

# PERSPECTIVE

RESEARCHERS AT ISEAS – YUSOF ISHAK INSTITUTE SHARE THEIR UNDERSTANDING OF  
CURRENT EVENTS

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## **Economic and Social Challenges Ahead for Singapore<sup>1</sup>**

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### **EXECUTIVE SUMMARY**

- The results of the September 2015 General Elections suggest that a stronger and more credible opposition is not important to most Singaporeans. Most are contented with a landscape dominated by the People's Action Party (PAP) and with a small opposition presence in parliament, and perhaps even with the risk of this disappearing.
- Nonetheless, the PAP's strong mandate will come with pressure to perform. There will be higher expectations from the electorate on the delivery of goods and affluence.
- A key pressure point will be increased calls for more redistributive and populist policies, and the ability of the younger generation of politicians who may not enjoy the stature of senior leaders to resist them. Many will be watching very closely and judging the performance of the fourth generation leadership.
- Meanwhile China's economic slowdown will have impact on the local economy. While unlikely to be as severe as the 2008 crisis, the slowdown may hamper Singapore's export demand; tighten Chinese FDI to Singapore; reduce income and impact jobs in sectors such as communication; tourism; F&B and hospitality. There may also be more careful bank lending and confidence erosion in the property market. The labour market may also experience job loss or a temporary reduction in the number of working days, as well as downward pressure on wages.

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<sup>1</sup> A shorter version of this article can be found at East Asia Forum:  
(<http://www.eastasiaforum.org/2016/01/02/singapores-shifting-social-landscape/>).

- There will be three challenges on a societal level, two of which are not new. The first is the integration of new citizens and foreign workers with ordinary Singaporeans. There is likely to be more friction between immigrants and citizens.
- The second challenge is increased protest from conservative Christians over public morality issues such as homosexuality and censorship in the year. There is likely to be moral panic over declining moral standards in society and greater civil society activism as Christians organise and mobilise themselves through social media.
- Finally, the country is witnessing a significant change in family structures. The 'nuclear family', defined as a couple living with their parents or their children, dipped from 56 per cent in 2000 to 49 per cent in 2014. Furthermore, with a rising number of divorced couples and unmarried individuals, more people are living alone. These changes mean that there is no longer an ideal or model 'nuclear family' in Singapore, thus demanding new concepts of 'family' beyond parents and their biological children.

## **INTRODUCTION**

Last year was one of retrospection and affirmation for Singapore. Marking the country's 50th year of independence, 2015 saw a year-long series of state-sponsored events and projects to celebrate the nation's achievements.

The effect was a carefully choreographed campaign — known as SG50 — that indulged in widespread nostalgia, popular heritage and the re-telling of the country's journey from a developing to a developed nation. It could have all easily been reduced to kitsch if not for the passing of Lee Kuan Yew on 23 March 2015. The death of the single most dominant personality in Singapore's postcolonial politics had a profound impact on ordinary Singaporeans, many of whom may not have been his admirers.

While Lee's passing had no real impact on politics or the economy — itself a testimony to his legacy — it had a sobering impact on Singaporeans who had taken the country's achievements for granted. The media continuously played old footage of Lee through various stages of the country's development and this seemed to crystallise, for many Singaporeans, the trajectory of trials and accomplishments taken by the older generations. The result of this was the replacement of a triumphalist and sometimes superficial celebratory tone of SG50 events by a more reflective mood and a deeper appreciation for the founding fathers who steered the country towards global city status.

If Lee's passing evoked retrospection, the general elections held on 11 September 2015 was a definitive affirmation of the ruling People's Action Party (PAP). The PAP won an unexpected 69.9 per cent of the popular vote. But why did they win this big?

The government's slew of left-leaning redistributive policies like the Pioneer Generation Package and Medishield Life enabled it to take the wind out of opposition proposals. The PAP had managed to appear more consultative with national projects like the Singapore Conversation and it also made the effort to be more responsive to grassroots concerns. Most importantly, the electorate chose to reward the incumbent for its policy changes since 2011, rather than crediting the opposition for pressuring the government into making these changes.

