

*Case Study by Economy*  
*Southeast Asia*

---

# Singapore

---

**Prof. Chew Soon-Beng and Rosalind Chew**

**Nanyang Technological University**

Revised Paper

*After*

*PECC-*

*ABAC Conference on “Demographic Change and International Labor Mobility in the Asia Pacific Region: Implications for Business and Cooperation”  
in Seoul, Korea on March 25-26, 2008*

# **COPING WITH INTERNATIONAL MOVEMENT OF PERSONNEL: ITS IMPACT ON LOW WAGE DOMESTIC WORKERS IN SINGAPORE**

by

Chew Soon-Beng  
Professor, Division of Economics  
Nanyang Technological University, Singapore

and

Rosalind Chew  
Associate Professor, Division of Economics  
Nanyang Technological University, Singapore

## **ABSTRACT**

Singapore obtained self-government from Britain in 1959. It was a nation of immigrants with limited banking or industrial experience with a population of less than two million. The economy relied on entrepot trade amidst a backdrop of extensive labor unrest and high unemployment. By the 1990s, Singapore was regarded as one of Asia's more advanced economies. The fact that the total population of Singapore has increased to 4.68 million in 2007 with a foreign population of one million indicates that Singapore has been able to attract foreign labour. But the influx of foreign labour comes with a price. Native low-wage workers cannot compete with unskilled foreign workers who have lower reservation wages as their families do not live in Singapore.

The aim of this paper, apart from examining the factors affecting both the inflow of foreign personnel and outflow of local professionals, assesses the various attempts on the part of the Singapore government at helping low-wage workers maintain a decent standard of living. Implications for promoting labour mobility will also be discussed.

## OVERVIEW

Singapore obtained self-government from Britain in 1959. It was a nation of immigrants with limited banking or industrial experience with a population of less than two million (It was 1.45 million in 1955 (Saw, 2008)). The economy relied on entrepot trade amidst a backdrop of extensive labor unrest and high unemployment. By the 1990s, Singapore was regarded as one of Asia's more advanced economies and she sustained a rate of economic growth of about 8 per cent annually in the last three decades of the 20<sup>th</sup> century (Lim, 2001). The fact that the total population of Singapore has increased to 4.68 million in 2007 with a foreign population of one million indicates that Singapore has been able to attract foreign labour.

Table 1 presents the key indicators of the Singapore economy for the period 1996-06. It reveals that Singapore achieved high growth in 1996, but growth rate fell in the wake of the 1997 Asian Currency Crisis. However, Singapore has recovered since 2004, and she has had high growth rates since without experiencing high inflation. Furthermore, although the unemployment rate was above 3% from 2002 to 2005, it fell to 2.7% in 2006, 1.7% in late 2007 and 1.6% in January 2008. The Singapore dollar was strong in 1996 but fell during the 1997 currency crisis. But since 2006, it has appreciated from S\$1.59 per US\$ in 2006 to S\$1.41 per US\$ in January 2008. The Singapore government continued to accumulate foreign reserves despite the regional currency crisis. Hence, Singapore has done well in terms of growth, employment and foreign reserves. However, income inequity has worsened, as the gini coefficient is 0.485 in 2007 (Chew and Chew, 2007).

The purpose of this paper is to examine the policies concerning the management of foreign labour against the backdrop of increasing pressure on low-wage domestic

workers in Singapore.

**TABLE 1**

**Key Statistics of the Singapore Economy**

<b>Indicators</b>	<b>1996</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
GDP Growth Rate (at current market price)	9.2	3.0	2.0	12.8	7.0	8.1
Inflation rate (2004 = 100)	1.4	-0.4	0.5	1.7	0.5	1.0
Unemployment Rate (%)	1.8	2.2	3.5	3.7	3.4	2.7
Exchange Rate (S\$/US\$)	1.4100	1.7906	1.7422	1.6903	1.6646	1.5889
Official Foreign Reserves at end of year (\$m)	76,968	82,219	96,244	112,575	116,173	136,261

Source: Singapore Year Book of Statistics, 2007.

Note: In January 2008, the unemployment rate was 1.6 and the exchange rate was 1.41.

**SINGAPORE'S SOCIAL SECURITY POLICY**

Since independence, Singapore has always emphasized self-reliance as a strategy for development. For example, Singapore did not need to borrow funds from the World Bank to start her industrialization programme in the early 1960s. Indeed, the principle of self-reliance has been impressed on each and every individual. Singaporeans have been told time and again that home ownership, retirement and healthcare are individual financial responsibilities. What the Singapore government has done is to make jobs available and implement compulsory savings via the Central Provident Fund (CPF) scheme.

