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Malaysia's Ageing Population: What It Means for Singapore

By Jose Ricardo S. Domingo

SYNOPSIS

Malaysia's gradually ageing population may influence its migration flows. By 2040 and beyond, this could imply fewer migrants for a country such as Singapore, which has historically been reliant on immigrants for both its economy and its population.

COMMENTARY

IN MARCH 2020, the Malaysian government enforced the first of a series of Movement Control Orders (MCOs) to curb the spread of COVID-19 by restricting movement within the country and across its borders. This included the Johor-Singapore Causeway and the Malaysia-Singapore Second Link, effectively closing one of world's busiest borders.

Thousands of Malaysians and Singaporeans, along with businesses that rely on them, had to make difficult decisions on where they should remain in the meantime. The closing of borders by both sides has exposed both the deep personal ties and economic interdependency between the two nations.

Cross-Border Trends

Malaysia's Minister of Foreign Affairs, Hishammuddin Hussein, was quoted by [The Star](#) in July 2020, and said that between 200,000 to 250,000 people passed through these border crossings daily. In September, Johor's Menteri Besar (Chief Minister), Hasni Mohammad, expressed deep concern for some 100,000 Malaysians, who may lose their jobs due to prolonged border closure, as reported by [news outlets](#).

Malaysians regularly travelled through these crossings to Singapore for work or school, while Singaporeans often visited Johor for day trips. Some Singaporeans also

resided in Johor and commuted daily to Singapore. Businesses in Johor that were dependent on tourists from Singapore have been severely affected.

Hasni also said in September that about five per cent to 10% of businesses had stopped operating in Johor due to the border closing, and some have seen revenue declines of up to 70%.

Prolonged border control measures against COVID-19 have highlighted broader concerns for both countries' reliance on foreign labour. Although these will likely subside along with the pandemic, both face long-term demographic trends that are harder to manage.

Singapore's Dependency on Malaysian Migrants

While Malaysia is reliant on foreigners mostly for work, Singapore's far smaller population has relied on immigration not only for its economy, but also for population growth.

According to the United Nations, most of the migrants in Singapore are Malaysian. Based on their estimates, Malaysians in Singapore numbered 952,621 people (2019). They comprised 44.2% of Singapore's own foreign-born population or migrant stock, which includes naturalised citizens, permanent residents, students, work pass holders and their dependents.

The next closest to Malaysians were migrants from China at 17.6%, and Indonesia at 6.4% of Singapore's foreign population.

The high number of Malaysians in Singapore is likely due to proximity and cultural affinity, which makes it easier for Malaysians to integrate with Singaporeans. While Malaysians comprise the largest group of Singapore's migrant stock, fewer Malaysians may be headed to Singapore towards 2040 and beyond, when Malaysia becomes an aged country.

Malaysia's Ageing Population

Today, Malaysia is estimated to be an ageing nation, with seven per cent of its population aged 65 years old and above. A country is defined as "aged" when more than 14% of its population is 65 years old or higher. When this figure exceeds 20%, it is "super-aged".

By 2040, the Department of Statistics Malaysia estimated that 14.5% of its population will be 65 and older. Last month, the World Bank also released a report that estimated Malaysia to reach the aged country status by 2044. At the same time, the country's birth rate has been below replacement levels since 2012 and continues to decline gradually.

The UN projects Malaysia's total fertility rate (TFR) – the average number of children born to a woman – to eventually dip to 1.731, below replacement, between 2040 to 2045.

The country's current population is estimated at 32.7 million people, 69.7% of which are between 15-64 years old (working age group). The next biggest group is those aged 14 years old and under (dependents), who make up 23.3% of the population. They are rounded out by those 65 years old and above (the elderly), at seven per cent.

Nevertheless, Malaysia's population is still relatively youthful compared to some of its ASEAN neighbours such as Singapore, Thailand and Vietnam. Malaysia's current median age is estimated at 29.2, while Singapore's is at 41.1. By 2040, Malaysia's median age is projected to become 38.3 years old.

The Malaysian government has acknowledged that a gradual ageing and growing elderly population present serious long-term challenges, such as economic sustainability, retirement security, and adequacy of elder healthcare. Last September, Khazanah Research Institute released a report that stated that nearly 40% of Malaysian workers did not have retirement savings plans, while the World Bank's November report highlighted these challenges.

Malaysia's Ageing and its Migration Flows

A future elderly Malaysian population could also slow its migration flows. It would have a smaller portion of the working age, and a growing number of retirees.

With a smaller and older workforce, demand for labour could grow in Malaysia. The Malaysian government could respond by controlling the flow of its own emigrants and make the country a more attractive option for work.

Malaysia's ageing population could also increase the country's own inward migration flow. Indeed, the government has ramped up efforts to attract members of the Malaysian diaspora to return to the country and contribute to the economy. Their experiences and expertise would be valuable in terms of skills-sharing and knowledge-transfer.

These factors could make it difficult in the future for Singapore to attract and retain Malaysian migrants, especially the young. If Singapore continues to rely on foreign workers, the government may have to raise wages and provide further benefits for Malaysians or look elsewhere to replace the potentially lost labour.

Singapore's Own Ageing Population

The Singaporean government is also dealing with its own ageing population and has been exploring a combination of solutions to reduce its labour requirements and increase the employability and productivity of its elderly.

In fact, Malaysian migrant flows to Singapore appear to have slowed down. From 1990 to 2015, UN estimates showed that Malaysian migrants in Singapore were increasing in five-year intervals. However, when compared between 2015 and 2019, UN estimates show that total migrants (including Malaysians) in Singapore actually decreased by 15.3%.

Interestingly, Malaysian migrants decreased by 15.3% in 2019 as well. While this

recent slowdown may not be due to Malaysia's ageing population, it could contribute to a trend leading towards 2040 and beyond.

Will Singapore Tap Other ASEAN Countries More?

Today, re-opening the border between Singapore and Malaysia remains a pressing issue. Malaysia and Singapore initiated a Reciprocal Green Lane (RGL) and a Periodic Commuting Agreement (PCA) in August to allow some form of minimal business travel between the two countries but the numbers were a far cry from the old border traffic.

Talks are underway between the two countries to formalise Standard Operating Procedures (SOPs) for a daily commute scheme between Singapore and Johor. This could, however, take some time.

Most states in Peninsular Malaysia were recently put under a Conditional Movement Control Order (CMCO) in November, until 6 December 2020, including Johor. However, the state's CMCO was lifted on 21 November, and the government announced a targeted CMCO within the Batu Pahat district from 29 November to 13 December.

For the longer term, Singapore would have to consider how its labour and population growth needs might evolve. Artificial Intelligence and automation could reduce future manpower needs. The government may also diversify sources of immigration and tap other ASEAN countries more. This would in turn require a review of the fundamental make-up of Singapore's population – and therefore, that of its economy and society.

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