

Shrinking population, growing problems

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Singapore's population woes are back in the news after scenarios generated by a think-tank showed the population shrinking from 2020 without immigrants. But what are the consequences of population decline? Janice Heng and Li Xueying find out.

IN A mere nine years' time, Singapore's funeral parlours will see more business than hospital maternity wards, if the country closes its doors to immigrants.

Without them, there will be more deaths than births among Singapore citizens and permanent residents (PRs) from 2020.

By 2050, the resident population will have shrunk to 3.03 million, from today's 3.77 million.

This was one of 48 scenarios that think-tank Institute of Policy Studies (IPS) generated of Singapore's future population, based on different TFRs and migration levels.

TFR or total fertility rate refers to the number of children a woman is expected to have in her lifetime.

The numbers do not include transient workers here on work permits or employment passes.

Another scenario assumes the TFR, now at 1.15, can be boosted gradually to 1.85 by 2025 before stabilising, and that net migration - the inflow of migrants minus those who leave - is zero. The outcome: a decline in the resident population to 3.37 million in 2050.

With this, IPS director Janadas Devan concluded: 'What it shows is there is no way you can keep your population from declining without migration.'

But so what if Singapore's population declines? Does that spell disaster?

These are questions that several readers raised online after the release of the IPS study on Sept 7.

'So what?'

MANY Singaporeans who have had to compete with newcomers for spaces in buses, trains, schools and offices seem, if anything, sanguine about the prospect of having fewer people on this island.

On The Straits Times' Facebook page, one reader asked: 'What's wrong with a declining population if it makes people more happy and causes less stress?'

Another wrote: 'We're over-populated, aren't we? We could do better with some 'decline!'

Can Singapore afford such shrinkage?

Interviews with economists and demographers yield a mixed bag of answers.

Says Professor Euston Quah, president of the Singapore Economics Society and an economist from Nanyang Technological University: 'There is no right or wrong answer here.'

National University of Singapore (NUS) demographer Gavin Jones jokes that MRT commuters can easily give a reason for why slow population decline may not be a bad thing.

Mr Phillip Overmyer, Singapore International Chamber of Commerce chief executive, says that if Singaporeans want curbs on immigration, the country will have to 'redesign itself into something smaller and less dynamic in Asia'.

'When I'm caught in a traffic jam, I sometimes think: Wouldn't that be nice?' he adds with a laugh.

A declining population may also empower more vulnerable workers, such as the elderly and women.

Companies will have to train the unskilled, provide family-friendly policies to retain women and entice the elderly to stay on.

The trade-off is that Singapore may well become less cost-competitive, as Singaporeans replace lower-paid foreigners in jobs.

Some may welcome such a change but statistician Paul Cheung remains sceptical: 'People who think you can turn economic growth on and off; which planet do they come from?'

Says Dr Cheung, formerly Singapore's chief statistician and now director of the United Nations statistics division: 'The economy is dynamic and evolving. We have always been one or two steps ahead of competitors and we are able to transform our economy to fit the modern, globalised world. That, in turn, depends on the talents we can attract.'

Population and the economy

WHEN a population declines, there are broadly speaking two main effects. One, economic growth may also decline. Two, the population ages and there are fewer working-age adults to support more elderly folk.

The question is whether Singapore can mitigate these two effects.

One country that has experienced population decline for a number of years is Japan.

Last year, its population shrank by a record 183,000. Yet the country of 127.5 million people remains wealthy and is the world's third largest economy.

It has dealt well with the ageing aspect, says Dr Cheung. Despite a large elderly population, 'its total health-care expenditure is just 8 per cent of its GDP, compared to the United States, which spends 18 per cent of its GDP.'

But look at its economic growth, and the numbers are dismal. Mr Ong Ye Kung, deputy secretary-general of labour movement NTUC, believes demographic change is to blame.

'I believe this is one reason the Japanese economy has been structurally sluggish for over two decades,' he says. 'Japan is losing out in innovation, technological advancement, enterprise.'

Economists and demographers agree that a shortage of manpower is the 'most important implication of a declining population', as NUS' Prof Jones puts it.

Singapore Management University (SMU) economist Hoon Hian Teck says 'a shrinking population most directly slows down economic growth by shrinking the size of the labour force'.

Can that be offset by other factors?

One way to cope with population decline is to boost productivity, so one worker can do a job that previously required two - or three, or more, says economist Hui Weng Tat of the Lee Kuan Yew School of Public Policy.

The Government aims to increase productivity by 2 per cent to 3 per cent a year over the next 10 years.

Another way is to accelerate Singapore's move into capital-intensive sectors that substitute manpower with technology, argues Prof Quah, citing industries such as life sciences, high-level manufacturing and pharmaceuticals.

'Singapore can then have a shrinking population without detrimental effects on our economy,' he says.

This was the strategy in Singapore in the 1970s when it strove to dampen population growth.

But such measures may be easier said than done today, warn some.

Merrill Lynch economist Chua Hak Bin says: 'Policymakers and economists have often found productivity gains to be rather elusive and difficult to engineer.'

Meanwhile, Singapore still needs lower-end manufacturing and services sectors to provide jobs for less-skilled workers.

They also provide ballast to the more volatile capital-intensive industries.

