

Singapore must accept slower rate of labour growth, says MAS chief

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Slower rates of labour force growth in Singapore are unavoidable, the head of the Republic's central bank head said on Monday (Jan 22), and any attempt to completely offset it by increasing foreign workers is "neither feasible nor desirable".

Singapore faces a problem common to many developed societies, that of an ageing resident population, but has tightened restrictions on foreign workers in recent years.

"We must accept a lower rate of labour force growth," said Mr Ravi Menon, managing director of the Monetary Authority of Singapore (MAS), in a speech on the impact of Singapore's ageing population on its economy.

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

Mr Menon noted that gross domestic product growth is basically the sum of productivity growth and labour force growth, and added that increasing productivity will be vital for Singapore's economy going forward.

He added, however, that having zero labour force growth would not be optimal.

"Productivity growth is going to be a much more important source of our overall economic well-being than merely increases in headcount in the labour force," Mr Menon said, in reply to a question from the audience.

He noted productivity improvements are also tied to knowledge embedded in the labour force.

"I'm not sure we can afford to have zero labour force growth," he said.

According to government data, the number of Singapore citizens and permanent residents aged 15 and over in the labour force increased by 1.1 per cent in the year to June 2016, the slowest growth rate in three years.

On the ageing population, he also said that Singaporeans have to address the "existential" question of how to use taxes to support those less well off in society.

"The ability of societies to sustain dynamism... and deal with dislocations is going to depend on governments' fiscal response. On top of that we have the effects of demographics and the population ageing," Mr Menon said at an Institute of Policy Studies event.

"The willingness of a society...to pay in taxes to support those less well off is quite critical. You see this in the small European countries and they do this quite well. And I think this is one of the existential questions we have to face."

Singapore has some of the lowest tax rates in the world but government officials have signalled the need for higher taxes to support future social spending and infrastructure needs. Changes may be unveiled as soon as the Feb 19 Budget, analysts say.

A survey published last week showed Singaporeans were not in favour of higher taxes to support their elderly and would prefer the country to tap its national reserves to deal with future social spending increases.