

'Foreign talent policy had effect on income gap' Inflow hurt wage growth for some, says expert panel

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GOVERNMENT policies to boost the number of foreigners working here may have indirectly contributed to greater income inequality, a panel of experts said yesterday.

The wages of those on the bottom rung have tended to stagnate or even fall in real terms, even as the nation enjoyed boom times, they noted.

Mr Manu Bhaskaran, an adjunct senior research fellow at the Institute of Policy Studies, who chaired the panel, said globalisation and technological change had also led to greater income disparity.

He added that 'domestic policies have unintentionally contributed (to inequality) especially as we intensify efforts to appeal to the global elite and attract top talent to Singapore'.

In particular, the 'rising tide of foreign workers almost certainly impacted wage growth at parts of the income distribution and thereby worsened inequality', said Mr Bhaskaran, also a partner and board member at consultancy Centennial Group.

These factors have led to a 'very clear deterioration in income distribution in Singapore'.

Despite the 'boom we've enjoyed the last few years', there has been a 'considerable stagnation' in wages at the lower end of the income scale.

The panel discussion was held during the Singapore Perspectives 2012 conference, organised by the Institute of Policy Studies (IPS) yesterday at the Suntec City Convention Centre.

Professor Paul Cheung, director of the United Nations Statistics Division, predicted that it would become tougher for people to move up the income ladder. 'This is accentuated by the fact that there is a huge inflow of permanent residents coming in.'

At the 30- to 34-year-old age group, the proportion of permanent residents is as high as 30 per cent - or one in three, Prof Cheung said.

To make things harder for locals, foreigners arriving here are not only low-skilled workers. The group also includes educated professionals, posing a threat to young professionals here, he said.

He pointed out that Singapore's workforce in its key age group of 30-39 has seen the proportion of those with tertiary education improve from 19 per cent to 43 per cent over the past decade.

'This is the competitive landscape now, that you are among the best of the lot and you are competing against the best... There's a high degree of anxiety among young professionals on whether they can make it in Singapore - whether the Government is prepared to give them a fair chance in this tough competition.'

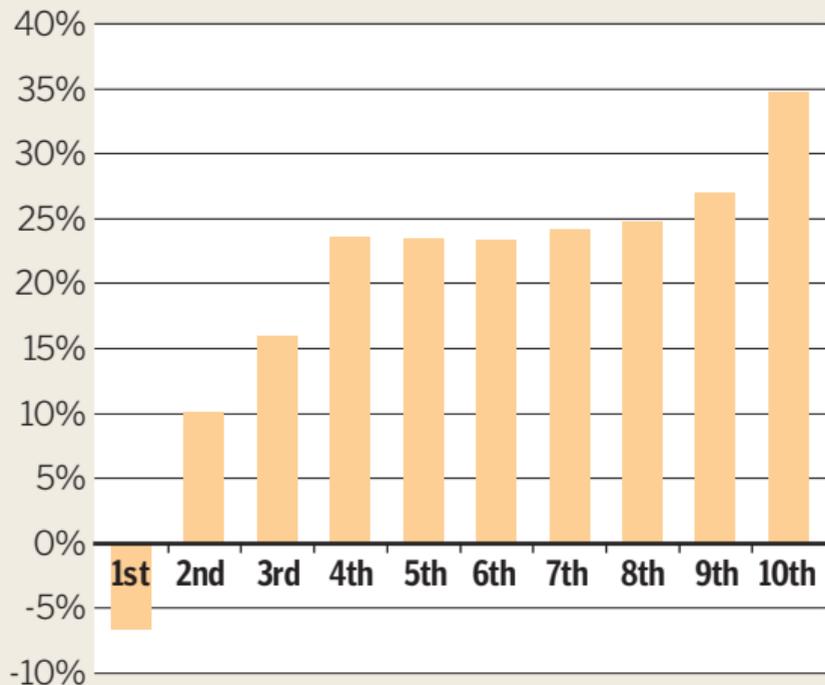
'If the middle-class feels that: that you work so hard and then you try to move up the income ladder but then lo and behold, you're competing with all these permanent residents - where's the home court advantage?'

