

Slow workforce growth can't be stopped: MAS chief Menon

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He said the "severe" slowdown cannot even be supported by immigration or foreign workers.

Singapore's slow labour force growth, which is a result of its demographic slowdown, cannot be stopped, Monetary Authority of Singapore (MAS) managing director Ravi Menon said.

In a speech at IPS Singapore Perspectives 2018, Menon said Singapore faces a demographic trilemma. It previously advocated zero net immigration, stable foreign worker share, and positive labour force growth.

"The reality is, at any one time, we can achieve only two out of the three objectives," he said.

He said trade-offs must occur, meaning one of the objectives must be put down in order for the other two to happen.

"Collectively, as a society, we have to decide which corner of the trilemma we want to be at, or which corner we want to be close to," Menon added.

The only way to "escape" the trilemma is either to increase fertility or raise the resident labour force participation rate.

However, he said a recovery in total fertility rate (TFR) might only benefit the labour force in the very long run, as extra babies born in the next 15 years will take time to enter the labour force, amongst other reasons.

Meanwhile, an increase in the labour force participation rate (LFPR) could have more immediate, but more limited, payoffs.

Menon said the female LFPR is lagging behind, because returning to the workforce after child-bearing years is less prevalent in Singapore compared to other countries.

"If we can make it easier for our women to return to the workforce after they have had their children, we can narrow the gender gap vis-à-vis the advanced economies," he said.

As a consequence, the MAS chief said Singapore "must accept a slower rate of labour force growth."

"The underlying demographic slowdown is so severe that it is neither feasible nor desirable to try to completely offset it through immigration or foreign workers," he added.

Moreover, a certain rate of immigration is still needed to augment the resident population. The Lion City must also be "flexible in allowing fluctuations" in the foreign workforce according to circumstances.

Menon ended by saying that foreign workers must be a complement to the local workforce in order to maximise the latter's job and wage opportunities.