidates. The electorate included younger first-time voters, many more sceptical of the establishment and

in the mood for political change. In the new spaces opened up by social media, ideological leadership emerged to amplify voices of discontent, mobilise oppositional thinking, and instil a widespread interest in local politics.

NOTES

1. In Singapore, the People's Action Party (PAP) was able, decade after decade, to secure a significant majority in parliament; all seats, in fact, from 1968 to 1981. The Westminster legacy helped to concentrate tremendous power in the executive, to such a degree that the alignment of the political leadership and the public service saw the eclipse of politics by public administration.
2. In the Singapore context, the term was coined by Chan Heng Chee, "Politics in an Administrative State: Where Has the Politics Gone?", in *Trends in Singapore: Proceedings and Background Paper*, ed. Chee Meow Seah (Singapore: Singapore University Press, 1975).
3. Most obviously demonstrated in the system of bonded public sector scholarships and high salaries for senior civil servants.
4. See for example, Tan, Kenneth Paul, "Meritocracy and Elitism in a Global City: Ideological Shifts in Singapore", *International Political Science Review*, Vol. 29, No. 1 (2008).

stages continue to be a source of tension in the evolution of Singapore's political culture. By no means has this been a simple and linear story of liberalisation.

However, are these recent developments enough to shift the deeply entrenched public sector mindsets that have been formed out of historically shaped ways of thinking and reasoning? Will a new generation of leaders in the public sector, whose horizons of experience may differ from the survivalist and developmental preoccupations of a previous generation, lead to fresh

opportunities for new terms of engagement?

I have argued elsewhere that pragmatism as a public service value in Singapore has over the decades lost its flexibility, adaptability and open-mindedness. Hardened in turn by the survivalist, then developmental, and now even neo-liberal global-city stages, Singapore-style pragmatism has, ironically, become ideological.³ It is now a label that reinforces and then obscures certain policymaking rigidities and fundamentalisms. Some of these

rigidities — such as risk-aversion, hyperbolic reasoning, obsession with economic growth, elitism, and scepticism towards the public — have made it difficult to close the gap between the rhetoric and practice of public engagement.

Although some officers speak grandly about its worth, others still find it difficult to envision a practice of public engagement beyond simply a public relations exercise; or a means of appeasing increasingly emboldened people who are essentially unreasonable and uncivil; or a necessary evil that can lead to the worst excesses of populism if not managed with care. The elitist proclivities of the public sector, reinforced by top-level salaries that are comparable to the private sector, are unlikely to incentivise real public engagement, since they reinforce the sense that public sector leaders, possessing superior intellect, knowledge and insight, must defend the public interest against irrational and dangerous mass populism. The public, according to this mindset, needs to be educated to think correctly rather than present themselves as equal participants in policy formulation and implementation.

So how can we go beyond rhetoric and improve our political culture?

A deep cultural change is necessary to disencumber our minds of these rigidities. We need to return to the original spirit of pragmatism that made Singapore so successful in the first place. Neo Boon Siong has, for instance, argued

for “dynamic governance” that involves “thinking ahead, thinking again, and thinking across”.⁴ But culture is notoriously challenging to transform quickly.

We need to return to the original spirit of pragmatism that made Singapore so successful in the first place.

There must also be a congruous incentive structure in place — designed not only to reward officers who take public engagement seriously and can demonstrate genuine progress in their efforts, but also to signal strongly its importance, in ways that go beyond organisational rhetoric. We could commission studies that aim to identify appropriate indicators of successful engagement in the Singapore context, and develop tools for measuring them sensitively. We can adapt for our purposes the numerous models available around the world for evaluating public engagement. Furthermore, there needs to be adequate training for public officers, and a repertoire of effective engagement strategies that they can adopt, so that they will have the confidence and competence necessary to engage effectively. There are many case studies of successful and failed public engagement exercises from around the world that can provide concrete examples and inspiration.

With holistic attempts to encourage public engagement through cultural

management, incentive structures and capability building, we can begin to redesign our public administration in ways that can revitalise a sceptical public and a distrustful strong state — forging a new, complex, perhaps at times open-ended, and yet productive relationship

based on an expanded mode of public rationality. By necessity, it will be a slow process, with mistakes and failures along the way: impatience for results and intolerance of failure are two habits that will have to be unlearned. 

NOTES

1. Goh, Chin Lian, and Sim, Royston, "Bukit Brown meeting 'not a consultation': Tan Chuan-Jin", *The Straits Times*, March 21, 2012.
2. Arnstein, Sherry, "A Ladder of Citizen Participation", *Journal of the American Institute of Planners*, Vol. 8, No. 3 (July 1969).
3. Tan, Kenneth Paul, "The Ideology of Pragmatism in Singapore: Neoliberal Globalization and Political Authoritarianism", *Journal of Contemporary Asia*, Vol. 42, No. 1 (2012).
4. Neo, Boon Siong, *Dynamic Governance: Embedding Culture, Capabilities and Change in Singapore* (Singapore: World Scientific, 2007).

What the Private Sector Has Learnt about Public Engagement

Consumer engagement strategies — and failures — in the business world could hold valuable lessons for engagement efforts in the public sector.

BY
CHNG HAK-PENG

Chng Hak-Peng is Managing Partner at Devaro Partners, a leadership advisory firm that coaches business leaders on strategy development and implementation. He was with the Singapore Civil Service from 1998 to 2002.



An Era of Greater Social Engagement

Rising public expectations have prompted Singapore's leading senior civil servants to call for a civil service that is more engaged, more responsive and more inclusive. Several major speeches by current and former senior civil servants in the past year have addressed this shift, including an address by the Chairman of the Public Service Commission to its scholars in London (5 November 2011),¹ the Inaugural Lecture of the Chief Secretary Forum in Kuala Lumpur (30 November 2011) by current Head of Civil Service Mr Peter Ong,² and former Head of Civil Service Mr Peter Ho's speech at the Singapore Perspectives Conference in 2012 (16 January 2012).³ All three called for more engagement from the Civil Service, using descriptors such as "open and responsive", "inclusive", and having "more empathy".

Parallels can be drawn with the business world, which has undergone a similar inflection in consumer engagement. In the mid-1990s, the spotlight focused on how consumers' values, attitudes and behaviours affected their purchasing decisions, in turn driving revenue and profit growth for companies. This revolution has led to benefits for both consumers and companies: consumers, by and large, have enjoyed a growing wealth of choices about how, where and what they buy, and how much they pay. In turn, by targeting specific customer

segments, some firms have benefited from reducing the cost of their marketing; others have benefited from perfecting the set of market research tools that help companies target the right customers, both offline and online.

What Can Be Done?

In light of how quickly social media can change the public's perception of an organisation, listening to what customers need and want is no longer optional. We are moving towards an economy where it is critical to engage the hearts and minds of everyone: from employees to customers to shareholders.

The experience of the private sector suggests that any organisation seeking to raise its level of engagement and responsiveness needs to do three things well — *consult*, *deliberate*, and *communicate*:

- **Consult** stakeholders constantly (not just after a strategy paper has already been drafted);
- Strengthen critical thinking capabilities within the organisation in order to better **deliberate** diverse inputs;
- **Communicate** by first understanding the potential emotional response of stakeholders.

For the Civil Service, how might this transformation be implemented, and what are some relevant lessons from the business world?

Consult Constantly

Great companies and organisations build an emotional connection with their stakeholders. Some management theories hold that such emotional bonds are best felt when companies roll out products and services that customers need or want. However, how these bonds are built through frequent customer engagement is less well covered in business literature. Nevertheless, three business trends in the area of customer engagement are significant: Consultations and customer inputs are becoming more frequent, coming through a greater diversity of

channels, and touching a wider range of employees.

1. *The frequency of customer interaction* has increased. In the 1990s and 2000s, the management trend of the day was “customer service” and listening to customer feedback. Connecting with the customer in those days typically comprised one piece of “feedback” by the customer followed by a single “response” from the company. The commonplace use of social media and other online modes of connection has moved us to a more iterative, frequent and

SOCIAL ENGAGEMENT: LESSONS FROM THE BUSINESS WORLD

Even leading customer-focused companies have sometimes tripped up in their engagement efforts.

Netflix

In 2011, well-loved video rental company Netflix botched an attempt to restructure the way customers received its services, resulting in a stream of frustrated customer comments on social media, and the loss of thousands of members. Only after this public outcry did the company decide to drop their separated DVD rental site, Qwikster, and maintain one website for customers’ orders. However, the fee hikes were not abandoned. *The Huffington Post*, in a 15 September



2011 article, estimated that Netflix would lose approximately 1 million more subscribers than they had anticipated from their implemented fee increase.

Bank of America

A backlash from Bank of America customers in the form of written petitions and demonstrations caused the company to drop its proposed five dollar a month debit card fee. One reason: the bank did not test the debit card fee in the marketplace before announcing their new fee plan.

conversational mode of connection with customers (although many companies are still operating in the feedback-response mode).

Great companies and organisations build an emotional connection with their stakeholders.

2. *The methods utilised to extract customer viewpoints* and gain insight into their behaviour have become far more sophisticated. Beyond variations of traditional marketing research tools (i.e. questionnaires, surveys, forums) that many companies employ to compile market data, social media is opening up communication channels and information flows between customers and businesses. This gives businesses a broader and more immediate spectrum of customer responses. Some businesses even observe consumers in their own homes in order to see and hear first-hand accounts of unmet needs as part of their product development cycle. The equivalent in the Civil Service might be, for example, regular first-hand visits to see how public policies directly affect different income-level households.
3. *Customer touchpoints are moving deeper into an organisation*, and are no longer limited to “frontline” staff. While the service frontline continues

to be the primary interface with customers, non-frontline staff are also increasingly called on to engage customers. Citibank, for example, now trains multiple departments to be client-facing, from the relationship manager (expected), to the call centre (expected), to the treasury expert (not usually expected), to the cash management officer (used to be unexpected). Going the extra mile to address customer concerns across the organisation helps recover and maintain good customer relationships. Companies see this as critical to their growth strategy because subsequent touchpoints beyond the “frontline” become opportunities to build a longer relationship with, sell more to, or to get more feedback from customers. This interaction allows for a richer input of ideas or criticism, feeding the improvement process to help deliver even better products and services. In short, deep customer engagement is key to organisational growth and even survival.