The Central Provident Fund (CPF) scheme was set up in 1955 as the main form of social security scheme for workers after retirement in Singapore (for a discussion on the macro objectives of the CPF scheme, see Chew and Chew, 2008). The CPF scheme

is a compulsory saving scheme required by law of all employees. Under the CPF scheme, an employee with a monthly pay of, for example, \$1000, is required to contribute a certain percentage, say 20%, of his pay towards his CPF account. At the same time, his employer is also required by law to contribute a certain percentage, say 20%, of the worker's pay towards the same account for the worker. The cost of employing this worker in this example therefore amounts to \$1,200. Hence, the cost of employing a worker is affected by the employer's CPF contribution rate. Consequently, a wage ceiling was put in place. It was set at \$6,000 in the 1980s and 1990s, but the present wage ceiling is only \$4,500 (2006 CPF Annual Report) and the present employer CPF contribution rate is only 14.5%.

The money in the CPF account cannot be withdrawn until a worker is aged 55. The CPF scheme has evolved into a scheme for many purposes (Chew and Chew, 2008). About 67% of the CPF money will be deposited in the Ordinary Account (funds in this account can be used to finance a housing mortgage) while 15% will be deposited into the Special Account for old age and 18% into the Medisave Account to meet any costs of hospitalization. There is very little social welfare for the young and able-bodied. But those who work consistently would have a house bought and paid for, with some money saved for retirement, and would be able to pay for cost of hospitalization. Hence housing, healthcare and old age are individual responsibilities.

Given the coverage provided by the CPF scheme, provision for social welfare, especially for the young in the labour force, has been limited. In a way, one could argue that Singapore's social security is based on employment. Given such an employment-based social security system, Singapore cannot endure an extensive period of unemployment. However, with an open economy such as Singapore's, it is to be expected that there will be

periods of recession. What Singapore has been doing especially since the mid-1970s is to use foreign labour as a buffer to protect the local workforce. A sizable foreign workforce in Singapore also helps to alleviate the upward pressure on wages which imposes a constraint on economic growth. The use of foreign labour permits the economy to sustain a situation in which the demand for labour persistently exceeds the domestic supply of labour, and enables Singapore to increase her GNP above that which is possible with the local workforce alone. Thus, while labour demand still fluctuates in line with movements in the business cycle, during a business boom, more foreign labour will be employed while a recession will see fewer foreign workers being employed than during a boom. Singapore is, in this way, insulated from business cycles because foreign labour serves as a buffer for the Singapore economy. In this regard, the economy would see a significant increase in the size of the foreign labour force when there is full employment in Singapore. This has also benefited other countries, especially other ASEAN countries. In a way this is ironic, because Singapore strives for self-reliance, but the ability for self-reliance depends heavily on reliance on a foreign workforce.

### **DEMOGRAPHIC CHANGE AND EMIGRATION IN SINGAPORE**

As a city state with high per capita income and an educated male and female workforce, it is no surprise that Singapore has undergone many decades of fertility decline since the 1960s (for a detailed discussion on the Singapore population, see Saw, 2008). According to Yap and Santakumar (2008), the total fertility rate (TFR) for Singapore decreased from six children per woman in the 1950s, to four in the 1960s and to replacement level at 2.1 in the early 1970s. In 1977, the TFR was below the replacement level for Singapore. Despite various attempts on the part of the government to raise the TFR, the TFR today is still

below the replacement level due to the following factors: the age of marriage is later, strong preference for smaller family size and the increasing trend of being single (Department of Statistics, 2002), which can be attributed to rising level of education of women and a competitive society where a dual-income household is the norm. Hence, the main strategies on the part of the government to increase TFR are to subsidize working mothers for placing their children in day-care centres, create more before- and after-school service centres for primary school students and import foreign maids. But more can be done in terms of raising the quality of the teachers at the day-care centres and making kindergarten education part of the formal primary education system.

Against the backdrop of low TFR, mortality rate has been falling, which is to be expected as per capita income in Singapore has been rising. The male life expectancy has risen from 64.1 years in 1970 to 77.9 years in 2005 while the respective figures for women are 67.8 in 1970 to 81.6 in 2005 (Yap and Shantakumar, 2008).

To make matters worse, young and able professional Singaporeans have been migrating to the developed countries. There have been various estimates of the number of Singaporeans living abroad, ranging from 100,000 to 150,000 (Saw, 2008). According to Mani (1989), during the period from 1977 to October 1988, 144 Singaporeans renounced their citizenship and 2,772 others had their citizenship terminated because they became citizens of other countries. Since 1989, about 5000 Singaporeans emigrated annually. According to another source, the number of Singapore's emigrants was about 6,000 to 7,000 annually ("Worsening numbers", Little Speck, downloaded 20 September 2005). Minister Mentor Lee Kuan Yew said that Singapore loses about 1000 capable people every year, which is about 4% to 5% of top 30% of the population (Straits Times, 14/02/08, page H7). The Singapore government has set up an Overseas Singaporean Unit (OSU) with the

objective of engaging overseas Singaporeans and hopefully triggering the desired return migration ([www.overseassingapore.sg](http://www.overseassingapore.sg)).