## **POLITICS IN SINGAPORE**

What does the result say about Singapore's democratic ambitions? The high 69.9 per cent vote for the PAP suggests that the journey towards a stronger and more credible opposition is not important to most Singaporeans. They seem instead to be contented with a PAP-dominated landscape and a small opposition presence in parliament, and perhaps even with the risk of this disappearing. The transactional relationship of goods and services delivery and electoral reward comes across most vividly, while the desire for political pluralism seems to have been overstated.

Meanwhile, the main opposition party, the Workers' Party (WP), like the rest of the opposition, suffered an erosion of vote share. Moving forward, it will have to ensure its new candidates, especially its Non-Constituency Members of Parliament, stand out in policy

debates in order to gain the trust and respect of the electorate. It will also have to readjust its ideological position of left-of-centre in light of the PAP's shift to the same position, in order to distinguish itself from the incumbent. There may be little room for manoeuvre between newly implemented redistributive policies and the fear that the country may stray into populist politics. The party will seek to remain nimble and continue to build a strong grassroots presence in the constituencies it runs.

No doubt the PAP's strong mandate will see it pushing through less popular policies in the term ahead. But the stellar election results come with pressure to perform. There will be higher expectations from the electorate on the delivery of goods and affluence.

A key pressure point will be increased calls for more redistributive and populist policies, and critical reading of the ability of the younger generation of politicians who may not enjoy the stature of senior leaders to resist them. Many will be watching very closely, and judging, the performance of the fourth generation leadership.

## **CHALLENGES: THE ECONOMY**

This comes against a backdrop of economic uncertainty. China's economic development has been a key driver of regional growth, providing demand for commodities and other goods. However, China's declining appetite for commodities and its stock market volatility have dented economies around the world. The economic slowdown is in itself not unexpected after years of unparalleled growth. The key question is whether the world's second largest economy will stabilise to a respectable 6 or 7 percent; go down to 3 to 4 percent; or lower.<sup>2</sup> Naturally economies that will feel the most impact are those that have banked on China's hunger for raw materials and other products. In Southeast Asia, Singapore may be the hardest hit. It has been estimated that a single percentage point drop in China's economic growth could wipe off 1.4 percentage points from Singapore's.<sup>3</sup> China is Singapore's largest export destination with almost 15 per cent of total shipment. Other countries like Malaysia, the Philippines and Vietnam will be less affected.

This slower growth may manifest itself in several ways.<sup>4</sup> Firstly, the macro-economy may suffer if the external demand for manufactured goods dries up. This, however, is unlikely to be as severe as the 2008 crisis because US and European demand for Singapore non-oil exports is approximately 35 per cent, while China's hovers around 15 per cent. Nonetheless, as China's slowdown will affect almost all other economies in the region and elsewhere, the expected decrease in purchasing power of those economies would indirectly affect Singapore's export volume.

In addition, Singapore's inward foreign direct investment (FDI) flows account for more than 70 per cent of the gross fixed capital formation. Although the share of Chinese FDI in Singapore's total FDI is low at around 2.5 per cent compared to the US and the EU at 25

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<sup>2</sup> <https://www.washingtonpost.com/news/wonk/wp/2016/01/11/chinas-slowdown-financial-mayhem-cast-long-shadow-across-world/> (accessed 12 Jan 2016)

<sup>3</sup> <http://www.straitstimes.com/business/economy/chinas-slowdown-will-hit-singapore-hardest-anz-warns> (accessed 12 Jan 2016)

<sup>4</sup> The author is grateful to Sanchita Basu Das for earlier discussions on the economy.

and 19 per cent respectively, modest adverse impact will be felt in export-based manufacturing.

Thirdly, Singapore is highly exposed to the global economy especially in sectors like communication (transport and logistics) and tourism (China is the second largest source of tourists for Singapore). Income in these sectors and related ones like Food and Beverages and hotels may suffer.

Fourthly, the financial sector may be impacted as well. Banks will be more careful in lending while the slowdown will also affect the currency and the capital market given the erosion of consumer and investor confidence. This erosion of confidence may extend to the property market, affecting property developers and owners.

