

## **How Singapore overcomes its demographic challenges will be a test of national character**

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Mr Ravi Menon, the Managing Director of the Monetary Authority of Singapore, spoke eloquently this week about the demographic challenges confronting Singapore and how the nation can still remain economically vibrant.

“Demographics is not destiny,” he said at the Singapore Perspectives 2018 conference organised by the Institute of Policy Studies, adding that Singapore can remain dynamic by reaping benefits from its investments in education and training, improving the quality of the foreign workforce and improving productivity in many service jobs.

Speaking at a separate session at the same forum, Deputy Prime Minister Teo Chee Hean noted that Singapore became an aged society last year, with more than 14 per cent of its population above the age of 65.

This will go up to 25 per cent by the year 2030, presenting enormous challenges to maintaining a vibrant economy.

There will also be intense pressure on public, household and individual finances to support the social, physical and mental healthcare needs of the elderly.

So is there more that Singapore can do to maintain its economic dynamism?

There are two broad categories of strategies which Singapore could adopt - defensive strategies which are inward looking policies or offensive strategies that are outward looking.

Both will require Singaporeans to make adjustments that will be tough psychologically, socially and emotionally.

Immigration has become the ‘third rail’ of politics in many countries. Singapore is no exception. The political reverse the ruling People’s Action Party (PAP) suffered in the 2011 general election and the political heat it had to endure in relation to the release of the White Paper on Population in 2013 are no doubt still fresh in the minds of political leaders.

Population policy in Singapore has had three clear drivers.

First, the driver to inject new blood into the resident population. In doing so, the government targetted ‘indigenous sources’ – meaning China and India – in the belief that social and cultural integration would be easier to achieve.

However, the experience of the past decade and a half show the reality is not that straight forward.

The simple fact that people look alike does not make them alike. Consequently, the immigration policy can be modified to focus on a combination of common values and potential for economic value-added, and not purely financial contribution or common ethnicity.

This would change Singapore society visibly but it would also invigorate it and make it even more cosmopolitan.

Second, the necessity for a credible national defence is indisputable.

The government has been careful in recent years to pay attention to public recognition of the sacrifice made by Singaporean men through national service.

However, the compulsory period of this service has been shrinking alongside the pressure of shrinking cohorts of new workers.

Can Singapore afford to cut the length of national service any further or even drop it entirely and adopt a policy of maintaining a professional full-time armed forces?

Singapore needs to find better trade off between the human capital opportunity costs and the imperative for a credible deterrent.

The Air Force and the Navy are already mostly composed of regulars. The regular army and the civil first responders such as the police and civil defence can be supplemented by raising a volunteer corps and further investments in technology.

Doing so would make men available to the workforce earlier and also remove the pressure of building careers while meeting their obligations as reservists.

Third, a rationale for the severe tightening of the immigration policy has been the need to grow productivity.

This is valid but has also been a convenient fig leaf to cover the apprehension the government has over any loosening of immigration inflows.

An important distinction must be made between foreign talent, meaning skilled workers, and foreign workers – those who are unskilled or lowly skilled.

The productive imperative should apply to both categories but in different ways.

The foreign talent – appropriately filtered to ensure quality of skill and experience – would be productivity enablers.

Foreign workers on the other hand are generally productivity inhibitors as their ready availability discourages businesses from pursuing capital intensive productivity measures.

The economy needs more skilled workers and a wide range of sectors would benefit from the transplanting of experiences, culture, skills and professional ambition.

The government can introduce new immigration channels which are term limited, say three or five year renewable periods, and conditional on proven performance in the economy through employment and income data as well as good professional and personal conduct.

Outward strategies are not new.

The government has been promoting internationalisation of local businesses. But Singapore must think bolder and bigger.

In a globalised and increasingly digitalised economy, it must play on a larger scale and in wider markets. Policy thinking should move beyond growing local businesses through internationalisation through the support of schemes, subsidies and grants to one where a government becomes a source of capital support through investments and market enabling.

Such an approach should not be limited to local businesses with potential. It should be agnostic on the nationality of ownership and focus on whether the stakes and risks have national payoffs in terms of employment creation and catalytic positive economic effects.

This would require a mindset shift from a focus on the relationship between public monies and input (tax dollars to Singapore companies) to one in relation to outcomes (tax dollars to Singapore outcomes).

Both defensive and offensive strategies will require rethinking political and social norms. However, this would an opportunity for the new '4G' leadership to prove its credentials as bold decision makers in the mold of the pioneer political leaders of Singapore.

Business as usual may not be an option for Singapore. It must be prepared to remake itself to succeed in the future.

Ultimately, it is Singaporeans who must embody this willingness to change and to shift in new directions. It is they who will embolden and empower the new generation of political leaders.

Thus whether demography is a destiny or not will be a test not of leadership but of national character.