A number of factors cause Singaporeans to emigrate, the most important of which is that Singapore is a very competitive society, with the competitiveness characteristic of various activities ranging from applying for places in schools to getting scholarships and to the job markets. Singapore has a holistic approach in getting the best students from the region especially from China to enrol into local primary and secondary schools as well as tertiary institutions. While this makes sense at the national level, individual families face keen competition in terms of achievement and scholarship. On the other hand, male Singaporean professionals have to do reservist training, which might put them at a disadvantage for career development. The 911 event is not a positive factor, resulting in a feeling of insecurity towards the Southeast Asian region. Moreover, some Singaporeans complain that the difference between being a Singaporean and a permanent resident is not significant. This caused the government to reduce the subsidies given to permanent residents receiving treatment in public hospitals since October 2007. Needless to say, the necessary condition which enables Singaporeans to emigrate is their marketability, and this is determined by their skills and their command of the English language.

With falling TFR and mortality rates and the tendency towards emigration, Singapore's population must age. Table 2 shows that, in the year 2000, those aged above 65 accounted for 7.3% of the total population for Singapore, while those in the age group between 15 to 64 accounted for 71%. However, for the reasons which have been mentioned earlier, those aged above 65 will account for 13.5% by 2020 and 18.7% by 2030. This has many implications for Singapore's revenue structure and competitiveness. While the government has been trying to raise TFR and make Singaporeans more aware of the



benefits of being Singapore citizens, the quick fix to this population problem is through immigration. At a recent conference organised by the Singapore Institute of Policy Studies (<http://www.ips.org.sg/events/p2008/>), government ministers discussed the idea of a population size for Singapore as an economic entity for comfort and competitiveness. It was suggested that Singapore's future population should be some where between 5.5 to 6.5 million (see also Saw Swee Hock, 2008). Indeed, Yap and Shantakumar (2008) have shown that the number of immigrants Singapore must import in order to reach various targeted population projections.

**TABLE 2**

**Actual and Projected Resident Population by Broad Age Groups**

<b>Age Group</b>	<b>2000</b>	<b>2010</b>	<b>2020</b>	<b>2030</b>
Number (in thousands)				
0-14	700.8	648.2	672.6	721.6
15-64	2,324.9	2,806.1	3,027.8	3,086.5
65 and older	237.5	336.4	575.1	873.2
Total	3,263.2	3,790.8	4,275.5	4,681.3
Per cent				
0-14	21.4	17.1	15.7	15.4
15-64	71.2	74.0	70.8	65.9
65 and older	7.3	8.9	13.5	18.7
Total	100.0	100.0	100.0	100.0

Source: Yap and Shantakumar (2008). Figures for 2000 are based on the Census of Population 2000 conducted by the Department of Statistics, Singapore (DOS) while those for 2010-2030 are DOS projections.

**IMMIGRATION POLICIES**

Singapore's economic achievements, multi-cultural society, and political and social stability have attracted many foreigners to the island (for a discussion on migration issues in the Asia Pacific context, see Ong, Chan and Chew, 1995). According to Mani (1989), during the period from 1977 to October 1988, 88,132 persons became Singapore citizens and

67,400 persons became permanent residents. By 1994, an additional 50,262 immigrants adopted Singapore citizenship, and an additional 124,372 had taken up permanent residency (see Table 3).

**TABLE 3**  
**New Citizens and Permanent Residents, 1980-94**

<b>Year</b>	<b>Number of Persons who took up Singapore Citizenship</b>	<b>Number of Persons who took up Permanent Residency</b>
1980	17,641	9,295
1981	12,741	9,598
1982	11,206	8,671
1983	6,447	7,158
1984	4,557	7,325
1985	4,703	5,824
1986	4,033	4,973
1987	4,089	6,988
1988	6,355	8,823
1989	7,818	13,203
1990	7,617	22,875
1991	7,150	21,713
1992	7,193	22,982
1993	8,984	21,941
1994	11,500	21,659
2005	12,861	n.a.
2006	13,900	n.a.

Source: Ministry of Labour, Singapore. Figures for 2005 and 2006 are from the Singapore Yearbook (Ministry of Information, Communications and the Arts, Singapore).

Note: Data for the period prior to 1985 are not available.

\* Estimated number.