Also making it tough for the low-income group is the inadequacy of the Central Provident Fund scheme. Prof Cheung said that CPF is an insufficient means of saving for retirement for the low income group.

'I think the CPF scheme is good for the middle-income (group) and upwards, but at the lower end, the CPF scheme is simply not adequate. It may be a good way to save for housing, but as retirement savings, it is inadequate. There is an increasing role for the state to progressively move into more income redistribution policies. Whether we can persuade the PAP to do it, remains to be seen, but I think that is the clear and good direction.'

■ UNEVEN REAL INCOME GROWTH

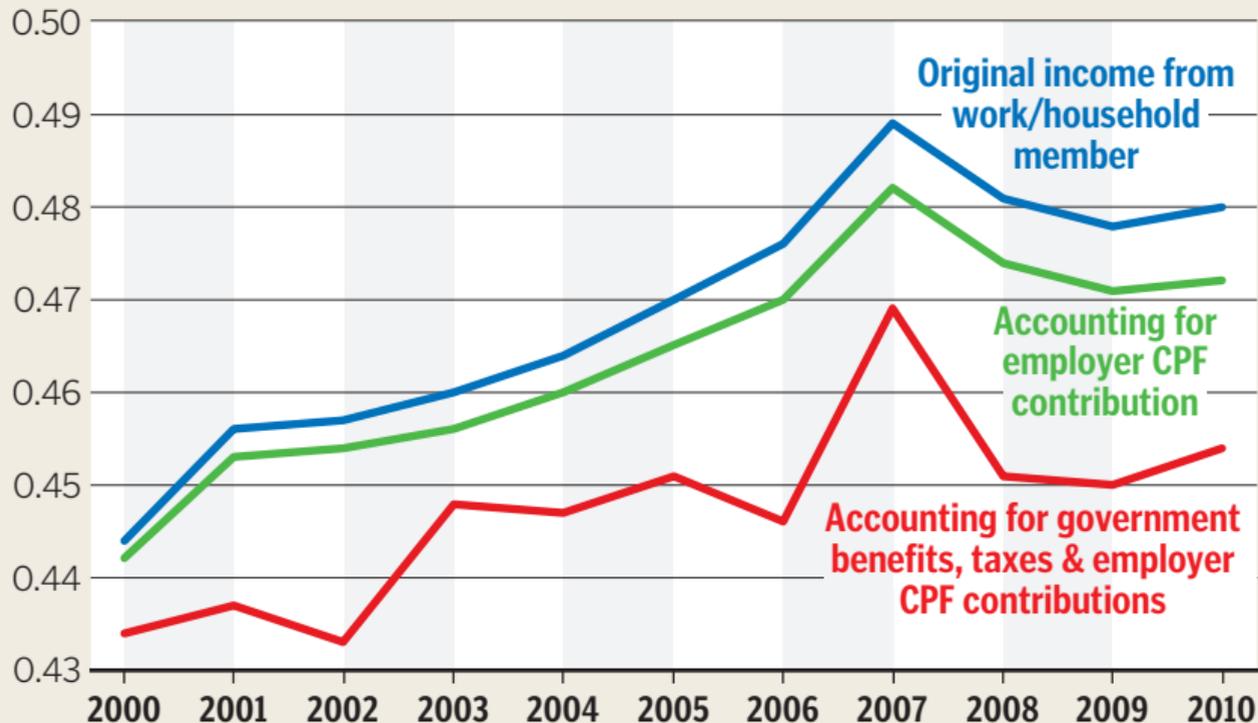
Real income growth rates for employed households by income decile, 2000 to 2010



NOTE: **Decile:** A tenth part of a distribution. For example, the ninth decile is the value below which 90 per cent of the population lie

