

# Singapore's Key Population Challenges

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## Singapore's Key Population Challenges

### *Overview*

Singapore is often described as an example of economic success story that has attained the desirable path of high growth, low inflation and high employment. Singapore's economic growth began after its independence in 1965 and after opening up to foreign investors at an average annual growth rate of 8 per cent (Ministry of Trade and Industry). Despite its lack of natural resources and small size, Singapore has emerged as the world's leading place to do business (The 2011 World Bank Ease of Doing Business Index), as one of the most competitive economies (World Economic Forum's Global Competitiveness, 2011), and as a country that continues to attract foreign investment, professionals and entrepreneurs.

Such rapid and sustained economic growth requires a steady supply of labour. And as Singapore has moved towards more knowledge-based, innovation-driven economy (Ministry of Trade and Industry), the need for highly-skilled and highly-educated workforce has become more pressing as demand moves ahead of domestic supply.

Low fertility rate and an ageing population have led to a shrinking working aged cohort, which in turn have led the Singapore government to rely on migration as a means to address labour shortages and demographic challenges. The number of foreign workers in Singapore has increased since the 1980s, when the government relaxed its immigration policy to facilitate the entry foreigners to make up for the shortfall in births and to meet labour force needs. In 2012, immigrant workers comprise about one third of Singapore's labour force.

As Japan, Singapore welcomes skilled workers, especially professionals and those in high demand sectors. Low-skilled workers in turn are managed through a series of measures, including the work-permit system, the dependency ceiling and the foreign worker levy<sup>1</sup>.

### *Labour force participation*

Singapore has one of the highest employment rates internationally - with nearly eight in ten Singaporeans (aged 25 to 64) employed in 2010. Furthermore, 73.0% of women in the prime-working ages of 25 to 54 were economically active in 2011, up notably from 71.7 in 2010 and 69.4% in 2009. Nevertheless, women's labour force participation is still lower than in many developed countries, with a total of 57% of women in Singapore in the workforce compared to Denmark, the Netherlands, Sweden and the UK with 70% and more. According to Labour Force Survey conducted by the Manpower Research and Statistics Department of the Ministry of Manpower in 2011, the most common reasons for Singaporean women's economic inactivity are family responsibilities 47.3%, followed by schooling/attending courses/training 23.1%, and poor health 18.8%. So while women's labour force participation has increased, the traditional roles of women as homemakers and child-minders appear to persist leading to dual pressures of family and work. Singaporean women are more likely to drop out of the labour force after marriage and childbirth, in Japan however, a higher number of the women would re-join the workforce when their

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<sup>1</sup> The work-permit system means that employers are required to apply to the Controller of Work Passes for a Work Permit before employing a Foreign Worker. The Work Permit is usually valid for two years. While employers are not required to pay Central Provident Fund (CPF) contributions for Foreign Workers, they are liable to pay monthly *Foreign Worker Levies* to hire employees who hold Work Permits or S Passes). The number of foreign workers is also controlled through *Dependency ceiling* restricting service sector employers from hiring Work Permit holders more than 50% of the company's/firm's total workforce.

children are older (Ducanes & Abella, 2008). Labour force participation in Singapore is higher among single, divorced and widowed women (Ministry of Manpower, 2011).

#### *Labour market and demographic changes: ageing population*

Like Japan, Singapore is facing problems of an ageing population as a result of declining fertility and increasing longevity. Singapore's population of the elderly comprised 2.5% of the population in 1965, while this proportion has since grown to 9.3% in 2011. As a result of improvements in areas such as medical technology and public health awareness, life expectancy has risen in Singapore to 79.3 for men and 84.1 for women (Department of Statistics Singapore, 2011). As such, not only has the population of the elderly been growing in Singapore, but the elderly population has also grown older.

Ageing of population is expected to affect the structures of Singapore economy in many ways, through its impacts on labour markets, the structure of demand, the national rate of saving and capital accumulation, etc. As estimated by UBS in 2008, the demographic change in Singapore would slice 3 percentage points from long-term economic growth, while possible government support for the elderly could cost the country more than 7 per cent of gross domestic product (GDP) (The Straits Times, 2008).

#### *Labour market and demographic changes: low fertility rate*

As in other developed countries, growing female participation in the work force in Singapore has led to many women delaying or deciding against having children. A longer pursuit of education, combined with the higher age at marriage, means that presently, Singaporean women also begin childbearing at older age<sup>2</sup>.

The Total Fertility Rate (TRF) in Singapore has remained below the replacement level of 2.1 since the late 1970s. And despite government's pro-family measures and policies to encourage Singaporean parents to have more children, fertility rate dropped to a record low of 1.15<sup>3</sup> in 2010.

