S’pore has to tread carefully on foreign labour policy: Prof

Achievements aside, it could trip up over cheap foreign labour

By NANDE KHIN

SINGAPORE has done very well economically since its independence, leaping from a “Third World economy” in 40 years, but it may also have been “too free” in letting in cheap foreign labour, said prominent economist Lim Chong Yah.

Speaking at a conference held in conjunction with the launch of the Nanyang Technological University’s Economic Growth Centre yesterday, Prof Lim pointed out that Singapore’s “average 8 per cent real growth rate per annum for four decades has been one of the best on record in global terms.”

He then went on to list some of Singapore’s “most enviable achievements” such as having a GDP that is “higher than that of the Philippines — a much bigger entity”, being one of the most competitive nations in the world, having one of the busiest ports and financial centres in the world.

But later, in response to a reporter’s question, Prof Lim told the media on the sidelines of the conference that the only mistake he thought Singapore may have made is in its policy towards cheap foreign labour.

“Maybe we should not allow a too free flow of very low value-added labour, very low-wage labour to Singapore,” said Prof Lim, adding that such an “excessive supply will dampen the wage rate among the lower-income people”.

“That will create another problem... it will contribute to the development of a very lowly paid sector in the economy, because we can get very cheap labour from the region,” said the professor who was the founding chairman of the National Wage Council and is now the director of NTU’s new Economic Growth Centre.

So the government should “maybe be a little more careful in allowing cheap labour to move into Singapore in our pursuit of high growth”, he said.

“Which means that we cannot aim for very high growth... because if you aim for very high growth, then you’d want to bring in a lot of labour from outside, then only you can have very high growth.”

Some exceptions should, however, be made such as for maids, said Prof Lim. “Otherwise, the cost of managing households will go up.”

The question of foreign labour was also taken up by another professor during the conference.

Augustine Tan, practice professor of economics with the Singapore Management University, argued that Singapore needs to “tighten the screws on immigration” in the face of persistent structural unemployment.

Globalisation, especially with the rise of China and India, has meant that Singapore’s comparative advantages are changing and its competitiveness is being eroded. There is now a “downward pressure on wages” in developed countries like Singapore, said Prof Tan.

And those who have lost their jobs usually find re-employment but at a “fraction of their salaries” previously, said Prof Tan. “Workers are now bearing the brunt of globalisation and only shareholders are gaining... our wage share of GDP is low, but the profit share of GDP is high.”

This widening income gap means that Singapore has a “First World per capita income but a Third World income structure.”

As a result, it is “difficult to stimulate domestic consumption” and consumer spending is weak.

Even Singapore’s focus on new industries like the biomedical sciences will not help much because these are “highly capital and skills intensive industries”.

“So how about the blue-collar workers?” asked Prof Tan.

But later on during the conference, Khor Hoe Ee, assistant managing director of the Monetary Authority of Singapore, rebutted Prof Tan’s comments.

Mr Khor said that contrary to what many people think, Singapore’s domestic consumption has not been neglected in favour of an export-oriented strategy. He explained that when Singapore’s GDP is plotted against consumption, investment and exports, the graphs have all “trended up together.”

“Which means that we don’t have to worry about jobs”, but “very comprehensive set of measures” has been taken to “try and re-position the economy.”