Deliberate Well

Training staff in critical thinking is a necessary step to ensure that an organisation has the capability to process an increased set of inputs. This is not a skill that is explicitly talked about or trained for in the workplace; yet, it is the most important skill in a knowledge-based organisation.

In particular, both quantitative and qualitative critical thinking skills are required for decision-making.

On the *quantitative* side, training programmes may explicitly cultivate advanced analytical skills: for example, some professional services companies put entry-level analysts through a two-week training programme that focuses on modelling in Microsoft Excel, interpretation of basic statistical data, the ability to perform basic regressions to establish correlation, and the manipulation of large amounts of data in Microsoft Access to extract useful insights.

Companies also use statistics-based methods, such as cluster analysis and conjoint analysis, to understand customer segments and their preferred trade-offs. In conjoint analysis, features of a product are presented to a consumer, who is asked a set of 12 to 30 questions and to make specific trade-offs. Participants may be asked to rank or prioritise their answers. An analysis of the resulting data provides businesses with a better understanding of consumer views on the relative value of different product features.

Training in *qualitative* critical thinking can be achieved through classroom training or through the use of the case method. Specific critical thinking skills might include logic, evidence and data, while softer skills include adopting appropriate attitudes of openness and humility (accepting that

other views could be right). Without these skills, an officer may face a barrage of suggestions and not be equipped to discern their quality and relevance. Even with critical thinking now incorporated into the university and school curriculum, there is still an advantage to training workplace-related critical thinking explicitly. Such training would focus on workplace-specific scenarios, the dimensions of critical thinking that decision-making processes typically entail, and the application of critical thinking to each agency's policy or operational area of purview.

Customer touchpoints are moving deeper into an organisation, and are no longer limited to “frontline” staff.

Communicate Well

To maintain a feedback loop with the stakeholders, there needs to be a very conscious effort to *communicate* back to stakeholders, which many companies fail to do adequately. Companies run the risk of coming across as being defensive if they reject a suggestion; or, non-inclusive if they take on a suggestion which ends up having negative effects on other stakeholders.

The Civil Service could consider erring on the side of more rather than fewer communications. Regular, interactive, open and non-defensive communications help to strengthen trust and build confidence. Public

servants perhaps sometimes worry that communications open the door to greater criticism. It might. In the new social climate, civil servants would need to feel more comfortable in receiving and dealing with feedback, rather than fear negative repercussions or dismiss the public's ability to provide good ideas.

Training staff in critical thinking is a necessary step to ensure that an organisation has the capability to process an increased set of inputs.

In addition, the style of communication may need to change. Rational logic and authority used to be sufficient for a positive interaction with the public; however, the complexities of policymaking mean that more nuanced approaches are expected. One indicative trend: client-servicing firms hiring team members with different communication styles. For example, strategy consulting firms hire finance, engineering, as well as liberal arts graduates for their client-facing project teams.

One way to strengthen the ability to consult, deliberate, and communicate well is to build a team with a diversity of skills. In this regard, the Civil Service seems to be moving in the right direction, starting with its leadership team.⁴

Conclusion

In summary, the Civil Service would be closer to its goal of increased engagement if policymakers can answer these three key questions:

1. Who are the groups of stakeholders in this policy and how can we best gather their views?
2. Which points of view should the new policy support or not support, and why?
3. How will we communicate the outcome to each group of stakeholders?

Crucially, while the principles of consulting, deliberating and communicating well will stand most organisations in good stead as they seek to improve the quality of their public engagement, the success and value of such efforts come down to whether there has been a fundamental shift in the mindset about how the organisation interacts with the public.

In the business world, the explosion in customer engagement activity arose from the common understanding that it is the customers who make the company. In the public sector, a parallel perspective is that it is the people, and not the policies, that make Singapore. This belief, however stated, has to underpin the shift to engagement, openness and responsiveness. ✧

NOTES

1. SingSem 2011, "What is the New Normal for the Public Service?" by Mr Eddie Teo, Chairman PSC, on Saturday 5 November 2011 in London. Available at: http://www.pscscholarships.gov.sg/content/pscsch/default/outreach/media/speeches/singsem_new_normal.html
2. Inaugural Lecture, Chief Secretary Forum (Kuala Lumpur), "Building an Adaptive Service" by Mr Peter Ong, Head, Civil Service, Republic of Singapore, 30 November 2011. Available at: http://app.psd.gov.sg/data/HCS%20Peter%20Ong%20-%20Chief%20Secretary%20Forum_30%20Nov.pdf
3. "Panel III Politics: A New Paradigm?", in *Report on Singapore Perspectives 2012 Singapore Inclusive: Bridging Divides*, eds, Chan Hoong Leong and Soon Hock Kang (Singapore: Institute of Policy Studies, 2012), 8. Available at: http://www.spp.nus.edu.sg/ips/docs/events/p2012/SP2012_report.pdf
4. For instance, at the leadership level: ten years ago, more than 50% of permanent secretaries (as of January 2002) studied Engineering or Science as their undergraduate major. As of January 2012, 55% of permanent secretaries have an arts or social science background, including one with a degree in English. Based on a manual count from publicly available information.



OPINION

Fostering Mutually Constructive Engagement in a Globalised Singapore

An increasingly complex and diverse decision-making ecology calls for more productive relations between the state and civil society.

BY
VERNIE OLIVEIRO

Dr Vernie Oliveira is Researcher at the Centre for Governance and Leadership at the Civil Service College. Her research interests are in globalisation, civil society, gender, and the uses of history in public affairs. In the interest of full disclosure, she is also a volunteer and member of the Association of Women for Action and Research (AWARE). She received a PhD in International History from Harvard University in 2010.

Following the worldwide failure of both “big government” (welfarism) and “market fundamentalism” (neoliberalism), commentators across the ideological spectrum have identified “society” as the answer to the challenges of globalisation.¹ Studies of social capital have grown in popularity — as has the work of Robert Putnam, who posits a positive relationship between good governance, economic prosperity, and strong and engaged civil society.² Yet globalisation, which has challenged faith in the state and the market, also challenges the cohesion of society. It does so not only by widening income inequalities,³ but also by introducing unprecedented levels of cultural and ideological diversity into a populace.⁴

Singapore society has become much more cosmopolitan as a result of globalisation. The number of highly-skilled Singaporeans living abroad increased from 36,000 in 1990 to 143,000 in 2006.⁵ The experiences of these Singaporeans, the presence of foreign nationals as both subjects of and actors in local civil society, and access to global media, all contribute to Singaporeans framing issues not just in local but also in transnational terms.⁶ Non-governmental organisations (NGOs) are increasingly forming links with others abroad, and are playing an active role across the region and even the world.⁷

The challenge of building a cohesive and pluralist polity comprising people

of different formative experiences, globalised reference points, and diverse rationalities calls for a mutually constructive relationship between government and civil society. Singapore has a well elaborated model of governance to manage racial and religious diversity. Civil society's perception of government, however, can seem to be marked by a concern for discerning the "out of bounds" markers for non-state actors such as NGOs. This presupposes a mutually exclusive relationship between government and civil society, and leads the former to believe that the government should simply "get out of the way". This is not only unhelpful but dangerous, since "more" civil society may very well yield illiberal and prejudicial outcomes.

More importantly, this view of government-civil society relations ignores the fact that government can play a role in shaping a civil society that will contribute positively towards pluralist ends. Republican theories of civil society ascribe to government the role of establishing the rules and values within which civil society should function. Above all, the state is responsible for fostering patriotic individuals who partake equally of the liberties and responsibilities of citizenship.⁸

The question, then, for Singapore, is how government can encourage and constructively engage with the NGO sector. To begin, **government needs to become more comfortable with**

open contestation and the apparent "disorder" associated with civil society. Governance by consensus certainly has its merits, but such consensus must not only emerge but *appear* to emerge from the reconciliation rather than the curtailment of contestation. Public officers know that the best solutions emerge from sensing the disparate perspectives, interests and needs of a diverse society.⁹ Yet, there continues to be a widespread perception that government is wary of civil society, and that it muffles dissent or dismisses critics.¹⁰ The government could more clearly signal its willingness to engage with controversial or contrarian ideas in order to encourage NGOs' trust in government. Such trust encourages NGOs to approach public agencies in a spirit of cooperation rather than defensiveness.

A mutually exclusive relationship between government and civil society is not only unhelpful but dangerous.

To facilitate this, **government could provide more platforms where different interests can meet each other**, and thus design conversations that forge consensus. Public engagement already occurs on many policy issues, and this has encouraged a more cooperative relationship between all involved. However, civil society-government

STATE AND CIVIL SOCIETY: A SYMBIOTIC RELATIONSHIP

Danish political theorist Per Mouritsen has argued that Scandinavian countries tend to enjoy a “symbiotic complementarity between state and civil society”.¹ Illustrating the crucial role of government in the formation of civil society, he contrasts the civil society of the Weimar Republic that produced the Nazi state, with the civil society that underpins the post-Communist Eastern European states. Mouritsen argues:

*There must be reasonable and operative laws before people will learn to respect them, working institutions before national solidarity, and rights before anyone would wish to be a citizen. The first step towards civil society is a civil state — difficult as this is.*²

One author Mouritsen discusses at length is none other than Alexis de Tocqueville who wrote, almost two centuries ago, that “civil associations therefore facilitate political associations; but, on the other hand, political associations singularly develop and perfect civil associations”.³ De Tocqueville argued that it was through participation in the work of government that individuals learn how to live and work with each other. “Political associations,” De Tocqueville argued, “can therefore be considered great schools, free of charge, where all citizens come to learn the general theory of associations”.⁴

NOTES

1. Mouritsen, Per, “What’s the Civil in Civil Society? Robert Putnam, Italy and the Republican Tradition”, *Political Studies* 51 (2003): 657.
2. See Endnote 1, p. 658.
3. Alexis de Tocqueville, *Democracy in America* (Chicago: University of Chicago Press, 2000), Vol. 2, Part 2, Chapter 7, p. 496.
4. See Endnote 3, p. 498.

relations in Singapore are still often framed in a petitionary framework, wherein advocates approach public agencies without having to face and consider the perspectives of others who may have opposing views. Moreover, NGOs often complain about being talked *to* rather than talked *with*. Facilitating dialogue between diverse groups will enable them to constructively engage with issues in fuller knowledge of the choices and trade-offs involved. The ensuing familiarity can also encourage public officers and activists to view each other not as institutions or interests but reasonable people of goodwill who can validly hold divergent views on important questions.¹¹

In the same vein, **government should foster greater transparency of information.** Beyond the often-stated benefit that it fosters trust between government and citizens,¹² transparency of information also empowers citizens to engage in issues more critically, responsibly, and effectively.¹³ For example, NGOs and volunteer welfare organisations (VWOs) have asked for more and better information on domestic violence to help them design programmes and assess their impact.¹⁴ The importance of transparency in fostering critical citizen engagement is all the more crucial in a time when social and other online media constrain government's ability to shape the public agenda. While this places a burden of data collection and communications

on public agencies, it has the benefit of promoting greater public understanding of the constraints underlying policy options and implementation.

