

An unpopular opinion but the truth is foreign workers help, not hurt, Singaporean livelihoods

By **DONOVAN CHOY**

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A study by the Institute of Policy Studies found that 43.6 per cent of Singaporeans believe that immigration will “increase unemployment”.

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One of Singapore’s biggest open secrets is its slow-festering anti-foreigner sentiment among some of its citizens in the social media sphere, even though most people here are not opposed to immigration per se but to the unfettered inflow of foreigners. Protected by the anonymity of private Facebook groups, these rants oftentimes verge on plain ugly racism and xenophobia.

The reasons for opposing immigration in Singapore are varied, but the biggest grievance among locals lies in the proverbial “bread and butter” issues. This is affirmed by a just-released study by the Institute of Policy Studies, which finds that 43.6 per cent of Singaporeans believe that immigration will “increase unemployment”.

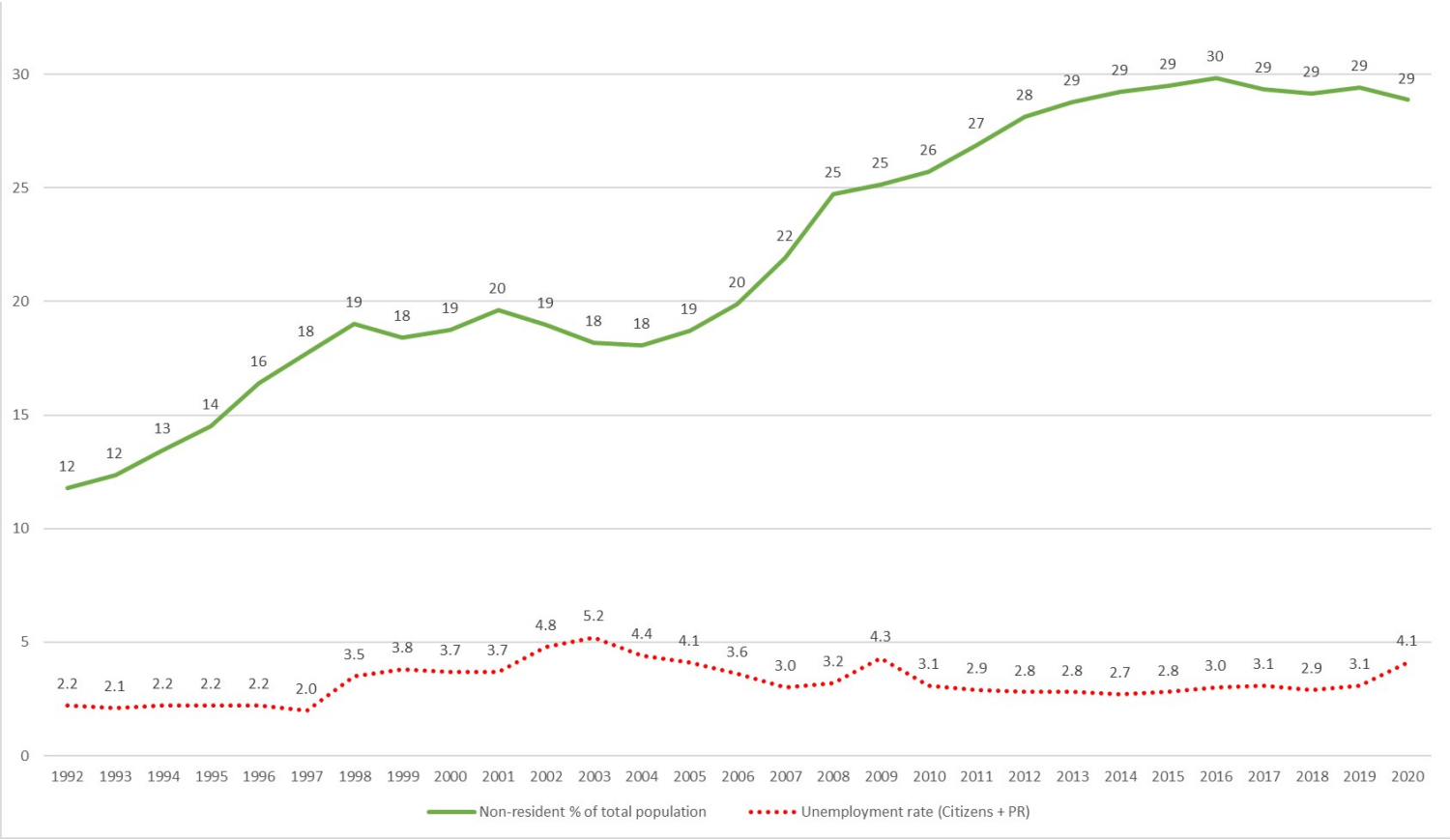
The problem is that the evidence contradicts this popular belief.

Long-trend data from the Singapore Department of Statistics and Ministry of Manpower shows that Singapore’s foreign workforce population has tripled in the span of three decades, while resident unemployment rates have remained stable.

In 1992, non-Singaporean-residents made up only 12 per cent of the total population. This rose to 19 per cent in 2000, 26 per cent in 2010, and amidst increasing resistance to foreign labour, has plateaued close to 30 per cent ever since.

In the same time period, unemployment rates of Singaporean citizens and permanent residents have remained relatively stagnant, never breaking 5.2 per cent in three decades.

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This is a healthy indication. Growing economies must remain open to new technologies and market competition that will induce some frictional unemployment as workers move in between jobs in a flexible labour market.