According to Parliament Debate (2007), the proportion of permanent residents (PRs) in Singapore's total population increased from 3.7% in 1990 to 7.2% in 2000 and to 10.1%

in 2005. The average growth of PRs was 10% over the 1990-2000 period and 8.7% in 2000-2005. For the period 2004 to 2006, about 49,000 persons were granted PRs and 11,000 were granted SCs. In 2005 and 2006, 12,861 and 13,900 applications for citizens were approved respectively. About 60% of the new PRs and 80% of the new Singapore Citizens (SCs) are professionals, managers, executives and administrators. 48% of the PRs are from Southeast Asian countries and 46% from other Asian countries, while 41% of the new SCs are from Southeast Asian countries and 50% from other Asian countries.

The Singapore government has been very selective in granting permanent residency and citizenship. The government has made it a point not to disclose the criteria for selection apart from saying that every immigrant must be an asset to Singapore. For instance, in the early 1990s, there was a growing awareness that Singaporean workers have been getting very complacent. Consequently, the Singapore government offered permanent residency status to 25,000 skilled workers from Hong Kong to entice them to settle here (Chew and Chew, 1995). It is thought that such an inflow of hardworking and enterprising Hongkongers would help to improve the work ethic in Singapore.

Skilled foreigners who come to Singapore to work are generally keen to take up permanent residency for a number of reasons:

1. Singapore is cosmopolite and there is employment stability.
2. Permanent residents are not barred from holding key decision-making positions.

(Unlike many other countries, which tend to reserve key decision-making positions for their citizens, it is not uncommon for permanent residents in Singapore to be appointed heads of department in the public sector).

3. Permanent residents enjoy housing and many other fringe benefits which may not apply

to Singapore citizens.

At the same time, certain factors discourage these immigrants from applying for Singapore citizenship:

1. Singapore does not permit dual citizenship, which means that applicants must be prepared to renounce the citizenship of their country.
2. Upon becoming Singapore citizens, they stand to lose all the benefits mentioned earlier.

The only two tangible benefits of becoming Singapore citizens are that they are allowed to vote and that they can be candidates in elections. Few skilled foreigners find these two benefits sufficiently substantial to entice them to progress from permanent residence status to citizenship. As a result, many people have remained permanent residents for a decade or two without any intention of taking up citizenship. Singapore therefore faces the dilemma of keeping permanent residence status attractive to skilled foreigners while simultaneously ensuring that this very attractiveness will not jeopardise the progression to citizenship.

While Singapore encourages immigrants to work and live in Singapore, Singapore also has a web of policies to import foreign workers who are expected to work in Singapore for short periods of time as the need arises. As mentioned before, this policy if implemented correctly can protect Singapore from having huge cyclical variations in unemployment. The next section examines the management regime of foreign workers.

## **FOREIGN LABOUR MANAGEMENT POLICIES**

Management of foreign labour is operated in terms of the number of work permits and employment passes issued. The number of work permits and employment passes, especially the former, would increase significantly if there is no adverse effect on local workers. Companies in Singapore are allowed to apply for work permits for foreign

workers whose monthly pay is below \$1,800. A work permit is for two years and renewal normally for up to 6 years. However, the companies concerned must pay a foreign worker levy ranging from \$150 to \$450 per foreign worker per month, the exact amount of levy depending on the skills of the foreign workers and the dependency ratio of the companies concerned (for details, see [www.mom.gov.sg](http://www.mom.gov.sg)). If foreign workers are unskilled and the companies concerned have a high dependency ratio of foreign workers, the foreign worker levy will be at the maximum at \$450 per foreign worker per month. Work permit holders are not allowed to switch employers as the work permit is firm-specific. Each company will have its own quota of work permits depending on the foreign worker dependency ratio.

Since the late 1990s, the Singapore government has introduced another category of work permit known as the S-Pass. While work permit is meant for unskilled foreign workers, the S-Pass is meant for mid-level skilled workers who are generally tertiary educated. The foreign worker levy for S-passes is \$50 per person per month. The number of S-Pass holders a company can employ is capped at a sub-quota, or Dependency Ceiling of 25% of the company's total workforce. The 25% S-Pass quota will come from the company's existing Work Permit quota.

Employment Pass is meant for foreign workers who possess professional or tertiary qualifications and if the salary per month exceeds \$2,000. Employment passes are valid for up to five years and are renewable. There is no dependency ceiling imposed nor is there any foreign worker levy. Similar to the work permit, employment pass is tied up with the company concerned. Recently, the Singapore government introduced the Personalised Employment Pass (PEP) for EP holders with a monthly salary not less than \$7000. As the term implies, the PEP is not tied to any employer. PEP holders must inform the Ministry of Manpower in the event of a change in employer (in a way, PEP holders are like

Singaporeans). The PEP holder is able to remain in Singapore between jobs for up to six months to look for other employment opportunities if necessary.