Finally, **government should continue to uphold the plural and secular nature of the public sphere.**

Prime Minister Lee Hsien Loong stated in 2009 that the Government “hold[s] the ring so that all groups can practise their faiths freely without colliding with one another in Singapore”.¹⁵ Indeed, the Government has played this role in several public controversies in recent years.¹⁶ While activists in Singapore civil society may be motivated by religious convictions, the state's role as referee helps ensure that those advocating their cause in a pluralistic society must communicate their ideas in terms that non-coreligionists can engage with.

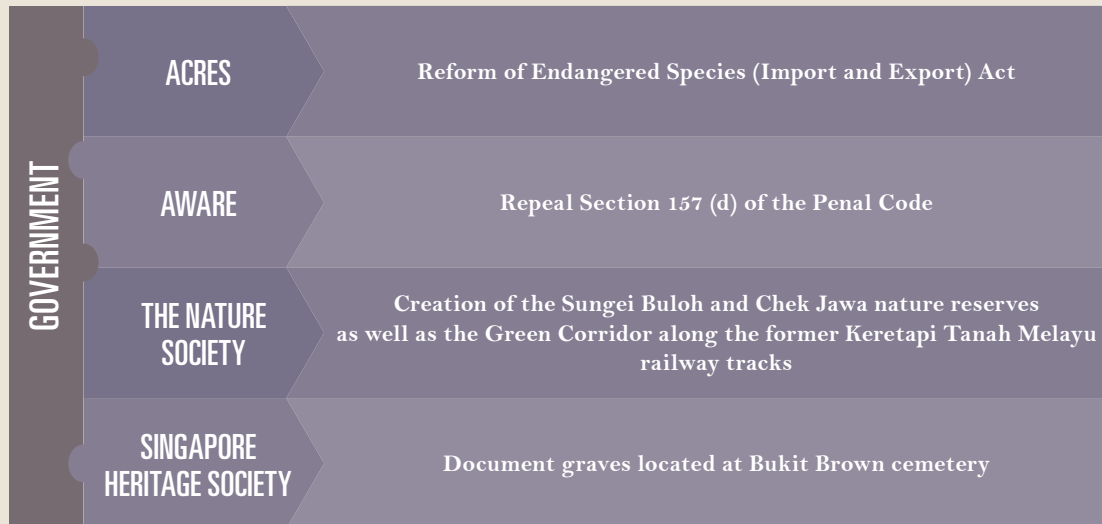
The corollary to a plural and secular public sphere is the non-politicisation of race and religion. That race and religion inform but do not determine policy preferences was underlined in the Government's response to calls by four local Muslim groups in 2002 for Singapore to oppose a war on Iraq. Member of Parliament Zainudin Nordin rejected the groups' depiction of the war as a religious issue, while Yaacob Ibrahim, the Minister in charge of Muslim Affairs, insisted that Muslims would not respond monolithically to political events.¹⁷

The role that civil society can play in fostering constructive engagement

WORKING HAND IN HAND

There have been many examples of successful engagement between public agencies and NGOs on social issues. In 2006, advocacy by the Animal Concerns Research and Education Society (ACRES) led to the reform of the Endangered Species (Import and Export) Act.¹ In 2011, AWARE's activism led the Government to repeal Section 157 (d) of the Penal Code.²

The Nature Society's lobbying played a crucial role in the creation of the Sungei Buloh and Chek Jawa nature reserves as well as the Green Corridor along the former Keretapi Tanah Melayu railway tracks. The Government is currently working together with the Singapore Heritage Society to document graves located at Bukit Brown cemetery.³



NOTES

1. See ACRES – Our Achievements, <http://www.acres.org.sg/aboutacres/ourachievements.html> (accessed July 6, 2012).
2. “MinLaw to Stop Sexual History Being Used Against Rape Victims”, *The Straits Times*, November 25, 2011.
3. “More Hands on Deck for Bukit Brown”, *The Straits Times*, December 11, 2011.

with government is implied in the above recommendations. First and foremost, civil society should recognise that **government is a necessary partner in the formation of a pluralistic public sphere that complements particularistic interests and the public good**. There are certainly historically valid reasons for Singapore civil society to be wary of government. However, a cautionary note needs to be taken from the experience of Eastern Europe, where a reflexive suspicion of government born out of years of authoritarian rule left societies vulnerable to the market power of capital in the post-communist years. Activists need to be careful about adopting neoliberal assumptions about the iniquity of regulation, and approach government with suggestions on how governance can be improved rather than removed.

Second, **civil society needs to approach government in good faith and with patience and understanding**. Just as activists want to be spoken with rather than to, public officials want to be conversed with rather than harangued. Government's effort to understand civil society needs to be mirrored by better comprehension on the part of activists of the goals and constraints within which public agencies work. Activists should therefore acknowledge multiple versions of successful advocacy, and continue to engage with government even if they fail to achieve everything they seek.¹⁸ If and when problems arise in

engagement and collaboration, activists need to offer constructive criticism rather than complaints.

In conjunction with the above, it is important to emphasise that increased understanding of the work of government will better equip activists to realise their goals. L. David Brown and Jonathan Fox, writing about transnational activism vis-à-vis the World Bank, advise NGOs not to think of "large actors as monolithic institutions that present united fronts to external challenges". Instead, they argue, activists should recognise that such institutions "include staff with a wide range of political and social perspectives" who can yield "advice, information and support".¹⁹ This does *not* mean that activists should play one agency against another. Rather, working with public agencies can help NGOs to better align their particular goals with state ones and develop strategies to better communicate their perspectives to policymakers.

It remains the prerogative of elected officials to choose among policy options and take responsibility for any resulting trade-offs.

Finally, **civil society should acknowledge the agency and autonomy it enjoys in the public sphere today**. This should enhance its confidence and willingness to approach government as a partner rather than a supplicant.

Over a decade ago, Simon Tay exhorted civil society to believe, against the “veto of power” enjoyed and exercised by government, that “citizens [could] organise civil society on their own terms”.²⁰ He pointed to the flourishing of Eastern European civil society under communist rule to illustrate the possibilities in this imagination. The political, social, and technological conditions of today’s Singapore make Tay’s exhortation a reality to be recognised. The Lien Foundation, for example, advocates and pursues improvements in the care of the terminally ill and young children with developmental needs — areas that are under-served. Similarly, AWARE’s shadow reports to the United Nations Committee on the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) challenge the Government to do more to combat gender-based stereotyping in policy.

Scholarship and commentary on state–civil society relations in Singapore needs to train its lenses less on the state

and more on the realised and potential agency of civil society. There is also room for further research into how government can systematically and successfully engage NGOs in order to better design and implement public policy. Activists should respect the fact that it remains the prerogative of elected officials to choose among policy options and take responsibility for any resulting trade-offs. In making those trade-offs, however, the Government should systematically and transparently engage with Singapore’s burgeoning civil society to make better sense of a decision-making ecology that is increasingly critical and complex. Both sides need to engage with each other in a fashion that both respects diversity and forges cohesion. This can only happen if both government and civil society see each other not as antagonists and competitors in the public sphere, but rather as equally fertile sources of ideas and passion for making Singapore a better home for all. 

NOTES

1. Samuel Bowles and Herbert Gintis point out that the idea of society is attractive to the left because of its emphasis on collective action and to the right because it stresses non-governmental solutions to market failure. See Bowles, Samuel, and Gintis, Herbert, “Social Capital and Community Governance”, *The Economic Journal*, Vol. 112, No. 483, Features (November 2002): F419–F436.
2. Putnam, Robert, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton, NJ: Princeton University Press, 1993); and Putnam, Robert, *Bowling Alone: The Collapse and Revival of American Community* (New York: Simon & Schuster, 2000).
3. This issue has received much attention in Singapore, with the national budget for 2012 emphasising social transfers and other forms of aid for disadvantaged Singaporeans.

