

**BT CEOs e-Club**

Members of the BT CEOs e-Club are Singapore's top corporate leaders whom BT editors would like to interact with in an atmosphere of informality and trust. This 'club' is a virtual one, with interaction mainly via e-mail.

Each week, we will invite comments from these top executives on various economic and corporate issues. Their views will then be published in this weekly section, Views from the Top.

BETTER performing companies should reward employees with higher bonuses this year as more and more organisations are moving towards flexi-wage systems given the dynamics of today's digital economy and the continued growth of the outsourcing industry.

I think high built-in wage increases may not be sustainable over the long run.

In today's tight labour market and technology savvy workforce, another concern is that of more job-hopping. Small- and medium-sized companies in particular need to do more to retain workers through performance-based bonuses and incentives.

Having said that, I believe that wages would still move in tandem with the forecast sustained growth for Singapore's economy in 2007.

With the local economy improving and fewer available resources, the trend of labour offshoring will continue to grow.

However, part of the wage appreciation in the IT sector has to do with the supply of available resources with the right qualifications in higher-value technical skills.

The decision by companies to purchase intermediate inputs from overseas will most certainly affect their employment at home, and could be expected to affect differentially skilled versus unskilled workers.

Thus, outsourcing has a qualitatively similar effect on reducing relative demand for unskilled labour within an industry, as does skill-biased technological change, such as the use of computers.

Such outsourcing could take place through foreign direct investment, as transnationals move production of parts and components or product assembly abroad.

Or, it may also occur through a shift in contracting practices whereby firms replace domestic production of intermediate inputs with imports purchased from arm's length suppliers abroad.

For Singapore's IT industry to stay competitive with the rest of the world, we have to move further into the area of research and development.

Other factors contributing to the rise in domestic IT salaries include growth in corporate IT project portfolios and the availability of additional funds to reward high-performing IT workers.



**- J Anton Ravindran**  
Group CEO & Co-Founder  
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