Finally, the labour market may experience adjustment pains. The consequences of China's slowdown may come in the form of job loss or, on extreme, in a temporary reduction in the number of working days. The main source of unemployment will be the manufacturing sector. Self-employed workers and those in goods and services sectors supplying the big firms may also be affected. This could exert downward pressure on wages.

## **CHALLENGES: SOCIAL SHIFTS AND CONTESTATION**

On a societal level there are three challenges to watch. The first two are not new but are likely to become more important.

The first is the integration of new citizens and foreign workers with ordinary Singaporeans. There is a strong chance that the government will ease immigration controls in the near future to bolster economic growth when the shock of China's slowdown subsides. This may not be popular but the government's strong mandate will stiffen its resolve to implement this longer-term policy. There is likely to be more friction between immigrants and citizens over mundane issues like public behaviour and social etiquette. Frictions are already evident on the internet and could easily spill over into the real world with increased immigration.

Ironically, one of the main attractions for foreigners moving to Singapore – its multicultural ethos – is the very pillar Singaporeans fear would be eroded. In the eyes of foreigners, the cultural diversity and traditions found in every corner of the island make it easier for their families to take root. Conversely, the influx of immigrants, especially, from China and India, does not augment the multicultural model many Singaporeans carry in their heads but rather, challenges it. For many, it is an ethnic model of Chinese, Malays, Indians and Eurasians, and it will take some time for it to accommodate those with strange accents and practices.

Ultimately, anti-immigrant anxieties are fuelled by two fears – that Singapore is exploited as a stepping stone to greener pastures and that citizens will be displaced economically and culturally by immigrants. These anxieties have not emerged from nowhere. The PAP government's survivalist rhetoric over the decades has emphasised the island's precarious nature and its lack of natural resources, thus laying the ground for national anxieties over material competition, the national and individual quest for excellence, precarious national

existence, and national duties and sacrifices. Balancing the need for economic growth and integration will be a long term challenge.

The second challenge is the growing stridency of conservative Christians over public morality issues such as homosexuality and censorship. In the past two years alone conservative Christians have lobbied for the removal of children's books that dwelt on alternative families from public libraries, protested LGBT events like the Pink Dot and petitioned against the hosting of openly gay international artists. The government prefers not to intervene in matters pertaining to morality, so such protests are likely to grow shriller.

The two forms of Christian conservatism to look out for are, firstly, inciting panic over declining moral standards in society, and; secondly, civil society activism where Christians mobilise themselves through social media. In addition to conventional tactics such as petitions or traditional fund-raising, they will adopt the vocabulary of capitalism and corporate-speak to expand their networks and influence. For the moment as long as they rally against public morality or liberal lifestyle issues, conservative Christians will find silent concurrence with conservatives from other faiths such as the Muslim community. The question is what will happen when one faith begins to encroach on the other?

More fundamentally, the country is witnessing a significant change in family structures. There has been a decrease in nuclear families, defined as a couple living with their parents or their children, from 56 per cent in 2000 to 49 per cent in 2014.<sup>5</sup> And there has been a significant increase in one-person households, from 3 per cent in 2000 to 11 per cent of all households in 2014. There are now approximately 300,000 households that are either childless or do not have their children living with them. Trends such as increased divorce rates, separation and childless marriages have contributed to these figures.

What these figures mean is that families are shrinking mainly because married couples are having fewer or no children. It also means that these couples are less likely to be living with their elderly parents than before. With the rising number of divorced couples and unmarried individuals, more people are living alone. These different family structures mean that there is no longer an ideal or model 'nuclear family' in Singapore, thus demanding a more flexible concept of 'family' beyond parents and their biological children. Such a concept may have to be flexible enough to, on the one hand, be expanded to include extended family members or relatives such as cousins, aunts or uncles, while on the other, narrowed to capture childless couples or people living alone. The fundamental questions that need to be asked are what now constitutes a typical family in Singapore and how policies will be redesigned to address the changing social reality?

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<sup>5</sup> <http://www.straitstimes.com/opinion/changing-singapore-family-and-what-it-spells-for-the-future> (accessed 12 Jan 2016)

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