4. Arjun Appadurai argues that migration and “electronic media” have allowed people to imagine identities beyond “the cordon sanitaire of local and national media effects”, thereby challenging “the continued salience of the nation-state as the key arbiter of important social changes.” See Appadurai, Arjun, *Modernity at Large: Cultural Dimensions of Globalisation* (Minneapolis, Minn.: University of Minnesota Press, 1996), 4.
5. Porter, Michael, Neo, Boon Siong, and Ketels, Christian, *Remaking Singapore* (Boston: Harvard Business Publishing, 2009).
6. Local NGO Transient Workers Count Too (TWC2) has called upon the Government to sign international conventions on migrant workers and domestic workers. Another NGO, Maruah, has been active in promoting an ASEAN Declaration of Human Rights.
7. For a study of the international connections among activists for migrant workers, see Lenore Lyons, “Transcending the Border: Transnational Imperatives in Singapore’s Migrant Worker Rights Movement”, *Critical Asian Studies* 41, No. 1 (2009): 89–112. Additionally, several groups took part in the United Nations’ review of Singapore’s compliance with the Convention Eliminating All Forms of Discrimination Against Women in 2011.
8. Mouritsen, Per, “What’s the Civil in Civil Society? Robert Putnam, Italy and the Republican Tradition”, *Political Studies* 51 (2003): 650–668.
9. For further information on how dissent, debate, and diversity yield the most creative ideas and effective solutions, see Snowden, David J., and Boone, Mary E., “A Leader’s Framework for Decision Making”, *Harvard Business Review*, November 2007; and Lehrer, Jonah, “Groupthink: The Brainstorming Myth”, *The New Yorker*, January 30, 2012.
10. For some recent critical views of the Singapore Government’s engagement with civil society, see Chong, Terence, “Civil Society in Singapore: Popular Discourses and Concepts”, *Sojourn*, 20, No. 2 (2005): 273–301; Ho, Khai Leong, *Shared Responsibilities, Unshared Power: The Politics of Policy-Making in Singapore* (Singapore: Eastern Universities Press, 2003), 332–368; Lee, Terence, “Gestural Politics: Civil Society in “New” Singapore”, *Sojourn* 20, No. 2 (2005): 132–154; and Lyons, Lenore, “Internalised Boundaries: AWARE’s Place in Singapore’s Emerging Civil Society”, in *Paths Not Taken: Political Pluralism in Post-War Singapore*, eds, Michael D. Barr and Carl A. Trocki (Singapore: NUS Press, 2008), 248–263. Highly respected *New York Times* columnist Maureen Dowd referred to Singapore as a “polished, deeply authoritarian police state”. See Dowd, Maureen, “From Gallipoli to Singapore”, *The New York Times*, July 19, 2011.
11. See Maniam, Aaron, “A New Tribe for New Geographies: Reasonable People of Goodwill”, *New Geography*, February 8, 2011.
12. See Florini, Ann, “Behind Closed Doors: Governmental Transparency Gives Way to Secrecy”, *Harvard International Review* (Spring 2004): 18–21; and “Introduction: The Battle Over Transparency”, in *The Right to Know: Transparency for an Open World*, ed. Ann Florini (New York: Columbia University Press, 2007), 1–16.
13. Cherian George has argued that “limited access to official information constrains the volume and quality of citizen participation”. See George, Cherian, “Control-Shift: The Internet and Political Change in Singapore” in *Management of Success: Singapore Revisited*, ed. Terence Chong (Singapore: ISEAS, 2010), 266.
14. The Society Against Family Violence commissioned an International Violence Against Women Survey in 2010 because of a lack of consistent and comprehensive data on the problem in Singapore. See also Association for Women Action and Research, “General Recommendation 19: Violence Against Women”, CEDAW Shadow Report, May 2011, pp. 153–154.

15. Prime Minister Lee Hsien Loong, National Day Rally Speech 2009, 16 August 2009, http://www.pmo.gov.sg/content/pmosite/mediacentre/speechesinterviews/primeminister/2009/August/national_day_rallyspeech2009part3racialreligiousharmony.html
16. Following a leadership tussle in a local NGO when then Deputy Prime Minister Wong Kan Seng reiterated that "keeping religion and politics separate is a key rule of political engagement" in Singapore. See "Exercise Restraint, Mutual Respect, Tolerance", *The Straits Times*, May 15, 2009, and Azhar Ghani and Gillian Koh, "Not Quite Shutting Up and Sitting Down: The Singapore Government's Role in the AWARE Saga" in *The AWARE Saga: Civil Society and Public Morality in Singapore*, ed. Terence Chong (Singapore: NUS Press, 2011), 42.
17. "Attack on Iraq Would Be a 'Security Issue'", *The Straits Times*, September 5, 2002.
18. An instructive example can be seen in how women's groups have continued to work with the Government to improve the management of domestic violence even though the 1997 amendments to the Women's Charter did not deliver everything they asked for. At the same time, public agencies have demonstrated commitment to assisting individuals not covered by the amendments by using existing laws and mechanisms to protect victims as best as they can.
19. Brown. David L., and Fox, Jonathan, "Transnational Civil Society Coalitions and the World Bank: Lessons from Project and Policy Influence Campaigns", The Hauser Centre for Nonprofit Organisations and The Kennedy School of Government, Harvard University, Working Paper No. 3 (1999), p. 12.
20. Tay, Simon S.C., "Towards a Singaporean Civil Society", *Southeast Asian Affairs* (1998):253.



OPINION

Public Diplomacy: An Emerging New Normal in Foreign Policy

States must now learn to shape the context in which their policies are perceived by foreign publics in order to achieve national goals.

BY
**PREMARANI
SOMASUNDARAM**

Premarani Somasundram is Principal Researcher at the Centre for Governance and Leadership, Civil Service College. She spent a good part of her career with the Strategic Assessments Directorate of the Ministry of Defence, which allowed her the opportunity to serve as counsellor with the Singapore embassy in Washington, DC, from end 1999 to early 2003. The views expressed in the article are her own.

A Ferrari, a Fatal Collision and its Fallout

On 17 May 2012, *The Straits Times* carried a letter from the Chinese embassy in Singapore expressing regret over a fatal crash in the Republic involving a Ferrari, driven by a resident from China, and a taxi, driven by a Singaporean. The letter urged Chinese nationals in Singapore to “respect life, value the safety of themselves and others, abide by its [Singapore’s] laws and regulations, and live responsibly and gracefully”.¹ It was evidently a response to the outrage at the accident expressed by many Singaporeans, in whose eyes the driver of the Ferrari was the epitome of a class of affluent expatriates from China and elsewhere, whose influx into

their country had pushed up living costs and strained public services.

The Chinese embassy’s effort to mollify Singaporeans and urge its nationals in Singapore to avoid behaviour that offends citizens of their host country should come as no surprise. We now live in an age characterised by the rise of civil society and growing empowerment of just about anyone with an Internet-enabled camera phone. Coupled with the easy movement of goods, services, people, capital and information across borders, the emerging “new normal” in international relations is that governments and inter-governmental organisations such as the United Nations (UN) are no longer the sole determinants of international policies and sole

practitioners of diplomacy. Gone are the days when a huddle in private between, say, the prime minister of Singapore and the president of Indonesia was all that it took to sort out bilateral issues; any government that seeks to improve ties with a foreign government or to secure an agreement with it must also reach out to the public of that country.

Goodwill Hunting

Efforts to explain policies and actions to, and influence, foreign publics, as opposed to foreign governments, are hardly new in international relations. “Public diplomacy”, the term applied to this practice, has historically been considered an euphemism for propaganda. It was most closely associated with America’s extensive use of the former US Information Agency (now absorbed into the US State Department) and the Voice of America radio service in Cold War-era efforts to project American culture and values to weaken the Communist bloc.

Today, public diplomacy is increasingly seen as a critical tool for developing what Joseph Nye calls “soft power” — the ability to co-opt others through the attractiveness of one’s “institutions, ideas, values, culture and the perceived legitimacy of policies”.² Countries around the world have recognised, especially since the September 11 attacks, that military and economic

power are often inadequate to bring about desired foreign policy outcomes; an equally important national asset is a positive reputation or soft power.

China is among several players now actively seeking to develop soft power. Through its international broadcasts and some 350 “Confucius Institutes” set up across the world to teach Chinese and showcase Chinese culture, Beijing is attempting to shape how it is perceived abroad and allay fears that a rising China is a threat. China has evidently begun to realise that as goods, services, capital, people and information traverse borders easily in a globalised world, its nationals at home or abroad also serve as its flag bearers — hence, the efforts of the Chinese embassy in Singapore aim not only to appease angry Singaporeans but also to urge Chinese nationals in Singapore not to undermine their country’s reputation.

Public diplomacy does not render redundant the kind of quiet negotiations between governments that must take place *in camera*, such as the Oslo peace process or free trade negotiations. However, the agreements concluded through such confidential government-to-government transactions may languish on paper if the governments in question have weak standings with each other’s publics and fail to convince the latter of their good intentions.

Scholars note that public diplomacy is practised in several inter-connected dimensions.

1. Information Management

Day-to-day government communications to explain policies and actions to overseas audiences as well as crisis communications.

2. Strategic Communication

The orchestration of a series of symbolic actions and events that capture the imagination and evoke emotions. The aim is to subtly reinforce core messages about one's country and influence how it is broadly perceived abroad. Unlike daily communications, the impact of strategic communications can only be realised in the long term. One form of public diplomacy that could have huge strategic communications impact is what Karen Hughes, former US President George Bush's public diplomacy

head honcho, liked to call "a diplomacy of deeds",¹ involving, among other things, development assistance and post-disaster humanitarian relief efforts.

3. Cultural Diplomacy

Fostering mutual understanding through the exchange of ideas, information, values, traditions and beliefs. Such exchanges take place through artistic, sports, science and technology, scholarly and other people-to-people exchange platforms. Cultural diplomacy includes scholarship and fellowship programmes, which allow foreigners extended direct exposure to one's country.

4. Relationship-building

This takes place across any of the above dimensions and involves personal contact and two-way communications to build trust.

NOTE

1. Karen Hughes, "The Diplomacy of Deeds", in *The Washington Times*, December 17, 2006.

Beyond Branding to Woo Tourists, Talent and Capital

While some of the tools of public diplomacy are in pervasive use today, there is no consensus or clarity on what the specific objectives of public diplomacy are, apart from the broad one of seeking to shape perceptions and influence foreign audiences. Neither is there clarity on how best to deploy these tools. Consequently, there is much hand-wringing about the efficacy of public diplomacy as a strategy.

A good national brand image notwithstanding, countries may still come up against political hurdles in advancing their commercial interests abroad.

The rise of “nation-branding” as a discipline over the past decade or so has led to public diplomacy being conflated with commercially-oriented brand-building exercises. By default or design, countries as well as cities acquire distinct brand identities based on their key attributes and the values that shape their institutions and policies. For instance, Germany has acquired a reputation for engineering precision and reliability while Italy for style and high fashion. As the scramble for tourist dollars, investments, talent and markets intensifies across the world, many countries and cities, especially

developing ones, have begun adopting corporate branding techniques to market their brand identities and establish some form of “product differentiation” from their competitors.

However, while nation-branding in this narrow sense, involving catchy taglines and dazzling skylines, may help a country lure investments, tourists and talent, and even boost the appeal of its goods and services to consumers abroad, public diplomacy serves broader national interests. For small countries, concerted and sustained public diplomacy efforts could conceivably make some difference in their ability to maintain secure borders, ensure air and maritime access, guarantee food and energy supplies and achieve a whole host of critical national objectives other than commercial success. Indeed, a good national brand image notwithstanding, countries may still come up against political hurdles in advancing their commercial interests abroad, given occasional backlashes against globalisation in the wake of unemployment, stagnant wages and widening income disparities, especially in the developed and emerging markets. Thus, apart from targeting business constituencies and talented professionals seeking to relocate, public diplomacy involves developing broader messages that will resonate with a wider cross-section of foreign publics. These include non-governmental organisations (NGOs) representing special interests or causes,

such as migrant worker rights, human rights and environmental protection, as well as journalists, academics and other opinion-multipliers.