2007 was a good year for Singapore and the unemployment rate was at a historic low of 1.6% in January 2008. Consequently, the government has allowed firms in Singapore to employ more foreign workers. For instance, in 2007, manufacturing companies could employ up to 60% of the company's total workforce on Work Permits and this year the limit has been raised further to 65%. For service firms, the ceiling has been raised from 45% to 50%. For the marine sector, the dependency ratio of one local worker for three foreign workers has been raised to five foreign workers. For the construction sector, the ratio of one local worker to 5 foreign workers is increased to one local worker to seven foreign workers. As for S-Pass holders, a company's S-Pass quota will be increased from 15% to 25%.

In January, 2008, in order to enhance Singapore as a city of possibilities, two new categories have been introduced for Professional Visit Passes (PVP) which is valid for six months: the Miscellaneous Work Permit (MWP) and the Work Permit (Performance Artiste) (for details, see [www.mom.gov.sg](http://www.mom.gov.sg)). Three groups of foreigners must apply for MWP: key organisers of gatherings relating to religion, race or community, or any cause or political end; foreign religious workers giving talks about any religion; and foreign journalist or accompanying crew not supported by any local government agency, who are here to cover an event or write a story. The Work Permit (Performing Artiste) will apply to foreign performers who want to work at any nightspot. Included in the original two groups under the PVP are professionals who possess specialised skills such as commissioning new equipments or are involved in business arbitration or mediation services.

## FOREIGN LABOUR IN SINGAPORE SECTORS

Currently in 2008, there are about 110,000 employment pass and 645,000 Work Permit holders in Singapore. Among the Work Permit holders, there are 170,000 foreign domestic workers and 145,000 foreign construction workers in Singapore. About 21% of the foreign workforce were employed in both the manufacturing sector and community and personal services sector in 2006 (see Table 4). About 17% of the foreign workforce were in the financial and business services sector and 15% in the trade sector. However, dependency on foreign labour was the highest in the construction sector where 63% of the workforce were foreign labour, followed by the manufacturing sector where almost 42% of the workforce were foreign labour. The other two sectors that relied heavily on foreign labour were community services and financial and business services each with 28% and 23% respectively. It is obvious that Singapore needs foreign labour at all levels, from highly trained professionals to unskilled workers and domestic maids.

**TABLE 4**

**Distribution of Workers in Singapore by Nationality in 2006**

<b>Industry</b>	<b>No of Workers (‘000)</b>	<b>No of Local Workers (‘000)</b>	<b>No of Foreign Workers(‘000)</b>
Manufacturing	517.5 (20.7%)	301.7 (58.3%)	215.8 (41.7%)
Construction	255.5 (10.2)	95.0 (37.2%)	160.5 (62.8%)
Trade	365.0 (14.6)	301.1 (82.5%)	63.9 (17.5%)
Hotels and Restaurants	145.8 (5.8)	128.8 (88.3%)	17.0 (11.7%)
Transport and Communications	252.1 (10.1)	248.8 (98.7%)	3.30 (1.3%)
Financial and Business services	421.8 (16.9)	323.6 (76.7%)	98.2 (23.3%)
Community services and personal services	522.0 (20.9)	375.1 (71.9%)	146.9 (28.1%)
Others	16.2	22.6	- 6.4

Total	2495.9 (100.0)	1,796.7 (72.0%)	699.2 (28.0%)
-------	-------------------	--------------------	------------------

Source: The Singapore Year Book of Manpower Statistics, 2006

### QUANTITATIVE IMPACT OF USING FOREIGN LABOUR AS A BUFFER

Table 5 shows the extent to which foreign labour has contributed to the protection of Singapore workers. In 2005, which was a good year of growth, 113,000 jobs were created, of which 63,500 went to the local workforce and almost 50,000 went to the foreign workforce. There was no controversy as there were plenty of jobs for the locals. On the other hand, 2002 was the worse year, when locals could not find jobs. In that year, the economy lost 23,000 jobs but almost 20,000 locals were able to get jobs, unfortunately at the expense of foreign workers. A similar situation applies to 2003. Management of the foreign workforce as a buffer was never easy. In 1998, the economy lost about 24,000 jobs but almost 27,000 locals lost their jobs while 4,000 new jobs went to foreign labour. Retrospectively, one could see that few governments were prepared for the onslaught of the East Asian Currency Crisis.

**TABLE 5**

#### Importance of Foreign Workers in Singapore

Year	Number of Jobs created	Number of new jobs for locals	Number of Foreign Workers
1995	109,000	37,600	71,400
1996	102,600	39,900	62,700
1997	120,300	43,200	77,100
1998	-23,400	-27,700	4,300
1999	39,900	41,700	-1,800
2000	108,500	58,400	50,100
2001	-100	1,300	-1,400
2002	-22,900	19,400	-42,300
2003	-12,900	14,900	-27,900
2004	71,400	49,900	21,500



2005	113,300	63,500	49,800
------	---------	--------	--------

Source: 2006 Press Release from Ministry of Manpower, Singapore.