■ RISING INCOME GAPS

Gini co-efficients, 2000 – 2010

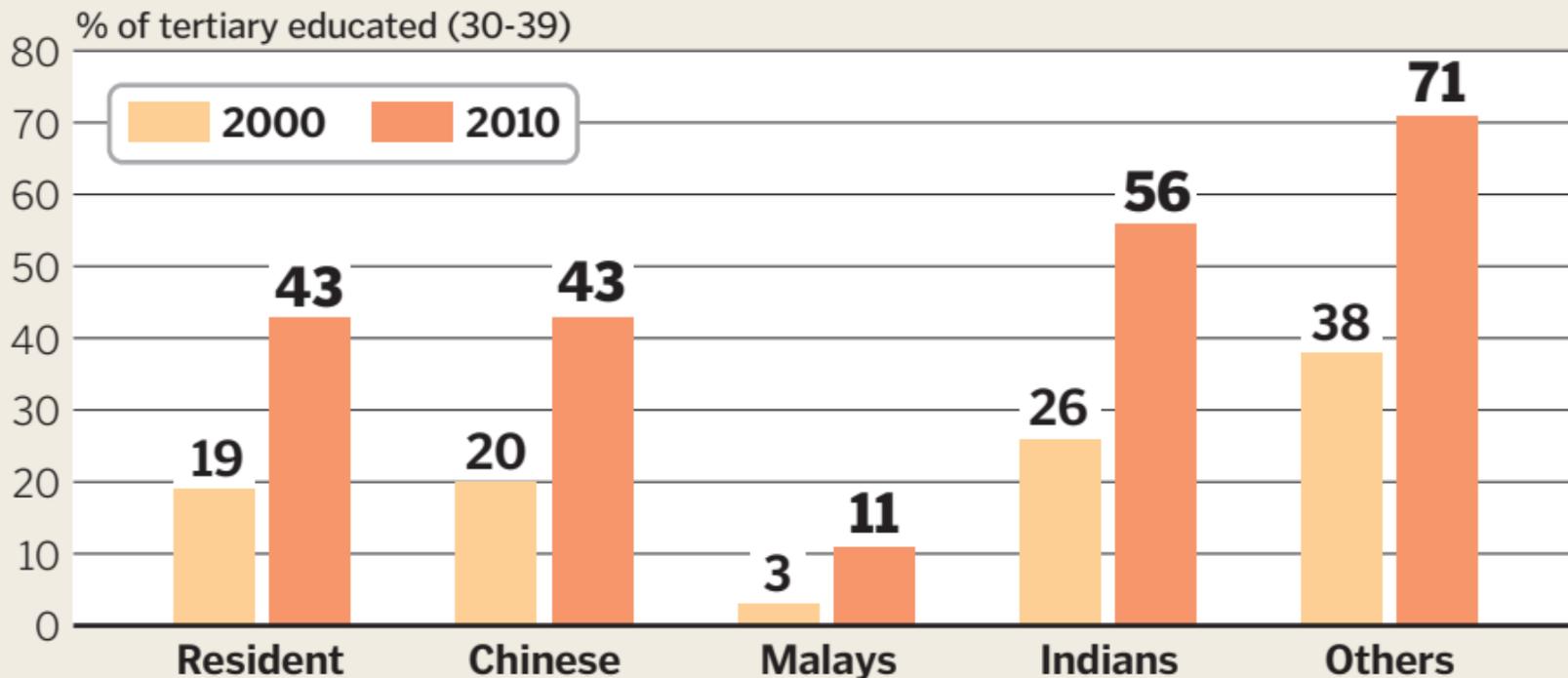


NOTE: **Gini co-efficient:** A measure of income distribution where 0 = complete equality and 1 = complete inequality

Source: DR PAUL CHEUNG, DIRECTOR, UN STATISTICS DIVISION

■ INCREASING COMPETITION

Proportion of people with a tertiary education among the age group 30-39 in Singapore



Source: DR PAUL CHEUNG, DIRECTOR, UN STATISTICS DIVISION