It's the Policy, Stupid

While many governments fork out massive sums on public relations campaigns to help re-brand their countries, deploy an army of information specialists to explain policies, and engage in some form of relationship-building efforts, including providing development assistance, they generally still tend to treat public diplomacy as a communication exercise peripheral to policy — in Nye's words as “a bandage that can be applied after damage to a country's standing has been done by other instruments”.³ But, as the US discovered in the wake of its response to September 11, no amount of skilful communication can airbrush away the effects of bad policy; ultimately, good public diplomacy is about good policy.

Simon Anholt, who gave us the term “nation-branding”, notes that publics generally tend to hold on rigidly to a rather simplistic view of a foreign country once it is formed.⁴ He cautions that a single good policy or deed may not yield a lasting positive perception if the underlying image is weak or poor. Conversely, it must be added, a single policy misstep could be amplified many times over in today's new media environment and could potentially undo a painstakingly-built positive image.

Good public diplomacy, therefore, begins with a mindset change that regards public diplomacy as a strategic function which has to be mainstreamed and integrated with traditional diplomacy. Public diplomacy also entails overcoming cognitive biases that blind a country to elements of its policies and behaviour that rile others, a thorough assessment of what can realistically be done to undo underlying negative images, ongoing anticipation of how foreign publics might respond to specific policies, and if necessary tweaking, or even changing, policy to mitigate any potential negative fallout.

A single policy misstep could be amplified many times over in today's environment and potentially undo a painstakingly-built positive image.

Public diplomacy cannot be approached in a one-size-fits-all manner; unique circumstances in target countries and theatres, particularly the differences in how a country is perceived in different parts of the world, call for country-specific strategies where specific sub-messages consonant with the overarching theme are emphasised and appropriate tools deployed. Most countries embarking on public diplomacy programmes tend to tackle the low-hanging fruit of improving visibility in places where visibility is lacking, while sidestepping

the more intractable task of attempting to redeem weak reputations in places that count most. Furthermore, in their relationship-building activities, they tend to preach to the converted, that is, to seek out those who already have positive impressions of their country, and to ignore the peskier, but oftentimes more influential, elements whose views may be at variance with their own. Public diplomacy is not about getting others to accept a country's policies; it is more about using open, two-way communication to create a foundation of trust against which foreign audiences may understand a country's policies and actions, even if they do not necessarily accept them in toto.

Credibility is an essential element in the building of trust, which is the ultimate goal of public diplomacy.

“Smart Public Diplomacy”

While public diplomacy is a strategic function and public diplomacy consciousness must permeate the policy process, the heavy hand of the state in the implementation of public diplomacy plans may not be the best way forward. For in the information age, publics are better informed and increasingly cynical about statements and deeds emanating from government institutions. Credibility is an essential element in the building of trust, which

is the ultimate goal of public diplomacy. This is why Nye advocates shifting towards what he calls “smart public diplomacy”, which involves tapping into the credibility inherent in emerging cross-border, peer-to-peer civil society networks involving NGOs, academics, journalists, and the like.⁵ Mark Leonard, another proponent of this approach, calls it “stealth diplomacy”.⁶

There are compelling reasons for working with non-state entities in pursuing public diplomacy. Governments often do not have the resources to reach the large numbers of foreign constituencies they must cultivate beyond their foreign counterparts. More significantly, as goods, services, people and information cross borders freely today, businesses, NGOs, academics, and even ordinary citizens and diasporas unwittingly or otherwise serve as flag-bearers abroad. Their business decisions abroad, their behaviour abroad as tourists or students, their blogs, Tweets, and home-made YouTube videos all contribute to the shaping of their country's perception abroad, whether governments like it or not. Governments, therefore, need to work with these players to ensure that, at the least, their decisions and behaviour do not undermine national reputations.

Inevitably, working with non-state entities requires ceding some control over messaging, which governments may find hard to countenance, especially where NGOs with socio-political causes

are concerned. Nye points out that such “decentralisation and diminished control may be central to the creation of soft power” as long as deviations from the government line are not too significant.⁷ In any event, viewing NGOs as stakeholders and engaging them and enlisting their support is a surer way of making them behave responsibly than isolating them.

Singapore's Public Diplomacy Challenges

Over the past two decades and especially in the past five years, Singapore has been undertaking various elements of public diplomacy in addition to nation-branding. These include engaging in “a diplomacy of deeds”, such as the post-2004 tsunami humanitarian aid and reconstruction support for Indonesia, efforts to reach out to foreign opinion multipliers, diaspora outreach efforts and even encouraging some form of peer-to-peer networks involving think tanks and journalists. What seems still lacking, however, is a conscious attempt to integrate public diplomacy with the policy function and to take a more focused approach to public diplomacy efforts.

Building trust with foreign publics takes a long time and a huge commitment of resources, especially when stereotypes and deep-seated negative opinions need to be changed or at least tempered. The effectiveness of public diplomacy is also

not immediately perceptible; neither is it easy to measure as opinions can change for any number of reasons and not just because of the efficacy of public diplomacy programmes. Therefore, taking a cost-benefit approach to public diplomacy could render it ineffective.

Working with non-state entities requires ceding some control over messaging, which governments may find hard to countenance.

On the other hand, public policy in Singapore today is no longer insulated from public pressures, making it harder to justify expenditure on public diplomacy programmes whose outcomes are not immediately perceptible.⁸ With the distinction between domestic and foreign policy having blurred, Singaporeans can be expected to become more vocal on issues that have international dimensions.

More critically, the nation-branding exercise to project Singapore as a cool and creative city, largely with a view to wooing foreign businesses and talents, is clearly not resonating with many citizens. Singapore's most daunting public diplomacy challenge will be to ensure that the simmering resentment of “foreign talent”, manifested in the harsh invectives hurled at the Chinese national who drove the Ferrari, does not descend into xenophobia, which could affect Singapore's reputation abroad and

“Building a reputation in our busy modern world is like trying to fill a bathtub with the plug pulled out: as soon as each symbolic action is completed, its effect on public attention begins to decay, and unless it is swiftly followed by further and equally remarkable proof of the kind of country that produces it, that country’s reputation will stand still or move backwards, and the bathtub will never fill.”

- Nation-branding guru Simon Anholt, *Place Branding & Public Diplomacy*, Volume 4, Issue 1, 2008

efforts to build political goodwill with foreign publics. In sum, the success of a public diplomacy strategy will also

hinge on first securing broad public consensus at home. 

NOTES

1. Forum page, *The Straits Times*, May 17, 2012.
2. Nye, Joseph S. Jr., *The Future of Power* (New York: Public Affairs, Perseus Books Group, 2011), 20.
3. Nye, Joseph S. Jr., “The New Public Diplomacy”, *Project Syndicate*, February 10, 2010.
4. Anholt, Simon, “Public Diplomacy and Place Branding: Where’s the Link?”, *Place Branding*, Editorial (2006).
5. Nye, Joseph S. Jr., “Soft Power and Public Diplomacy in the 21st Century”, *British Council Parliamentary Lecture*, January 20, 2010.
6. Leonard, Mark (with Stead, Catherine and Smewing, Conrad), “Public Diplomacy”, *The Foreign Policy Centre* (2002): 54.
7. Nye, Joseph S. Jr., “The Pros and Cons of Citizen Diplomacy”, *International Herald Tribune*, October 5, 2010.
8. The inaugural Youth Olympic Games hosted by Singapore is a case in point, with Singaporeans questioning the sizeable expenditure overrun and perceived lack of returns.



BOOK REVIEW

Policymaking for Real People

An understanding of how human biases affect economic decision-making can significantly improve the design of public policy. A new book authored by Singapore's policymakers explains.

BOOK DETAILS

Behavioural Economics and Policy Design: Examples from Singapore

Edited by Donald Low

World Scientific Publishing Singapore (October 2011); 216 pp.; S\$37.00

REVIEWED BY

TAN YELING

Tan Yeling is a PhD candidate at the John F. Kennedy School of Government, Harvard University. She has worked in the government, academic and NGO sectors. Yeling holds an MPA in International Development from Harvard and a BA in International Relations and Economics (Honors, Distinction) from Stanford University. She is co-author (with Ann Florini and Lai Hairong) of *China Experiments: From Local Innovations to National Reform* (Brookings Institution Press, 2012), and co-editor (with Kelley Lee and Tikki Pang) of *Asia's Role in Governing Global Health* (Routledge, 2012, forthcoming).

The key message of *Behavioural Economics and Policy Design* is both clear and important. Collectively, the authors emphasise that policymaking can be substantially improved by taking into account aspects of individual behaviour which deviate systematically from standard economic assumptions of rational choice and utility maximisation. These deviations range from universal human limitations, such as bounded rationality and hyperbolic discounting, to behaviour more explicitly shaped by social forces, such as norms of justice and values of morality.

The book — distinctive in that it is written by policymakers drawing explicitly on economic theory — demonstrates how an unthinking application of the “right” tools according to conventional economic theory might lead instead to suboptimal outcomes. The cases tackled in the various chapters cover a broad range of issues, from healthcare and traffic control to global problems such as climate change.

In some of the chapters, the authors discuss “status quo bias” — the tendency for people to prefer sticking to the status quo even if they are rationally

aware that a change might suit their preferences or serve them better. This bias leads to large gaps between human preferences, seemingly optimal solutions, and actual behaviour. In the case of organ donation, for example, the authors note that while polling in Canada found that 85% of society favoured being an organ donor, the actual sign-up rate was 17%. In Singapore and some other countries, the policy is to presume that consent to be a donor has been given, unless people explicitly opt out. In such cases, the share of donors is usually above 80%.

An unthinking application of the “right” tools according to conventional economic theory might lead instead to suboptimal outcomes.

A chapter on fiscal policy details how policymakers were able to improve the design of discretionary transfer policies by taking into account a range of behavioural predispositions and cognitive biases. These include: encouraging spending by framing a transfer as a “bonus” rather than a “rebate”, limiting the time period in which transfers can be consumed, and changing the structure and substance of transfers to avoid building up a sense of entitlement.

