

Forum on Migrant Workers: Policy Responses and Lessons from the COVID-19 Pandemic

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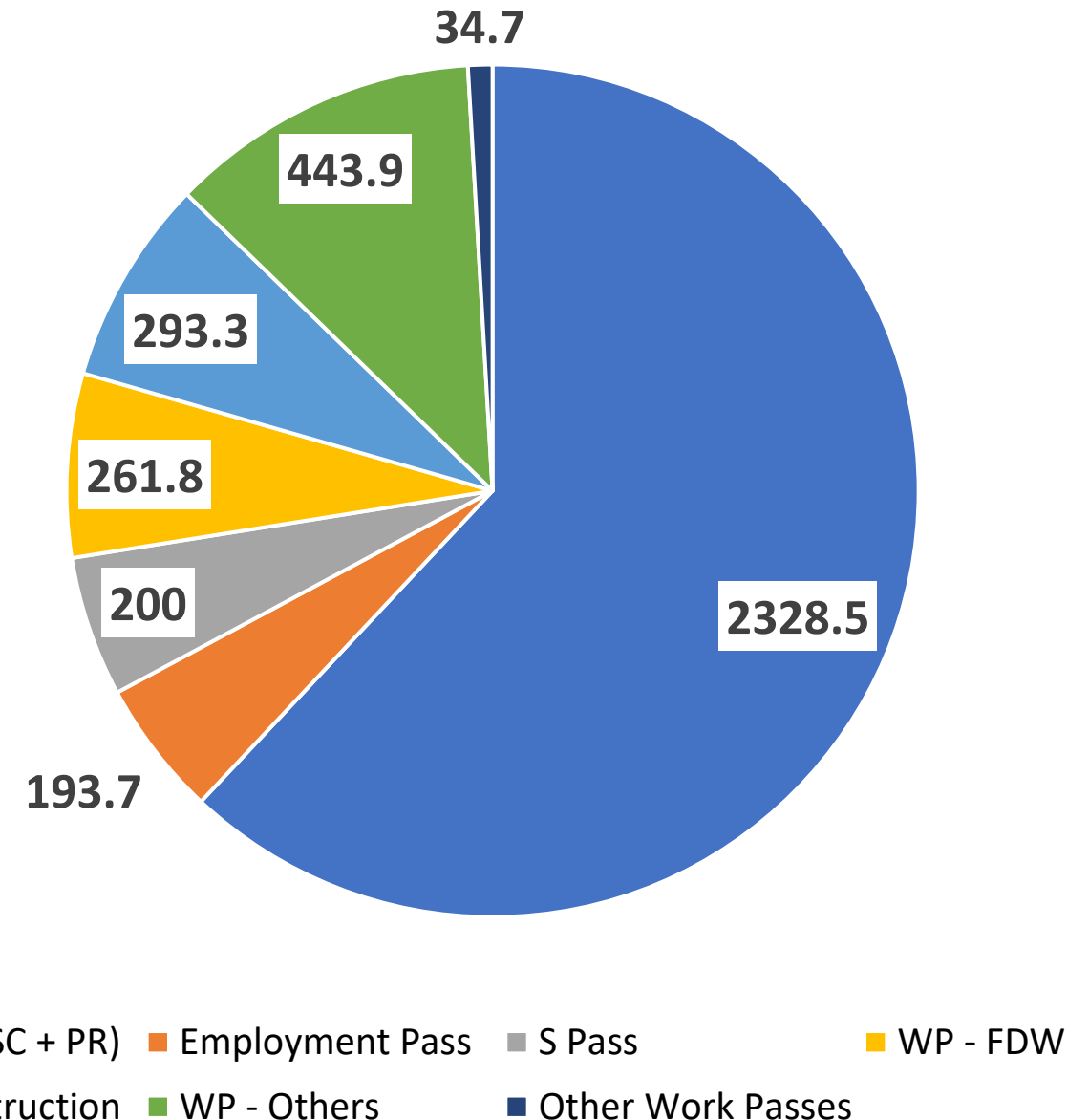
To address deficiencies in how migrant labour is treated, we need to understand:

- How large is the economic value generated by the migrant worker? (size of the 'pie' to be split)
 - Related, what is the effect of migrant labour on the structure of Singapore's economy?
- What are the reasons why this value doesn't go to the migrant worker through higher wages, better working conditions, or improved living conditions?
- Given the above, what can be done?
- Unfortunately, more questions than answers! But I will offer some thoughts on the above.