Due to the large number of foreign workers in a city-state such as Singapore, Singapore has adopted a strong stand against illegal guest workers, and passed a law punishing those who stay longer than 90 days after their work permits have expired. In 2006, 3,800 illegal immigrants and 5,200 over-stayers were arrested, compared to 4,576 and 5,494 respectively in 2005. Even locals who harboured and/or employed illegal immigrants and over-stayers were not spared. In 2006, 170 harbourers and 200 employers were arrested compared to 173 and 167 in 2005 respectively. As Chew and Chew (1995) noted, diplomatic relations between Singapore and Thailand, which has a strong presence of labour force in Singapore, has been negatively affected because of the stringency of the laws. The case involving Flor Contemplacion in 1991 has made Singapore more sensitive to policies concerning foreign labour from members of ASEAN countries.

### **RISING WAGE GAPS IN SINGAPORE**

As a result of increasing external competitive pressure, the employer's CPF contribution rate is now 14.5% for employees below the age of 50. The employer's contribution rate is 11% for employees aged between 50 to 54 and 6% for those aged between 55 and 60. As mentioned earlier, the monthly wage ceiling is capped at \$4,500 in 2008. Hence, high-income Singaporeans, especially those who earn more than \$6,000 a month, no longer find the CPF scheme attractive. Singapore employers would have to increase the monthly pay to be commensurate with their counterparts in Hong Kong and the West if firms want them to work in Singapore because high-income Singaporeans are very mobile. Many developed countries such as USA, UK, Australia, etc., also have similar

schemes under which employers contribute about 10 to 15% of the salary of employees into retirement schemes. The only difference is that in these countries, there is no monthly wage ceiling. Hence, the total salary package of top professionals in Singaporeans has to be much higher because of the low wage ceiling (of course, one must not fail to mention that personal income tax in Singapore is much lower than that in developed countries).

On the other hand, it is obvious that with globalization, the wages of low-income Singaporeans, due to limited levels of education and skills, would not rise much as they compete with numerous foreign workers in Singapore and their employers compete with firms from Malaysia, China and India.

As mentioned earlier, there are about 110,000 foreign professionals and 645,000 unskilled and semi-skilled foreign workers in Singapore. This is a huge number compared to the 1.8 million local workforce. On one hand, the presence of foreign labour will enhance Singapore's competitiveness and increase the number of jobs available for Singapore. On the other, especially at the individual level, local workers face stiff competition because foreign labour has a lower reservation wage. Some local workers may lose out in terms of job search and eroding wages. This applies not only to unskilled Singaporeans but also to graduates on the account of S-Pass holders.

Table 6 shows unemployed residents by education level. 1996 was a good year when unemployment rate was low. In contrast, unemployment rate was high in 2003 and growth rate was low. The unemployment rate of residents with education below upper secondary experienced more than 5% unemployment rate. Better educated residents did not fare well either, with an unemployment rate of 4.5%. 2006 was a good year and consequently, unemployment was reduced. But the unemployment rate of graduates has

remained on the high side.

**TABLE 6**  
**Unemployed Residents by Education, 1996 - 2006**

<b>Education Level</b>	<b>1996</b>	<b>2000</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Primary Education	9.4 (2.5%)	16.5 (5.2%)	17.9 (5.8%)	14.3 (5.0%)	13.1 (4.5%)	11.0 (3.8%)
Lower Secondary Education	5.3 (2.4%)	11.2 (5.2%)	15.9 (6.8%)	13.2 (5.5%)	13.0 (5.9%)	11.0 (4.6%)
Secondary Education	9.4 (2.0%)	16.1 (3.6%)	23.9 (5.3%)	20.5 (4.6%)	20.2 (4.6%)	18.0 (3.9%)
Upper Secondary Education	2.4 (1.4%)	5.1 (2.3%)	9.8 (4.5%)	8.5 (4.0%)	10.4 (4.0%)	8.8 (3.6%)
Polytechnics	2.2 (1.9%)	3.8 (2.5%)	8.2 (4.5%)	8.0 (4.0%)	5.6 (2.9%)	6.4 (3.0%)
University Education	4.3 (2.6%)	6.6 (2.6%)	15.5 (4.4%)	14.0 (3.6%)	12.6 (3.1%)	12.3 (2.8%)
<b>Total</b>	<b>33</b> (2.2%)	<b>59.4</b> (3.7%)	<b>91.2</b> (5.2%)	<b>78.4</b> (4.4%)	<b>74.9</b> (4.1%)	<b>67.6</b> (3.6%)

Table 7 presents data on wages of residents for 2004, 2005 and 2006. In 2006, residents accounted for almost 65% of those who earned less than \$3,000. It is therefore expected that the dual income household is the norm in Singapore as individual wages are not high. Wage gap is widening too. About 16% of residents earned less than \$1,000 in 2004, but this percentage rose to 17% in 2006. About 7% of residents earned more than \$5000 monthly in 2004 and this percentage increased to 18% in 2006. Hence, Singapore is now confronted with the dilemma of growth and equity.