While policymakers are often thought of as having to make time-

constrained decisions in environments of uncertainty, and having to compromise across competing interests, the book manages to bridge the practicalities of their profession and the theoretical models of behavioural economics. The authors have done a fine job of explaining complex economic concepts in clear and plain prose; in the process, they offer the reader rich insights into how Singapore’s policy thinking and practice have evolved over the years. The volume joins a growing body of literature and discourse about how decision-making can be improved by taking behavioural considerations into account.¹

Behavioural Economics and Policy Design has two broad aims. The first is to draw out past examples of how policymaking can be enhanced by balancing efficiency and behavioural concerns. The second is to foster greater discussion and investigation into how insights from behavioural economics can strengthen policy design in Singapore. Such discussions might well be meaningfully applied to a number of issues pertinent to Singapore today.

The Introduction devotes some space to discussing the ethical questions that might arise from the adoption of behavioural economics tools to public policy decisions. One concern is paternalism. Is the government being too intrusive in “nudging” citizens towards one set of actions over another? Another criticism is that the intentions of the

state when employing such behavioural tools may not be consistent. Where is the dividing line behind a benevolent nudge and the use of psychological devices to promote particular interests at the expense of society? A third concern is how one deals with cognitive biases that also affect the Government, given that these behavioural limitations are common human traits no one is immune to. One reasoned response offered in the chapter is that the Government, in designing policies from electricity pricing to tobacco sales, has to offer choices one way or another, and that these regulatory designs are part and parcel of the responsibilities of the state. The Government should therefore find ways to actively counter these biases. How then should we systematically go about thinking through the possible pitfalls and available remedies?

Taking the case of organ donation as an example: if an opt-out policy were to be adopted in a country, how should the policy be communicated and implemented? At what age is each citizen informed of the policy and given the choice to remain a donor or opt out? If or when the option is provided, is it accompanied by a balanced discussion of the pertinent considerations — moral, ethical, spiritual and practical? The implications for paternalism vary widely, depending on the answers to these questions. The principles of behavioural economics suggest that information

could also be used to empower citizens. Chapter 5 on electricity, for example, demonstrates how the Government can use smart meters, and tailor the presentation of information in electricity bills, to improve the information given to households, empowering them to make better choices at their discretion.

One way to address the question of the Government's own cognitive biases and bounded rationality is to bring greater transparency to the thinking behind various policy issues, opening the policy process to a wider set of stakeholders: through participation, and rigorous, informed deliberation. Clearly, not all issues can be subject to the same level of participation and debate. Some require expert input, others are taken under urgent time pressures, and still others might involve national security concerns. Nevertheless, these considerations ought to prompt greater effort to systematically identify which issues would benefit from a more open and participatory approach to policy design, so that the policymakers do not become captive to their own biases.

A common theme discussed in the book is the value of combining the insights of behavioural economics with the policy practices of transparency and participation. Moreover, a unilateral approach to policymaking is increasingly out of sync with a Singaporean society and economy that is highly networked and integrated with global processes of

production, innovation, and cultural and ideational exchange. Deliberative and participatory approaches to governance allow the Government to draw on the diverse viewpoints and skillsets of society as a strength, and enable a more flexible, responsive, and ultimately more robust approach to governance.

One way to address the question of the Government's own cognitive biases is to bring greater transparency to the thinking behind various policy issues, and open the policy process to a wider set of stakeholders.

The first step towards a more participatory approach to governance is to open up the policymaking process to the public. In this regard, this book makes a substantial contribution by bringing the voices and thoughts of different practitioners directly to the

public. In doing so, it also represents an evolving attitude of greater openness, with policy practitioners prepared to be reflective about the learning that has taken place within Government, upfront about missteps that have occurred, and frank about the difficult challenges of grappling with norms, values, and psychological biases alongside technical economic issues.

Finally, the book represents an admirable contribution to strengthening exchanges between policymakers and academia. Apart from behavioural economics, the field of cultural economics is also uncovering new insights into how norms and values — from expectations of social mobility, to social capital and trust — relate to economic issues such as inequality, democracy and the functioning of institutions.² This growing body of work offers another exciting source of new ideas for policymakers in Singapore to draw from, to respond to ever-more complex governance challenges. ✂

NOTES

1. One widely cited book about “nudging” people towards more optimal decisions, for example, is Thaler, R. and Sunstein, C., *Nudge: Improving Decisions about Health, Wealth and Happiness* (Yale University Press, 2008).
2. See, for example, Alesina, A., and Glaeser, E., *Fighting Poverty in the US and Europe: A World of Difference* (Oxford, UK: Oxford University Press, 2004); Alesina, A. and la Ferrara, E., “Preferences for Redistribution in the Land of Opportunities”, *Journal of Public Economics* 89 (2005): 897–931.



How Not to Lose the War on Poverty

Conventional strategies to fight poverty may be doing more harm than good.

BOOK DETAILS

Fighting Poverty Together: Rethinking Strategies for Business, Government and Civil Society to Reduce Poverty

By Aneel Karnani

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REVIEWED BY
JEANNE CONCEICAO

Jeanne Conceicao is Senior Researcher at the Centre for Governance and Leadership, Civil Service College. Her research interests are in government-people relations, networking and engagement. She received a Masters from Harvard in government studies. The views expressed in this article are her own.

Author Aneel Karnani, who teaches at the University of Michigan's Ross School of Business, believes that being poor should not be romanticised. In movies such as *Slumdog Millionaire* (2008), he argues, the poor are depicted as having an uncanny ability, strength and will to rise above their depressing lot in life if they put their minds to it. This notion of the poor, Karnani says, is damaging to the fight against poverty as it gives the wrong impression that the poor can alter their own situation. The simple fact of the matter is that the poor for the most part are unable and incapable of doing so. They need help.

Nor does Karnani believe that economic growth in itself will lead to the alleviation of poverty. The

pervasiveness of poverty in a sea of relative global affluence suggests that prosperity does not always trickle down to those who need it most, nor do the very poor — with little economic or political representation — have the means to seek the help they need.

Instead, Karnani believes poverty eradication depends on efforts of three main actors — the private business community, the government and civil society. He regards each of these sectors as having distinct roles to play and, rather than remain aloof or even disdainful of one another's contributions, they should take a more constructive, collaborative view of how they can work together to alleviate poverty around the world.

Debunking “Microfinance” and “Bottom of the Pyramid” Strategies

Significantly, Karnani spends a good portion of *Fighting Poverty Together* debunking the efficacy of two major poverty alleviation strategies that have captured the popular imagination: Microfinance, and the Bottom of the Pyramid (BOP).

The Limits of Microfinance

Contrary to popular belief, Karnani argues, microfinance has not managed to reduce poverty — for several reasons. First, the money from most microloans is spent on consumption rather than invested in business ventures, and therefore cannot result in increased income for the poor. Second, most poor lack the entrepreneurial skills to succeed at running their own businesses. Third, the microenterprises funded lack economies of scale and have low productivity, yielding the borrowers too little income to lift themselves out of poverty. Fourth, if the interest rates are too high (as reflected in many microfinance strategies) the borrower might even become poorer rather than wealthier.¹ Fifth, there is a tremendous lack of transparency in the industry, so much so many of its failings have gone undetected and the poor suffer in silence due to the lack of representation. Even the purported abusive loan recovery systems of Grameen Bank, whose chief was the creator of microfinance, have for the most part gone unreported.

Even the propounded benefits of microfinance, such as the empowerment of women, do not bear out under analysis, according to Karnani. Women might have access to loans but they do not have control over the loan or the income generated from the microenterprise. Loans made to the women often get passed on to the male breadwinners in their families. In other words, microcredit does not in itself overcome patriarchal systems of control.

Nevertheless, microfinance could still succeed in alleviating poverty. Karnani suggests that appropriate regulation is key and that industry self-regulation could be a useful supplement to legal regulation. Large commercial banks could pressure the banking industry to exercise social responsibility. International organisations such as the World Bank and U.S. Agency for International Development could also pressure their clients to prevent exploitation of the poor, and help developing countries build up effective regulatory regimes. Civil society could keep a check on private banks that behave inappropriately when disbursing microfinance funds to the poor, and help educate microcredit users about their rights.

The Fallacy of the Bottom/Base of the Pyramid (BOP) Market

Karnani argues that those who propose that businesses could make good profit while helping to alleviate poverty by selling to the poor — the

so-called Bottom of the Pyramid (BOP) approach — are mistaken. He rebuts the key propositions of BOP.

Proposition 1: There is much untapped purchasing power at the bottom of the pyramid. Private companies could make significant profits by selling to the poor.

Karnani argues that this is a fallacy because the BOP market is much smaller than estimated. Most of the income of the poor (at least 80%) is spent on basic necessities like food, water and shelter (unlike the income of the more affluent). There is little left over for anything else. Furthermore, the cost of serving this market can be very high. The poor are often geographically dispersed, increasing distribution costs and making it difficult to reap economies of scale. Weak infrastructure and small transaction sizes further increase the cost of doing business.

Proposition 2: By selling to the poor, private companies can bring prosperity to the poor, and thus can help eradicate poverty.

Reducing the prices of products purchased by the poor might be expected to increase their effective income and thus help them to accumulate savings, or invest the extra income, for example, in education. But Karnani argues that this is hardly ever possible because the price would have to be reduced by 90% for the products to make any impact on the income of

the poor. Many business ventures into the BOP market have proven not to be cost-effective in the short or long run, and economically unsustainable.

Proposition 3: Large multinational companies (MNCs) should play the leading role in this process of selling to the poor.

Large MNCs have been playing an active role in selling to the poor. Most have been unsuccessful; they have either stopped selling to the poor and gone upscale to sell to middle-income earners instead, or closed down operations altogether due to the lack of cost effectiveness.

While there is no fortune to be made from marketing to the poor, Karnani suggests that it might be viable on a limited scale, provided there are strong symbiotic partnerships between local governments, NGOs and businesses, and if the products sold to the poor truly benefit them.