And the road is tougher ahead, as the lowest-hanging technology fruit were plucked during the 'catch-up phase' of Singapore's earlier development, notes Prof Hoon.

That said, sectors such as the construction industry can still move up the chain. So can many small and medium-sized enterprises (SMEs), says Mr Lawrence Leow of the Association of SMEs.

Yet there is ultimately a limit to how much machinery can replace manpower.

Argues United Overseas Bank economist Alvin Liew: 'There are industries where you just can't shed that much.'

All in all, will a shrinking population mean a shrinking economy? 'I think the answer is 'most likely',' says Prof Hoon.

Not just numbers but talent

POPULATION decline is not just about numbers, but also about the age structure of society.

Singapore needs innovation to thrive. And innovation is more likely with a growing - and youthful - society.

Says Dr Cheung: 'For the future growth of the economy, the best element is a smart individual and that is what everybody is fighting for. You get a smart guy in, he will grow the business, and determine the businesses that come to Singapore. What better way of spurring higher productivity than getting a smart person like this?'

Singaporeans have expressed dissatisfaction at the liberal immigration policies of earlier years, and the competition and crowding that have resulted. There are also worries about immigration's effects on social cohesion and national identity.

To Dr Cheung, however, immigration remains crucial.

He makes a distinction between foreigners who become citizens or PRs, and those here on employment passes, saying the latter group is more critical.

He says: 'We must control the inflow of foreigners who become citizens and PRs.'

'But with the Singapore economy growing bigger and more diversified, it requires talents from many fields.'

This is especially important for Singapore, as it is a city state.

Cities are 'hubs of innovation and ideas', says Dr Chua. 'Capitalising on the advantages from bringing talented folk from all walks together is what produces new ideas and economic gains.'

Singapore is unusual in being both a global city and a country, he observes. 'The Government as a result needs to balance the twin demands of city and country, but not at the expense of hurting the dynamism that the economy gains from being an open global city.'

Ageing gracefully

THE economic effects of a changing age structure are not confined to issues of dynamism. An ageing population will put pressure on the Government to increase spending on health and social programmes - and on citizens, since there will be fewer workers to support each retiree.

'This will clearly put a strain on those who are in their working age years, both in terms of their finances and time,' says SMU economist Davin Chor.

Government finances may also be strained, as the tax base will shrink as the economically active population shrinks.

This raises the question of how increased public spending will be funded. Singapore may see higher income tax rates, or higher corporate taxes.

Mr Overmyer thinks the Government will have no real choice but to raise the retirement age. With longer lifespans, people will need more savings.

'We have to push people to stay employed for as long as they can possibly stay employed - it's either that or a welfare system,' he says.

At the same time, new industries may spring up to tap the silver dollar; existing ones, such as the care industry, will flourish; and medical research could benefit from increased investment.

Singapore might also see changes in the tenor of its society.

NUS sociologist Angelique Chan suggests that with increased longevity and ageing, 'society as a whole will be much more cognisant of the ageing process and end-of-life issues like palliative care'.

This could mean greater understanding of issues such as dementia.

And longer lives could be more fulfilling ones. People might gain 'an appreciation of a longer life course and the ability to do many different things in one's life', says Prof Chan.

'Right now, people think about getting into higher education and then work. That's as far as people tend to think. But with a longer life course and a focus on active ageing, there's more you can do.'

All this assumes that retirees or their families will be affluent enough for such consumption, so economic growth remains important.

Size matters

WHEN it comes to population matters, most people who live here have a view on the size that best suits them.

Some like it smaller; others prefer it bigger.

The issue is likely to remain contentious as it goes to the heart of Singapore's existence as a nation.

'Singapore's population policy,' says Dr Chua, 'is a matter of life and death.'

He argues that Singapore must remain open to immigrants.

'Faced with a low and declining fertility rate, an overly restrictive immigration policy will threaten Singapore's growth, survival and existence,' he says.

But, like others, NUS economist Basant Kapur says: 'If our population keeps on increasing, there might be increased pressure on our limited land resources, leading possibly to increased congestion, higher housing prices and so on.'

'If we can maintain a population strength of five to 5.5 million, and ensure it does not decline, then productivity growth can ensure continued growth in living standards.'

Singapore does not have to resign itself to a shrinking population. The question is how far it wishes to go in the opposite direction.

At one level, the question of how big Singapore can - and should - be is a matter of space and infrastructure.

Dr Cheung expects that with 'proper infrastructure', Singapore could easily sustain a population of 6.5 million.

But the limits on Singapore's population size are not just technological or physical.

As Mr Ong puts it: 'The limit to our population is not infrastructure, but our desire to hold on and build up our own unique identity developed over the past 46 years, and not wanting that to be overwhelmed by immigrants.'

The answer, says Dr Chua, depends on what Singaporeans want, and whether they perceive a larger population as enriching or hurting their living standards.

'The Government will have to make the case that growing Singapore and the population base can make Singaporeans richer, happier and healthier over the long haul.'

Until that case has been made and accepted, some - like the disgruntled netizens reacting to the IPS findings - may continue to welcome a smaller Singapore and the trade-offs it entails.

LIFE AND DEATH

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LIVING STANDARDS

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Population 2010

Total population: 5.08m

Citizens: 3.23m

Permanent residents: 541,000

Non-residents: 1.31m

Total fertility rate: 1.15

Source: Department of Statistics