**TABLE 7**  
**Monthly Wages of Residents in Singapore**

<b>Monthly Wages</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<\$500	55,019 (4.2%)	58,311 (4.2%)	64,683 (4.4%)
\$500-\$999	160,148 (12.1%)	168,580 (12.2%)	185,183 (12.7%)

\$1,000 - \$1,999	374,137 (28.3%)	367,383 (26.6%)	370,859 (25.4%)
\$2,000 - \$2,999	300,828 (22.7%)	315,050 (22.8%)	324,409 (22.2%)
\$3,000 - \$4,999	166,054 (12.5%)	275,379 (19.9%)	254,837 (17.4%)
>\$5,000	91,641 (6.9%)	196,348 (14.2%)	261,963 (17.9%)
Total	1,324,368 (100%)	1,381,068 (100%)	1,461,949 (100%)

Source: CPF Annual Report, various years, Singapore.

### **POLICIES TO HELP LOW-WAGE WORKERS COPE WITH COMPETITION**

The Government in 2005 set up a Ministerial Committee on Low-Wage Workers to develop and implement a holistic package of policies and measures to help low-wage workers and their families, and to reduce the problem over time. According to the Committee, low-wage workers constitute about 20% of full-time local workers, i.e. around 300,000 workers. They are at risk of retrenchment and structural unemployment as they compete with foreign workers in Singapore directly. With low wages, they find it difficult to meet daily expenses for household needs, including housing, food and transport, not to mention education needs. They are unlikely to have sufficient savings for their medical and retirement needs. Families of low-wage workers are therefore at risk of being caught in a poverty trap. The influx of large unskilled foreign workers may not help them to increase their earnings.

As mentioned earlier, the CPF scheme is a compulsory saving scheme. But the cost of labour is higher if the employer's CPF contribution rate is higher. In Singapore, employers of workers aged between 35 and 45 need to contribute only 9.7% if their wages are below \$1,500 as compared to 14.5% for workers whose wages are \$1,500 or above. The rationale is obvious. With lower employer contribution rate, labour cost is lower and

this will enhance the continuous employment of these workers who are lowly educated. However, these low-wage workers need their CPF money even more in order to buy a government flat and also for old age and healthcare.

Realising that the local workers have a higher reservation wage due to higher cost of living for families in Singapore, the Singapore government has since 2006 implemented a scheme to help these low-wage workers. The scheme is known as the Workfare Income Supplement (WIS). For instance, for any worker who earns about \$800 a month, the WIS will pay these workers \$100 a month, \$29 in cash and \$71 into the CPF account of these workers, provided these workers are employed for at least six months of a year. The amount is subject to revision annually. The WIS is comparable to a wage supplement. Wage supplement is common in the developed countries but it did not have the same intended effect as the wage supplement in Singapore, as workers in the developed countries could choose between unemployment benefits and wage supplement.

It is estimated that about 287,000 workers would receive \$146 million in WIS on 1 January 2008. According to government sources, more than 100,000 low-wage workers have not signed up for WIS. These are mostly casual workers and self-employed. It is expected that WIS may become a permanent feature as long as foreign workers are in large numbers.

#### **SCOPE FOR COOPERATION BY GOVERNMENT ON LABOUR MOBILITY**

Singapore is a member of GATT, APEC and WTO. The Singapore government is fully committed to the open market policy and the principle of multilateralism. However, Singapore also wants to pursue bilateral agreements as long as they are consistent with the principle of multilateralism.

As mentioned earlier, there are no restrictions on foreign professionals working in Singapore. Hence, Singapore is already a free labour market for foreign professionals with or without any FTA. But as Singapore's social security scheme is based on employment, Singapore's FTAs with low per capita GDP countries would generally be more strict on migration/labor mobility with regard to low skilled workers. There is no specific mention on mobility of low skilled workers in the following FTAs:

1. the ASEAN Free Trade Area (AFTA);
2. ASEAN-China Free Trade Area (ACFTA);
3. Singapore-Australia Free Trade Agreement (SAFTA);
4. Singapore-Jordan Free Trade Agreement (SJFTA);
5. India-Singapore Comprehensive Economic Cooperation Agreement (CECA);
6. Korea-Singapore Free Trade Agreement (KSFTA);
7. New Zealand and Singapore on a Closer Economic Partnership (ANZSCEP) ;
8. Panama-Singapore Free Trade Agreement (PSFTA);
9. EFTA\*-Singapore FTA (ESFTA), a free trade area comprising of Switzerland, Iceland, Liechtenstein and Norway.

