

Talking Points – Demographic Challenges in the Indo-Pacific Region
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I will present a few thoughts based on Singapore's experience.

First, Singapore is undergoing a very rapid pace of ageing.

- With a resident total fertility rate of 1.04 births per woman, Singapore has one of the lowest fertility rates in the world. That means, barring continued waves of immigration, the population will fall and also age rapidly.
- The old-age support ratio (working-age people per elderly citizen) will surge from 3.2 in 2023 to 2.4 in 2030.
- The % of Citizens >65 currently at 19.1% will rise to 24.1% in 2030.

Second, Singapore has been trying to address this problem since 1984 when it was first identified by the government as a serious challenge. Despite much government effort, there has been very little improvement in the underlying factors causing this predicament. A range of policies have been tried and have not succeeded. This shows how intractable this challenge is.

1. Pro-natal policies to boost child births

- A Social Development Unit was established in 1984, to increase university graduates' marriage rate through holding social events.
- Cash grants and subsidies of various kinds
 - Child Relief Scheme – All working women may claim \$750 for the birth of their first two children and \$500 for the third onwards.
 - Enhanced scheme allowed for specially qualified women to increase the payout to 5% of income to the first child, 10% from the second and 15% from the third. Payout capped at SGD10,000.
 - Tax Rebate – Eg, Working Mothers' Child Relief – SGD8000 for first child, SGD10,000 for the second child, and SGD12,000 for the third child onwards.
 - For Mothers younger than 28 Years Old, an additional USD10,000 over 7 years for a second child.
- Government-paid Paternity Leave was extended to 4 weeks from 2 weeks while Government-paid Maternity Leave is given up to 16 weeks
- Childcare and Infant Care subsidies – SGD600 and SGD300 per month respectively
- Priority School Registration Scheme for children

2. Increase population and work force through immigration

For a period of time, especially in the early 2000s, the government aggressively pulled in immigration. The share of migrants in the total population surged from 24.1% in 1990 to

34.5% in 2000 to 42.6% in 2010 and 45.4% in 2015. The foreign share of the labour force has increased steadily – from an already high 28.7% in 2000 to 35.1% in 2022.

However, this created a massive political backlash. In the 2011 general election, the ruling party suffered a sharp loss in its vote share with resentment over immigration a big factor. In a 2021 survey an overwhelming 70.2% of Singaporeans believe that the Government should place strict limits on immigration.

3. Funding the needs of an ageing population

Of late, a plethora of measures have been rolled out to help Singaporeans finance their retirement:

- **CPF Life:** Lifelong payouts are made to members of the forced savings scheme with the payout dependant on the retirement sum that the member had saved in CPF through his working life.
- **Workfare Income Supplement:** Government supplementing CPF top-up and income for low-income workers
- **Silver Support Scheme:** Quarterly cash supplements to seniors with little to no family support
- **Merdeka (born before 1959) and Pioneer Package (born before 1986)** – More outpatient care subsidies, Medisave Top-ups, Medishield Life subsidies, and lifelong cash assistance of SGD100.

In addition, the government has had to raise Healthcare spending as % of GDP to 6.1% in 2020 from 3.3% in 2000.

4. Lessons learnt

First, cash inducements will not suffice to persuade couples to have more children. Judging from experience in northern Europe, what works is

- A substantial and heavily subsidised system of infant and child care.
- Changing the attitudes of men towards helping with child raising.
- Extensive government-assisted paternity and maternity leave.

Even in these relatively successful countries, the TFR remains well below replacement level.

Second, therefore, immigration may become unavoidable. But even a society such as Singapore which has been very open and friendly to immigration has its limits. Immigration must be at a controlled pace aligned with each society's tolerance threshold. That threshold varies depending on whether immigration produces stresses – in housing availability and affordability, in competition for jobs and in business, ...

Third, since immigration may only help up to a point, policy support is needed in many areas.

One area is funding the needs of an older society.

- Anticipatory fiscal policies to set aside savings to fund eldercare, healthcare etc
- Expanded retirement funding schemes

Another area where policy intervention is needed is to raise productivity so as to offset the deleterious effects on economic growth.