"The fact that we have one of the fastest ageing populations and one of the lowest birth rates in the world did not come about out of thin air. When you put the two factors together what we really have to do is, on the one hand, create an environment so that Singaporean, male and female, young or old, can work longer in good jobs and on the other hand, create an environment that is pro-family so that Singaporean can get married, have children and happy families."

- Lim Swee Say, NTUC Secretary General, and Minister in the Prime Minister's Office

## **Singapore government's response to its population challenges**

### *Ageing population*

The population of 65 years and above in Singapore is expected to increase to 19% by 2030 (Inter-Ministerial Committee, 1999), placing enormous strain on resources, health care, and families. While

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<sup>2</sup> In 2011, the median age of female citizens at marriage was 27.6 years, while the median age of citizen mothers at first birth was 29.8 years (Department of Statistics, 2011).

<sup>3</sup> Total fertility rate of residents of Singapore.

the family has traditionally been the main source of support for the elderly in Singapore, with declining fertility and family sizes, there will be fewer family members to care for them in the coming years. The Government's has responded to this by putting in place health care, social security and housing policies to anticipate problems related to an ageing society, which aim to:

- enhance financial security and self-reliance of the elderly<sup>4</sup>;
- ensure affordable healthcare and eldercare<sup>5</sup>, and to
- enable ageing-in-place and senior-friendly communities<sup>6</sup> (Lee Hsien Loon, Prime Minister of Singapore 2009).

### *Low fertility and female labour force participation*

The number of foreign workers has increased since the 1980s, when Singapore government relaxed its immigration policy to facilitate the entry of a growing number of qualified foreigners to work and live in the country to meet labour force needs. Furthermore, Singapore has instituted various pro-family policies and incentives to encourage family formation, help families to better balance work and family, and encourage women to join the labour force. While many state policies have focused primarily on monetary incentives either through direct handouts (Baby Bonus Scheme) or through tax incentives (Enhanced Child Relief), a number of initiatives<sup>7</sup> for employers to encourage better work-life balance have also been introduced in recent years.

### **Feedback from SCWO member organisations**

The single most obvious encouragement to women, especially those in the early work-age group to enter and stay in employment, is the assurance that they will be well appreciated, in both financial and social terms. Singapore has built its economy on the principle of meritocracy, and rewarding of ability. This does, generally, translate into wage and promotion policies that are not gender sensitive.

The most important factors in determining whether to have children, and if so, how many and still remain in the workforce, are how the family can arrange work and home life to run as smoothly as possible, to be successful both as a working person, and a parent.

In this regard, women feel that the roles of husbands and fathers are an important contributing factor, especially in determining the number of children. The assurance of security of the marriage, and the financial and childcare available are also high on the list of factors. Family creation should be the goal, not just policies aimed at procreation.

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<sup>4</sup> i.e. by requiring employers to offer re-employment to workers for three years after official retirement age 62 and by offering lower Central Provident Fund (CPF) contributions for employers in order to make hiring of an elderly more attractive option. CPF is a compulsory comprehensive savings plan for working Singaporeans and permanent residents primarily to fund their retirement, healthcare and housing needs

<sup>5</sup> Again, by ensuring that savings and insurance under the CPF are sufficient to provide for a major portion of their healthcare expenses.

<sup>6</sup> By introducing programs and regular activities for the senior citizens in public housing estates (where 90% of Singaporeans live). Government will also upgrade physical infrastructure (and e.g. make housing estates barrier-free, install more lifts) to cater to an older population. More studio apartments, fitted out for senior citizens, will also be built.

<sup>7</sup> By introducing e.g. work-life balance grants and funding schemes to encourage employers to adopt and set-up family friendly policies.

Therefore, the mind-set of work-life balance needs to shift to better work-life balance and new pathways have to be forged to overcome the situation that we face, both in Japan and Singapore, regarding low birth-rates and ageing populations.

Each mother, or would-be mother, will make that decision according to her own personal circumstances, yet there are common factors that will drive that final decision. In Mason & Ekman, *Mothers on the Fast Track* these are described: *“The culture of the workplace is central: some institutions are more welcoming than others. The role of partners, who may not fully support a mother’s career, is also critical, and until recently, the new momism, a renewed cultural emphasis on the critical role of mothers in a child-centred society, has placed additional pressure on working mothers”*

The latest statistics from Singapore are quite encouraging, probably due to the attractiveness of some of the family-friendly schemes, such as Baby Bonus, Child-Care Development Account (CDA) and better availability of childcare services. From a low of 1.15 in 2010, the Total Fertility Rate (TFR) rose to 1.2 in 2011. For 2012, we expect higher numbers again as it is the Year of the Dragon, the most auspicious sign in the Chinese Zodiac. So the downward trend has reversed slightly, but whether we maintain or increase will remain to be seen.

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