With regard to labour mobility of professionals, promotion of labor mobility among professionals is encouraged in Japan and Singapore for a New-Age Economic Partnership (JSEPA). With regard to the US-Singapore Free Trade Agreement (USSFTA), for professional services, Singapore will ease conditions on US firms in the areas of law and engineering to operate in Singapore.

In general, mobility concerning professionals working across various countries is affected by the issue of double taxation, which should be resolved so that they do not need to pay tax more than necessary. Low-skilled workers working abroad, especially in

the case of those coming to work in Singapore, have to pay high fees to employment agencies in both countries. These low-skilled workers have to pay high fees even for a visa or passport. Perhaps it may be possible to set up a joint committee between say, Singapore and Indonesia, to see how these issues as well as and other issues such as housing conditions, pay issues and health insurance, may be improved. Also, foreign workers coming to Singapore may not be aware of many stringent policies in Singapore with regard to overstay and illegal work. The proposed joint committee can also look into this issue.

## **CONCLUSION**

This paper discusses issues concerning brain drain and brain gain. The common belief in Singapore is that there is no need to be so concerned with the problem of emigration, since every Singaporean who emigrates is replaced by about fifteen foreigners who have taken up citizenship or permanent residence for the period 1977-87. However, it is believed that a critical portion of locally-educated population serves as an anchor point which is necessary to maintain social cohesion. This explains why the government is therefore determined to try the utmost to reverse the trend of emigration.

Singapore needs more home-grown brainpower before she can become a developed society. This view was emphasized by Lee Kuan Yew in an interview with World Link, the magazine of the World Economic Forum:

"We need another 10 years to be a more mature or developed society. At the moment, we are two-thirds of the way there. Non-Singaporeans now occupy at least two-fifths of Singapore's key decision-making positions, and it would take another 10 years for Singaporeans to occupy four-fifths of

these jobs. To 'come of age' you must have the brainpower to determine your own future." (The Straits Times, May 2, 1990).

This objective can be achieved by reducing the flow of emigration and prudently selecting immigrants to maintain economic prosperity and social stability in Singapore. On the other hand, as Singapore's social security is based on employment, foreign labour has been carefully calibrated as a buffer to protect Singaporeans from a long duration of unemployment. However, such policies cannot protect wages of Singaporeans who have much higher reservation wages due to the higher cost of living in Singapore. WIS is the answer. One would expect that the more liberal the foreign worker regime is, the more liberal the WIS regime will be.

Lastly, the paper reviews the various FTA to discuss certain clauses concerning labour mobility. Specific policies for promoting labour mobility across countries have also been suggested.

## REFERENCES

Annual Economic Survey Report. Singapore: Ministry of Trade and Industry, various years.

Chew Soon Beng and Rosalind Chew. "Immigration and Foreign Workers in Singapore". *ASEAN Economic Bulletin*, 12, no. 2 (1995): 191-200.

Chew Soon Beng and Chew Seow Lung, Rosalind. "Poverty, Poverty Alleviation and Social Disadvantage in Singapore". In *Poverty, Poverty Alleviation and Social Disadvantage*, edited by C. Tisdell, pp 771-783. Serial Publications, 2007.

Chew Soon Beng and Rosalind Chew. "Macro Objectives of The Central Provident Fund". In *The Singapore Economy*. Singapore: World Scientific, 2008 (forthcoming).



- Department of Statistics. "25 Years of Below Replacement Fertility: Implications for Singapore". <http://www.singstat.gov/papers/seminar/fertility.pdf>, 2002.
- Lim Chong-Yah. "Singapore: Twenty-Five Years of Growth and Structural Changes". In *Singapore 1985*. Singapore: Ministry of Communication and Information, 1985.
- Lim Chong Yah. *Southeast Asia: The Long Road Ahead*. Singapore: World Scientific, 2001.
- Lim Chong-Yah and Associates. *Policy Options For The Singapore Economy*. Singapore: McGraw Hill, 1988.
- Mani, A. "Movement of Highly Trained People: The Case of Singapore." Unpublished mimeograph. National University of Singapore: Department of Sociology, 1989.
- Ong Jin Hui, Chan Kwok Bun, Chew Soon Beng. *Crossing Borders: Transmigration in Asia Pacific*. Singapore: Prentice Hall, 1995.
- Parliamentary Debates. Official Report, 11<sup>th</sup> Parliament, volume 82. <http://www.parliament.gov.sg>, 2007.
- Saw Swee-Hock. *The Population of Singapore*, Second Edition. Singapore: Institute of Southeast Asian Studies, 2008.
- Turnbull, C.M. *A History of Singapore 1819-1975*. Singapore: Oxford University Press, 1985.
- Yap Mui Teng and G Shantakumar. "Singapore: Demographic Trends and Social Security". In *Singapore: Scenarios for the Future*, edited by Gillian Koh. Singapore: World Scientific, 2008.