Basic Facts as of 2019

- Foreign Workforce of 1.427M comprises 38% of entire Labour Force of 3.756M; 84% of all non-residents in Singapore.
- “Migrant Workers” are the vast majority.
- Covid-19 appears to be disproportionately affecting migrant workers in group quarters: ~200K in purpose-built dormitories, ~120K in factory-converted dormitories.

Labour Force in Thousands
(Source: Ministry of Manpower)

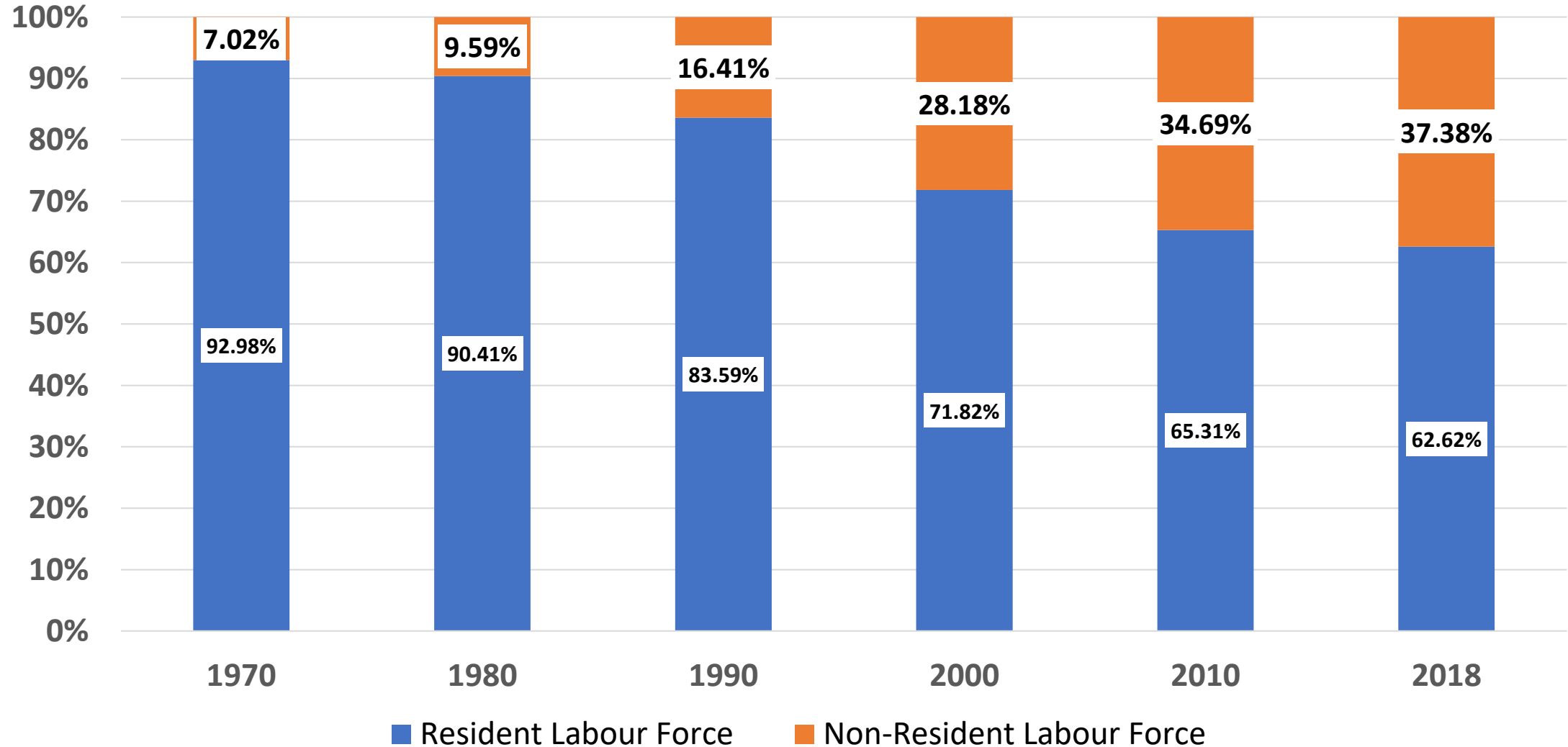


Singapore's economy has become substantially more dependent on foreign labour over time

(n.b. Yeoh and Lin (2012) estimate substantially lower foreign labour force numbers for 1970 and 1980)

Resident / Foreign Labour Force Split in Singapore, 1970 – 2018

Source: Estimates based on Singapore Population Statistics
(foreign labour force data not consistently available)





What is the difference between foreign and local labour?

- **Compositional**
 - Skills, Age, Demographics.
 - Almost always easier to buy rather than make – hence foreign labour is ‘policy solution’ to many problems.
- **Institutional / Policy**
 - Cost Structure (lower acceptable wages; FW Levy and FW Quota).
 - Labour regulations (easier to fire FW... but employers are also held responsible for FW welfare).
 - Employers in general have greater control over foreign labour, by policy design as well as by market forces.

Who benefits from migrant workers and why?

- Will take a simplistic view that migrant worker labour reduces the cost of any low-to-medium skill, labour intensive good or service in Singapore.
- Effects potentially large because the local labour force has slow growth, rise in skills, so costs for these services would likely rise sharply (or industries might undergo significant structural change) without migrant workers.
- Industries / Singaporeans which require / consume low-to-medium skill labour benefit; Singaporeans who compete for low-to-medium skill jobs don't, unless policy corrects this (e.g. DRC quota forces employers to hire and keep Singaporeans).
- To what extent do migrant workers benefit from this value creation?
 - High elasticity of labour supply (e.g. competition from potential migrants in source countries) makes it difficult for migrant workers to capture much of the value created.

