

## Should Singapore accept a lower rate of economic growth?

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Ravi Menon, managing director of the Monetary Authority of Singapore (MAS), says Singapore must accept that, as a mature economy with one of the highest levels of per capita income in the world, it will not be able to sustain 6-7% rates of growth that were seen a decade ago.

“First, we should not grow despondent over our slowing rate of economic growth,” he says at the Singapore Perspectives 2018 conference organised by the Institute of Policy Studies (IPS) on Monday. However, “as a global city, we cannot afford to grow too slowly either.”

According to Menon, Singapore is facing what he calls a “demographic trilemma”: if we want labour force to grow and have zero net immigration, then we have to allow the share of foreign workers in the workforce to rise; if we want the overall labour force to grow and the share of foreign workers to be stable, then we have to allow net immigration; and if we want zero net immigration and the foreign worker share to be stable, then we have to accept zero labour force growth.

While Singapore can soften the constraints and choices in the trilemma by raising the total fertility rate (TFR) and labour force participation rate (LFPR), Menon says having babies or returning to work are “deeply personal choices”.

“We must make balanced choices in addressing the trilemma,” Menon says. “We must accept a slower rate of labour force growth... But we must also allow a certain rate of net immigration to augment our resident population.”

“And while we cannot keep increasing our share of foreign workforce indefinitely, we must be flexible in allowing fluctuations in the ratio according to economic cycles, changing circumstances, and opportunities,” he adds.

In addition, Menon opines that foreign workers must be a complement to the local workforce.

“It is not about how many foreign workers industry wants or society can afford to have, but what number and kind of foreign workers we need to maximise the job and wage opportunities for Singaporeans,” he says.

Instead of becoming hung up on demographic figures, Menon points out that Singapore should instead concentrate on building on its dynamism.

“Economic dynamism is not about numbers,” he says. “Dynamism is about quality – the quality of our workforce, the quality of our enterprises, and the quality of our institutions.”

“It is about high levels of efficiency and productivity. It is about growing the Singaporean talent base as well as being a magnet for the world’s talents. It is about a vibrant entrepreneurial and innovation base, characterised by a lot of start-ups, a lot of experimentation, and a lot of R&D,” he adds.

Finally, the central banker stresses that “dynamism must be about our people”.

To this end, he urges that Singapore must remain an open, resilient, innovative, and inclusive society.

“To sustain the momentum and consensus in favour of globalisation and technology, we must help those adversely affected by them and equip Singaporeans to succeed,” Menon says. “And to maintain cohesion in the face of population ageing and growing healthcare burdens, those who have benefitted from our growth and dynamism must contribute to the larger society – through taxation, philanthropy, community service.”

“We then become not just a dynamic people but also a compassionate one,” he adds.