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A 0 per cent unemployment rate is neither practical nor desirable, as it likely means that an economy is not innovating and increasing productivity.

The data tells us a clear story. Contrary to popular belief, immigrant inflows to Singapore are not throwing citizens into mass unemployment.

Furthermore, the fact that employment is relatively stable while Singapore’s population is growing overtime is a sign that far from threatening the livelihoods of Singaporeans, foreign labour supplements our economy by adding to Singapore’s competitive edge and productivity.

FOREIGNERS ARE ESSENTIAL TO OUR ECONOMY

Foreign workers are not munching away at slices of a fixed pie — they are essential ingredients to growing Singapore’s pie of wealth so there is more to go around.

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Despite what immigration restrictionists may believe, population growth leads to positive economic effects in the long run.

How do economists explain this piece of unintuitive logic?

First, the idea that immigration creates unemployment hinges on a popular Malthusian economic fallacy, which is to only see foreign workers "stealing" the job, while ignoring that a larger population also creates higher market demand on goods and services.

This is crucial because when entrepreneurs and markets respond to an increased demand on education, housing and transport, it stimulates higher investments in more efficient infrastructure and technologies, which has the positive by-product of promoting the adoption of new technologies and creating jobs.

Second, a larger workforce also enables a greater division of labour, which in turn leads to higher productivity.

The more pairs of hands we have, the more we can split tasks up so individuals can focus on being great at one thing.

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Business owners call it “economies of scale”, we know it as “learning by doing” or “practice makes perfect”.

Finally, the most important benefit of a bigger population is having a bigger stock of knowledge, a critical fuel to the innovative dynamism of an economy.

This may sound abstract, yet consider that most economic growth — 80 per cent of global gross domestic product (GDP) — comes from the most population-dense places: Cities.

Cities are the perfect places for economic innovation (academics call them agglomeration economies) because of knowledge spillovers that occur from many related business activities taking place in close proximity.

Competitors and co-workers imitate better and proven working methods, more novel organisational cultures rub off on each other, and the best minds inspire each other to greater heights, boosting creativity and overall productivity in the process.

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CAREFULLY MANAGING POPULATION GROWTH

The operative word here is "long run".

Not all will be smooth-sailing, and in no way do I wish to overly sugarcoat it.

Population growth from immigration also tends to come with some short-term problems, such as congestion, overcrowding of public services and social upheaval as natives adjust to new cultural ideas.

Before children grow up and become productive workers of the economy, they are consuming services that will put a burden on current taxpayers.

As such, just as zero immigration is not practical, Singapore's actual rate of immigration too, needs some reasonable limits.

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The question of what this ideal limit should be is a difficult question to answer.

One rule of thumb is to reject easy answers that project into the future targets of say 6.9 or 10 million.

In Singapore's early years, no policymaker planned for or foresaw the present population of 5.7 million in 2021.

Similarly, we should not presume to project fixed targets 30 years into a future global economy that would look vastly different.

Instead, immigration rates should be decided by open markets, where the "ideal" rate of immigration is determined by the demand-driven labour market needs of local businesses.

As long as workers can secure a wage, housing and health insurance, Singapore should welcome them.

Letting market mechanisms regulate immigrant inflows is preferable because it relieves policymakers of the burden of trying to guess the exact amount and types of labour that are in excess or shortage, which in turn depends on knowing which industries are declining or on the rise.

These circumstances are extremely difficult if not impossible for politicians and policy makers to predict, especially in the post-pandemic globalised world of today.

Leaving it to the market also avoids problems of political opportunism as seen in the design of many immigration systems in the developed world, where politicians impose arbitrary numerical quotas, labour market tests, or points-based systems that benefit their own constituents and lobby groups rather than the broader public.

Thankfully, Singapore has circumvented many of these problems. One of the key reasons Singapore achieved its spectacular historical growth despite its small population size is the sound use of market-oriented fees to control the inflow of workers.

Migrant worker levies, when used, are applied sparingly as they curb the needs of businesses and acts as an indirect tax on foreign worker's' wages.

Public policy must properly address these concerns and carefully calibrate the transition.

But emotionally-charged calls to limit foreign workers need to be tempered by economic reality.

Although the rhetoric of immigration restrictionists is couched in "protecting Singaporean workers", the evidence strongly suggests that immigrants are not creating unemployment for locals.

Drastic immigration cutbacks is a disproportionate solution to a smaller problem, because the economic costs of closing our doors in the long run are too high.

In the past decade, the Government has been forced to curb immigration flows by political pressure, as seen in a stagnant growth of its non-resident population since 2010.

This public sentiment has gradually been shifting the tide of immigration policy away from an open society and towards one that rejects outsiders.

But for a country with declining fertility rates and an economy that is highly dependent on high-skilled human capital, this does not bode well for Singapore's economic progress.



But the door to foreign workers must remain wide open. The unvarnished truth is that cosmopolitan Singapore cannot afford to reject outsiders.

Because the benefits of population growth arrive in the long run, older generations tend to reject immigration since they will not be around to enjoy the benefits.

Younger Singaporeans who consider the city-state their long-term home however, have an incentive to endure it, as it is to their direct benefit to have a growing economy.

And endure it we all must, as Singapore’s competitive edge hangs in the balance, and we must never take it for granted.

ABOUT THE AUTHOR:

Donovan Choy is a visiting research fellow at the Adam Smith Center Singapore and co-author of the book Liberalism Unveiled: Forging a New Third Way in Singapore, a classical liberal analysis of Singapore’s policy discourse.

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