What is the role of market failures/structures?

- Migrant worker source country migration markets
 - High recruitment fees
 - Lack of basic information about working conditions and wages in Singapore
- Complex contracting / sub-contracting market structure in Singapore in many industries
 - Many migrant worker employers likely to have poor economies of scale; difficult to monitor employers.
 - Low-cost competition, cheapsourcing, etc.
 - Likely to be structural / policy factors inhibiting market consolidation
- Competition in markets serving migrant workers in Singapore – e.g. are housing rental markets sufficiently competitive? No insight into this, but should be looked at.

Do policy frameworks also matter?

- Employer responsibility framework – employers have to ensure lodging, healthcare, welfare, for MW's duration of stay in Singapore. In contrast for local labour, employer responsibility is limited to the basics mandated in the Employment Act.
- Employer responsibility policy means that part of the value generated by the migrant worker is retained by employer and converted to benefits (which can be unevenly provided) – compared to local labour, where more is retained in wages, or taxed by the Government for subsidised provision.
 - Also, are all employers actually able to fulfil these responsibilities... responsibly?
- Employers have been given considerable market power over migrant workers through the Work Permit system – cancellations (e.g. firing) are easy, transfers are difficult.

Tentative next steps?

- Efforts to address working + living conditions of migrant labour should start by solving market failures and questioning whether policy design is fit for purpose.
 - Assumes it's easier to improve efficiency than to increase the size of the 'pie'.
- However, need to be aware that high demand for working in Singapore, and high living costs in Singapore, may result in some of the gains being competed away.
- Policy may have to implement fairly generous 'floors' or minimums for wages, working and living conditions, otherwise, improvements are unlikely to be retained.
 - But with high 'floors', some types of migrant labour / industries are likely to be economically unviable in Singapore.