Going Forward: The Roles of Government, Civil Society and Private Business in the Fight against Poverty

Karnani believes that poverty reduction efforts should aim to increase the income of the poor by viewing them as producers (and not as consumers as reflected in the BOP approach). His book argues for the creation of employment opportunities suited for the poor — a task he believes the private sector is best suited for. In Karnani's view,

civil society could support this effort as a catalyst for action, advocate and watchdog, intervening where necessary to identify and bridge market gaps.²

Governments, Karnani argues, should facilitate job creation by fostering an environment conducive for business to grow and thrive, and improve the employability of the poor: by improving their skills and capabilities, and by reducing friction in labour markets. Governments also have a major role to play in addressing market failures through regulation, and service provision. Karnani argues that state responsibilities are magnified in the case of the poor, because markets for the poor fail more often and the poor are more critically dependent on public services. The provision of basic public services such as education, public health, sanitation and infrastructure is therefore the government's key responsibility in the fight against poverty, as the poor bear a disproportionate share of the burden when these services are inadequate.

Conclusion

While microfinancing has not taken off in Singapore's banking industry, civil society groups here have considered the possibility of providing microfinance loans to the poor (those without collateral), although none have yet come to fruition. Karnani's cautionary analysis of microfinance offers a sobering perspective for any organisation considering such efforts. Nevertheless, microcredit approaches to help the poor could succeed if carefully crafted and managed well, as with any business strategy.

Fighting Poverty Together is a salient reminder that poverty alleviation requires a concerted effort by many stakeholders in society. Government can keep public services within the reach of the poor, who are disproportionately dependent on such services to get by. It can also provide the necessary infrastructure, education and jobs in order that people, especially the poor, are provided with the tools to become self-reliant. But private businesses and civil society can also play an important part by increasing the income of the poor and being more vigilant in identifying market gaps, respectively. ✎

NOTES

1. This was the case with the Mexican bank Banco Compartamos whose actual interest rates could reach more than 100% per annum. Karnani opined that organisations that charged high interest rates contributed to rather than helped alleviate poverty.
2. One cited example of an effective NGO is TechnoServe, which identifies high potential but underperforming economic subsectors and helps resolve the identified market failures that constrain their development.

Managing Transitions

How can individuals manage the challenges — and reap the potential benefits — of life changes and workplace transitions?

BY
KHOO EE WAN

Khoo Ee Wan is Senior Consultant (Psychologist) at the Centre for Leadership Development in the Civil Service College. The Centre provides leadership assessment and development services that support the Singapore Public Service in developing a pipeline of talent that are inspired to lead and drive change.



The Impact of Success or Failure in Making Transitions

Success or failure during a period of significant job changes is a strong predictor of overall success or failure on that job.¹ Research has consistently shown that both career-related transitions and events in one's personal life can be powerful triggers for transformative self and leadership development, because the challenges presented by these transitions provide opportunities for the individual to acquire new skills and beliefs that would help him become more effective.²

However, not everyone is successful in making a transition. Some people may be unwilling to let go of a previous role and its accompanying beliefs and behaviours; others may be unwilling and/or unable to acquire a new role together with the unfamiliar beliefs and behaviours that are necessary for meeting the new demands. By one estimate, over 75% of high-potential leaders experience significant to moderate problems when they move into a new role,³ and transition failures could lead to stress and burnout or a sense of stagnation, derailment and career dissatisfaction.^{4,5} At the organisational level, the cost of a leader who fails to adjust to a transition includes organisational inefficiencies, failure to complete important initiatives or meet important organisational goals, as well as adverse impact on the engagement and development of subordinates reporting to the leader.⁶

Strategies for Managing Transitions

While organisations could devote more effort and resources to actively help their staff manage transitions, individuals need to take ultimate responsibility for their lives. Greater awareness of the possible transitions that they may face during their working years, the challenges involved in these transitions, and the strategies they can adopt to better manage these transitions, would all help individuals to be more prepared to handle transitions, particularly those which their organisations have little control over and can offer little meaningful support for.

Although the demands of every transition may be different, there are some general strategies that an individual can adopt to enhance transition success in the workplace.

Positivity

According to Schlossberg,⁷ adaptation to a transition is the interaction of three sets of variables: an individual's *perception* of the transition, the *characteristics* of the individual, and the characteristics of the pre- and post-transition *environments*. Positivity means that the individual perceives the transition as a positive event and is ready to embrace the challenges and risks and make the necessary adaptations. Being developmentally ready, that is, having "the ability and motivation to attend to, make meaning

of and appropriate new knowledge into one’s long-term memory structures”,⁸ facilitates learning from work and life experiences in general. More specifically, perceiving the transition as an opportunity for greater learning and growth would help one accept a higher level of challenge during the transition.⁹ Bunker¹⁰ similarly points out that people who adopt a learner

response to a change are more likely to be comfortable with the change and to have a high capacity for change. Such positivity is particularly essential when the pre- and post-transition environments are significantly different, which represents a more intense transition that requires a greater degree of new learning. Positivity may be more difficult when the transition is perceived to be

MATRIX OF COMMON TRANSITIONS

	CAREER/WORK	LIFE/RELATIONSHIPS/FAMILY
ADVERSITY	Career-related difficulties or negative events at the workplace: • Having to work with a bad boss • Having to work with competitive peers • Being passed over for a promotion • Significant failure at work • Losing faith in the system • Being part of a re-organisation • Losing a job/retirement	Difficulties and negative events in one’s personal life: • Family problems • Death of significant others • Divorce • Personal upheaval, e.g. midlife crisis • Serious illness or physical challenge • Losing meaning in life
DIVERSITY	Range of interesting, stimulating projects, assignments, and roles: • Joining a new organisation • Accepting a stretch assignment • Progression along the leadership pipeline • Working internationally	Breadth of life experience/life events: • Participating in a range of experiences outside work • Interacting with people of other cultures • Living in a different country • Marriage and/or family: finding a meaningful work-life balance • Developing and living a meaningful credo • Understanding and accepting your legacy

Matrix adapted from Dotlich, Noel & Walker, 2004; list of transitions collated from Charan, Drotter & Noel, 2001; Dotlich et al., 2004; Ruderman & Ohlott, 2000.

undesirable. What is helpful in these instances is to see the transition from a broader perspective, which can provide a greater degree of objectivity about the situation and serve as a reminder that negative events can provide useful leadership development experiences.¹¹

People who adopt a learner response are more likely to have a high capacity for change.

Positivity also entails being resilient, instead of allowing self-doubt or defeatism to hamper one's ability to handle the challenges of a transition.¹² While there is an element of optimism to positivity, this is optimism that is grounded in reality. In one study, individuals who approached career change planfully and realistically cited better experiences of the transition and perceived themselves to be coping better than did individuals who ignored signs of change or reacted unrealistically.¹³

Clarity about Role Requirements and Internalisation of New Identity

Transition failures often occur because people do not understand their roles when they move to a new position.^{14,15} Without this information, it will be difficult for them to make sense of their new environment and adjust accordingly. An individual anticipating or going through a transition in the work context needs to find out as much

as possible about the nature of the role, the job content, how the role fits into the organisational context, and what others expect of him in this role, and obtain validation from his supervisor for his definition of the job.^{16–19}

Beyond a cognitive understanding of new role requirements, the individual needs to reflect on what the transition means for him at a more personal level. A transition often challenges an individual's sense of identity because questions about who he is, who he is becoming, what his values and ideals are, and how he matters and belongs to the group or community are likely to surface during this time. To make sense of the situation, the individual may have to revisit his self-identity and make readjustments where necessary.^{20–22} This examination of identity not only applies to work or leadership identity, but may also extend to one's personal and family identities.²³ A successful adjustment to a transition means that the individual has internalised a new role identity and reworked his life story such that he can meaningfully link who he is and who he will become.²⁴

Internalising a new role identity is an important part of the transition adjustment process because the discoveries and reflections that the individual makes during this time help him to acquire new perspectives about how he can contribute and add value in his new role, and these transformations in his thinking will bring about sustained

behavioural changes.^{25,26} To the extent that this new identity is accepted by others, it would also facilitate his social integration.²⁷

Commitment to Learning

Another key theme in the experiences of individuals going through transitions is about gaining competence in meeting the demands of a new role. Individuals often feel vulnerable and incompetent when they are making a transition because the demands of the new role will always differ from the demands of the previous role, and the familiar beliefs, knowledge and well-honed skills that have helped the individuals to succeed in the previous role are no longer adequate and in some cases, the current capabilities may no longer be useful. Yet, during times of stress, individuals are even more likely to fall back reflexively on the skills and strategies which have been tried and tested in the past, even though they may no longer be effective.²⁸

At this point, clarity about role requirements, coupled with an accurate assessment of one's current strengths and limitations and reflexive responses to challenges, can help the individual to identify what needs to be learnt to close the competency gap. Broadly, career-related transitions may require the individual to close skills gaps in fulfilling new responsibilities as well as knowledge gaps in terms of technical or business knowledge, customer or

market knowledge, organisational norms and power-relations, procedures or approaches for completing work tasks.²⁹⁻³² Researchers also note that different work and life experiences offer different learning opportunities,^{33,34} and even transitions that represent an adversity, such as failure at work or loss of significant others, can facilitate learning and development and bring about greater leadership maturity.³⁵

What is important during the transition is that the individual accepts personal responsibility for the situation and puts in the effort to quickly and efficiently learn what he does not know. Besides identifying his learning agenda, he has to plan how he can best address these gaps (whether it is through tapping on the knowledge of specific persons, hands-on experience, critical analysis, or other methods).^{36,37} He must also exercise self-discipline to consciously work at those areas that he needs to improve in or do more of.³⁸

A successful adjustment to a transition means that the individual has internalised a new role identity.

Accepting personal responsibility is particularly helpful for transitions that represent adversity because it allows the individual to engage in constructive self-examination, which increases awareness about his limitations and vulnerabilities. It also encourages

him to reflect on how he can be a more effective leader.³⁹

Delivering Results

Once the individual has made sense of his new role and gained greater knowledge about his new situation, he has to map out his key priorities and strategies in the coming months, define performance standards, and then ensure he achieves the desired results.^{40,41} The strategy needs to be mapped to the particular characteristics and challenges of the situation.⁴² In addition, although it is important to strategise about longer term goals, it is also important that the individual identifies some immediate focal points where he can quickly achieve tangible results. Securing such early wins in his new role would help establish his credibility and set up a virtuous cycle which would facilitate further success.⁴³

What is important during the transition is that the individual accepts personal responsibility for the situation and puts in the effort to quickly and efficiently learn what he does not know.

