



argue that immigration has been beneficial, by pointing to statistics which show a positive relationship between the incomes and employment of natives and immigration over time.

Similarly, opponents have tried to argue that immigration has led to a stagnation in the wages of natives belonging to certain occupations, by pointing to statistics which show a negative relationship between immigration and the wages of natives in these occupations.

However, these simple associations, by themselves, do not constitute convincing evidence of cause and effect since they may be spuriously driven by other factors such as macroeconomic conditions, independent of immigration.

To establish causality, we need to know "what would have been?".

Would native employment and wages have been higher if there were less migration? If so, this would be indicative that natives were hurt by immigration. The converse would be true if native employment and wages would have been lower with less immigration.

Estimating causal effects requires more elaborate statistical methods, which go beyond simple associations.

What makes immigration so contentious is just how little we know about it. This leaves a lot of room for speculation and for different groups to make different claims about its effects, sometimes based on vested interests. It also creates a lot of uncertainty and insecurity in people, who are unsure if immigration will benefit them.

MORE DATA AND RESEARCH NEEDED

Immigration brings about both costs and benefits. It triggers many complex changes in the economy – not just the labour market, but also other markets such as housing and product. Some of these changes occur immediately; others take time to occur. A comprehensive assessment would need to consider all these effects and to assess how different groups in society are impacted by immigration – both in the short and in the long run. This requires that we know the magnitude of the costs and benefits associated with immigration.

Yet, our current understanding of the impact of immigration is not only imperfect, but also woefully inadequate. This is troubling because a lack of empirical data and absence of understanding about these issues prevent us from knowing exactly what the trade-offs associated with immigration are and to improve upon public decision-making.

It also risks us running into a situation where decisions are made in the interests of lobbying groups rather than in the collective interest of Singaporeans.

More data and research on the impact of immigration in Singapore will serve to enlighten the public debate and allow more effective immigration policies to be designed.

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Immigration – a fraught issue that deserves closer study

Empirical data and research needed on immigration's pros and cons in Singapore

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For *The Straits Times*

Immigration stood out as a hotly debated issue in the recent general election. This focus is perhaps unsurprising, given Singapore's sizeable use of foreign manpower. Last year, the number of foreigners – including foreign domestic workers – stood at 1.4 million, making up 37.7 per cent of Singapore's total workforce. A reading of the comments made both online and offline on the issue suggests that views on immigration tend to be polarised.

'GOOD' AND 'BAD' DICHOTOMY

Those who believe immigration is "good" often argue that it brings down costs and makes Singapore more attractive to multinational

companies, which then leads to job creation for locals. Various industry associations, for instance, have tried to push forth the claim that, with reduced immigration, Singaporeans would be at the losing end and would have to pay higher prices. They also contend that restrictions on foreign manpower would make companies less competitive.

Those who believe immigration is "bad" often argue that Singaporeans would be harmed as immigrants compete with them for jobs. They contend that Singapore's immigration policy has been too liberal – and that quotas for work permit and S Pass holders are too generous (despite efforts by the Government to reduce them over the past decade) and there is no quota or levy imposed on Employment Pass holders.

Immigration draws strong opinions from people because people believe it will affect them. What is unclear, though, is how

they would be affected.

The above claims suggest that it could go either way.

Why is immigration such a contentious issue? And how can we best address it going forward?

WHAT THEORY TELLS US

In fact, economic theory predicts that immigration will not affect every native worker in the same way. Some native worker groups will gain while others will lose.

Whether a native worker benefits or loses from immigration is likely to depend on his skill level and on the skill composition of the immigrants. Traditional models of immigration predict that, generally, low-skilled immigration benefits high-skilled natives but hurts low-skilled ones. The logic is that while low-skilled immigrants are likely complementary to high-skilled natives, they are likely to be substitutes for low-skilled natives. The converse applies for high-skilled immigration.

Of course, conclusions from theory are not definitive and may hinge on certain assumptions. So it is important to study the impact of immigration empirically, using data.

Exactly which native groups gain and which groups lose? How large are the gains and losses? What happens to native employment and wages after all adjustments in the economy have occurred?

But even this endeavour has not yielded conclusive findings. To be sure, many empirical studies done internationally have found immigration to have only small and insignificant effects on wages and employment of native workers.

Professors Rachel Friedberg and Jennifer Hunt from Brown University and Rutgers University respectively note this in their early study titled *The Impact Of Immigrants On Host Country Wages, Employment And Growth*, published in the *Journal of Economic Perspectives* in 1995.

However, this conclusion has since been challenged by the likes of recent work by Professor Christian Dustmann from University College London and his colleagues, published in the *Quarterly Journal of Economics* in 2017. Using German data, Prof Dustmann and his colleagues show that a sharp and unexpected inflow of Czech workers to areas along the

German-Czech border led to a sharp decline in local native employment in German border municipalities.

The lack of consensus from empirical studies arises partly from the use of different methodologies. Another factor is that studies have used data from different countries.

The impact of immigration is likely to be country-specific, which means that it is difficult to generalise the results found in other countries to Singapore.

Empirically, what do we know about the labour market impact of immigration in Singapore? Not much. One reason for this is the lack of high-quality peer-reviewed Singapore-based empirical research addressing this, owing possibly to the lack of publicly available data.

SIMPLE ASSOCIATIONS NOT ENOUGH

It is worth noting that simple associations between immigration and labour market outcomes should not be taken as convincing evidence of such impacts.

Indeed, proponents of immigration have often tried to