



Singapore's struggles with cost of living

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Why shipping has had to look outside Singapore to complete many functions. The second installment in our brand new, 60-page Singapore special.

Singapore now ranks as the city with the highest cost of living in the world, rivalling Zurich, according to last year's Economist Intelligence Unit survey.

Hong Kong, Singapore and Zurich are currently the costliest cities for international workers in 2024, according to Mercer's latest cost-of-living data report, published in July.

Singapore-based fintech platform ROSHI recently released a report showing the cost of living in major Southeast Asian cities.

Singapore had the highest index score for cost of living as the city-state was the only entry to score over 80, the closest to it being Cambodia (44.5) and Thailand (40.7).

Immediate action is crucial to stem the current exodus

According to the platform, Singapore's high cost of living is because of limited land and advanced infrastructure, a robust economy, high wages, strong currency, stringent import regulations, and high-quality education and healthcare systems.

The report also acknowledged Singapore's status as a global financial hub attracting multinational corporations and wealthy expatriates.

Other things attributed to its numbers were Singapore's high employment, and salary rates, with the annual income of residents in Singapore increased by more than 40% over the past decade.

Singapore's core inflation index, which excludes private road transport and accommodation costs, rose 2.5% in July from a year earlier, according to official statistics. While inflation has eased from its peak of 5.5% in early 2023, the financial burden remains significant.

Economic sentiment has dominated public opinion in Singapore. According to the latest quarterly survey in June by local pollster Blackbox Research, 52% of respondents said cost of living was the issue that mattered most, followed by salaries and wages, at 16%. Immigration, often a hot-button political issue in the city-state of 6m, came in at just 5%.

Shipping outsources

Shipping firms are not immune to these high costs. Acknowledging that Singapore remains the leading maritime city in the world, Carl Schou, who as president of Wilhelmsen Ship Management (WSM) shifted headquarters from neighbouring Kuala Lumpur a few years ago, admits costs are a concern.

"The rising cost of living may cause one to consider another hub listed as number two or three when it comes to the cost of doing business in this city. There are several attractive alternatives to Singapore which are offering attractive offers to incentivise business to move," Schou tells Splash.

At WSM, employee costs are generally calculated to be approximately 75% of the cost base. Therefore, moving employees/functions overseas is an "attractive solution", Schou says, noting that several other companies have moved operations to other countries.

Vinay Gupta, managing director of Union Marine Management Services (UMMS), another Singapore-based shipmanager, says that most companies are looking to reduce their footprint in Singapore as he rising cost of living is making it "almost impossible" for to remain competitive and cost effective.

"Complacency of being at the top and in a safe environment has costed the previous maritime centre's their position and it can happen here as well if a conducive environment is not available for the quality manpower to stay and grow," Gupta warns.

Covid, he says, taught companies that almost everything can be outsourced. Nevertheless, he admits the pandemic also reminded executives of the value of human interaction and the advantage of being under the same roof.

A conducive environment is not available for quality manpower to stay and grow

"A balance of both is necessary to make the business sustainable," he says. "There is no magic formula or a defined recipe – each business unit needs to look at the operations now and sustainability going forward."

The rising cost of living in Singapore is most keenly felt among entry and medium level maritime employees, says Peter Schellenberger, who runs Novamaxis, a consultancy.

"I remember well when some years ago a superintendent with an average salary was well able to live in the red dot with family and kids and was still able to save a dime," recounts Schellenberger. "Today," he says, "with the ever increasing spiral of cost these same people can hardly sustain and may be compelled to look for alternatives elsewhere including the Middle East and China."

Shortages persist

Cara Carter, global managing director of Halcyon Recruitment, concedes that the rising cost of living in Singapore poses challenges but she reckons its robust infrastructure, supportive government policies, and high living standards help maintain its position as a leading maritime centre.

"Continuous efforts to innovate and provide incentives can further mitigate these challenges and ensure Singapore remains a competitive and attractive hub for the maritime industry providing the human capital development is supported to attract and retain local talent to the maritime sector," says the recruitment specialist, warning that if the talent gap cannot be filled by local talent, organisations will be exposed to the additional costs of international talent.

Quizzed as to what parts of a business operation are best to outsource overseas due to rising costs, Carter responds back-office functions such as accounting and finance, IT, crewing and procurement are often the easiest but Carter relays that for many who have already outsourced / offshored these functions, it has not proven to be the optimum solution with some citing a drop in quality.

Ryan Kumar, managing director of Direct Search Global, another recruitment outfit, says places like Dubai, India, Cyprus and the Philippines have been capitalising on the outflow from Singapore in recent years.

"Despite significant efforts to nurture local maritime talent, a shortage persists," Kumar warns. "While we anticipate a sufficient local workforce within the next decade, immediate action is crucial to stem the current exodus."

Companies must prioritise competitive salary and benefit packages to retain their employees, Kumar advises.

When considering outsourcing certain functions of a company, businesses should carefully evaluate several factors, Kumar suggests. A cost-benefit analysis is essential, he says, to weigh potential savings against risks like quality control and data security.

Ensuring the target location has the necessary skilled workforce is crucial. Robust data protection measures must be implemented.

Effective communication and time zone management are important, and businesses must adhere to labour laws and data privacy regulations in both the outsourcing and home countries.

Philippe Lecloux, chief operating officer at fuel treatment specialist Aderco, sees the outsourcing debate from a different angle.

"With a growing demand for work from home, it is not uncommon to see employees relocating themselves across the border and attending office in the central business district perhaps once or twice a week," Lecloux argues. The direct benefit of this, he says, is the possibility offered to employers to look for smaller office space.

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