Building and managing key relationships will facilitate the individual's ability to deliver results. One key relationship that has to be managed is the individual's relationship with his supervisor. He has to understand

his supervisor's style and agenda, and negotiate success for himself by clarifying mutual expectations, seeking the necessary resources, and working in ways that would support his supervisor's agenda. He also has to build a strong network of people who can support him, and to create coalitions with stakeholders that are critical to his success.^{44,45}

Renewal and Support

Besides a steep learning curve, individuals undergoing a transition are likely to be under pressure to deliver results quickly.⁴⁶ The emotional and cognitive challenges posed by transitions mean that they are stressful periods and during these times, the individual has to find ways to maintain a sense of balance in his life. This may include engaging in re-energising activities (such as sports or hobbies) or seeking a quiet place of refuge where he can temporarily escape and recharge.⁴⁷ He also needs to set aside time to get adequate rest and sleep, and to have the mental space to reflect.⁴⁸

The individual may also need to seek additional support to help him get through the transition, to prevent burnout and to provide renewal.⁴⁹ During this period, his social networks (such as family, friends and other community groups) and his professional networks of peers, superiors or mentors, may be able to provide both emotional and practical support as well as serve as role models or offer additional insights or

alternative perspectives that can help him cope with the situation.⁵⁰ In fact, a study showed that social support mechanisms, such as having regular feedback from their supervisors or peers, improved people's ability to learn from extremely challenging work experiences.⁵¹ Such support would help enhance transition success.

Conclusion

While we may not always be able to plan what transitions we have to face, we are able to calibrate our responses to these transitions. These strategies could help an individual manage the challenges of transitions and reap their potential benefits. 

NOTES

1. Watkins, M.D., "Picking the Right Transition Strategy", *Harvard Business Review* (January 2009): 47–53.
2. Significant life changes can challenge basic beliefs and assumptions, requiring us to transform how we perceive and interpret ourselves and the world around us, and to develop new priorities, learn unfamiliar skills, behaviours and patterns of interpersonal reactions so that we can transit into the new role or situation. (Ibarra and Barbulescu, 2010; Isopahkala-Bouret, 2008; Sargent and Schlossberg, 1988).
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New Capabilities in Strategic Leadership: Insights from Singapore

Singapore's experience holds lessons for the establishment of robust, future-oriented national strategy frameworks elsewhere.

BY
SHEILA RONIS

Sheila R. Ronis, PhD is Professor of Management and Director of the MBA/Master of Management Programs at Walsh College, and a Distinguished Fellow with the Project on National Security Reform. This article draws from her research as a Fulbright Specialist Scholar.

The Vision Working Group of the Project on National Security Reform in the United States (US) recommended the establishment of a Center for Strategic Analysis and Assessment in its July 2010 Report and Scenarios. The Group determined that the US needs a place, a process and set of capabilities, in the Executive Office of the President (EOP), to develop and test grand strategies for the nation, and particularly to support the national security system.

Many nations produce national security strategies. They are frequently documents that represent a comprehensive discussion of where a country is going and what it wants to accomplish; a list of aspirational goals by a ruling party or an administration.

Countries such as the United Kingdom and Singapore have established such long-term, whole-of-government thinking and planning capabilities within the heart of their administrations. These are capabilities that will be of growing relevance to any country in a world of increasing complexity.

For decades the private sector has routinely used management tools such as forecasting, scenario based planning, strategic visioning, political and economic risk assessments. Such tools are sometimes used in pockets, in specific government agencies or departments, but they are rarely, if ever, used across all agencies — especially in a whole-of-government manner.

The question is: what mechanisms should a government develop to improve a nation's ability to plan in a whole-of-government way for its future; to be better prepared for a future that is very different from its past?

Towards an Adaptive National Security System

A nation's security is rooted in the successful integration of all major elements of national power: economic, diplomatic, military, informational and so on. When successfully combined, the vitality of a nation is ensured and the country's ability to encourage positive change throughout the globe is enhanced.

If "what is" and "what is not" in the arena of National Security is artificially or prematurely narrowed, it is likely that situations will be misread and that can ultimately, and negatively, affect a nation. Ten years ago, the challenges related to sub-prime mortgages, earthquakes, automobile emissions and pilot training rosters were not typically the focus of national security. Today, it is clear that they might well have been. The point is no one can imagine or determine now with certainty what might affect a nation in the future.

Threats can be assessed and prioritised based upon considerations such as urgency, impact, magnitude, mitigation options and intention. Opportunities can be assessed and

prioritised based upon considerations such as knowledge, expertise, probability of success, resources, long-term sustainability, proportionality and intention.

A National Security System needs to become a "learning organisation" that can anticipate, adapt to, and successfully address the widest range of threats and opportunities. As a complex adaptive system, the future security system should possess certain inherent qualities that will be critical to success. It must:

- Share information and collaborate horizontally;
- Accommodate unanticipated needs and partnerships;
- Ensure agility in the face of uncertainty;
- Incorporate ad-hoc structures and processes; and
- Maintain a long-term view.

Because all national security systems are complex adaptive systems, it is difficult to separate geo-political, social and economic phenomena. These elements interact as a system of systems. In most instances, it is a complex system of complex systems and that is the challenge facing a nation. Perhaps the most important characteristic about

complex systems is that they cannot be controlled — at best, they can be influenced. And the systems can only be influenced if understood intimately.

In the US, a White House Center for Strategic Analysis and Assessment would need to learn, analyse, assess and synthesise risk, foresight and aid the development of “grand strategy” across the government, supporting whatever national security structure is in place.

What mechanisms should a government develop to be better prepared for a future that is very different from its past?

One of the Vision Working Group findings was the need to synthesise “all of government” — and sometimes “all of society” — solutions to complex system issues and problems. The only successful way to do this is to be constantly learning about systemic issues — through hyper learning modes using accelerated learning processes, coupled with foresight tools such as Delphi techniques and risk assessment. These enable the development of scenarios for planning, and ultimately contribute to the ability to develop “Grand Strategies”.

Every country could benefit from the systematic use of these tools and processes to improve decision-making.

Creating mechanisms for this to happen at the whole-of-government level requires context and synthesis. It also requires breaking down the stovepipes of government so they can work together effectively.¹

Lessons from Singapore’s Centre for Strategic Futures

A study of Singapore’s Centre for Strategic Futures yields many lessons that can assist in the establishment of such strategic institutions elsewhere. According to Peter Ho,² a former Head of the Singapore Civil Service, there are four major roles for Singapore’s Centre, all of which should be represented in the US EOP Center’s set of capabilities. They are:

- “Challenge conformist thinking” by building global networks and partnerships with academia, think tanks and global thought leaders through conferences and projects;
- “Identify emergent risks” by creating risk maps and communicating emerging issues to decision-makers;
- “Calibrate strategic thinking processes” by using scenario planning and risk assessment to develop policy and new capabilities;
- “Cultivate capabilities, instincts and habits”, by using systems and strategic frameworks and mindsets

to deal with uncertainty, disruptive shocks and whole-of-government approaches regularly.

This set of capabilities and mindsets represents a strategic capacity for Singapore that, although not specifically scalable to all countries, would certainly enhance country governing structures the world over.

Complex systems cannot be controlled — at best they can be influenced.

Such capabilities can be realised by the establishment, within the highest levels of government, of an institution (or at a minimum, a process and a set of capabilities), that enables the development and use of forward-looking global contexts to improve decision-making. It would do so by integrating all major elements of national power — economic, diplomatic, informational, defence and others — in order to assess 2nd, 3rd and 4th order effects of decisions and develop “grand strategy” where necessary. Singapore represents an example of where this kind of thinking is thriving.

The assessment capability of such a system should be developed using five essential planning perspectives of 1) space, 2) the planet, 3) regions, 4) countries, and 5) internal (domestic) for each three-time near, mid, and long-term cycles. Each of these near, mid, and long-term assessments would include both geographic and functional dimensions.

The assessment of risk will need to encompass system risk most of the time. Frequently, the impact of a particular course of action has an associated economic or political risk. However, risk in a world of complexity requires an understanding, not only of individual risk variables but of the interactions of risks associated with all of the system variables across the STEEP risk spectrum — Sociological, Technological, Economic, Environmental and Political risk.

Conclusion: Sustaining Strategic Leadership

As the rate of change and the complexity of challenges continue to increase, there is little doubt over the value of conducting long-term strategic planning and attempting to create “anticipatory governance” in the Leon Fuerth sense.³

The turnover and shifts in priorities that accompany successive administrations and/or leaders can render this process difficult, but not impossible. Long-term planning, to the extent that it can be carried out at all, may be limited to a few years. Strategies that take longer to achieve may be discarded by future leaders and this is expected. Policy planners must, in order to remain relevant, tailor their strategies based on the political priorities of the leadership under whom they serve. Nevertheless, with some changes in processes and culture, a Strategic Centre could ameliorate this

situation even if it cannot eliminate the problem completely.

Perhaps the best way to level the changing priorities issue is to be inclusive in the range of issues studied and prepared for. That way when a new priority comes along (or a new Administration in the case of the US), the staff is knowledgeable about the issue, but does not “throw away” the base work on all issues: so when they become “hot” once more, decision-makers are not starting all over again with new studies and new people.

In conclusion, a Strategic Centre’s core capabilities need to include:

- Strategic and systems thinking and “visioning”;
- The development of a holistic and evolving view of the global environment and national security context;
- The ability to game specific scenarios to assist in the formulation of contingency plans and to test the impact of proposed policies;
- Regular development of scenarios in 10, 20, 50+ years;
- The capacity to house leading edge tools and technologies for assessments, especially “system risk”;

- Engaging in “red teaming” and alternative analyses to test assumptions and solutions with rigorous problem analysis;
- Providing, when necessary, classified research environments;
- Development of “grand strategies” as assigned by the leader and facilitating long-term planning and preserving institutional memory;
- Providing networking and outreach to government, academia, industry and the general public including public seminars and conferences;
- Challenging conventional wisdom in the Singaporean sense and the Project on National Security Reform sense.

Such Centres will help senior government policymakers everywhere to plan for the future, and the role their country will play in that future. ✂

NOTES

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