

## Mandatory wage ladder a clean sweep for workers in S'pore

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From September, a new wage system in Singapore will govern cleaners' salaries. Cleaning companies will come under a new licensing scheme under which they have to abide by some wage guidelines.

These guidelines offer workers a kind of wage ladder. All cleaners must be paid at least S\$1,000 (US\$784) each month. Those with higher skills are assured at least S\$1,400 and supervisors, S\$1,600.

The government calls this a "progressive wage model", which assures cleaners of a S\$1,000 starting pay and provides a "wage ladder" where cleaners can get higher salaries as they gain better skills. Something similar is being considered for the security sector.

This new licensing-cum-wage ladder system announced last week is the boldest attempt yet by the government to raise persistently low salaries in the cleaning and security sectors. Industry players, it appears, have suppressed wages in order to submit price-competitive bids to provide cleaning and security services.

It came after persuasion and leading by example failed. In 2011, a voluntary accreditation scheme was introduced for cleaning companies. The government specified that only accredited companies could bid for government contracts. But as government contracts covered only 11 per cent of cleaners, the move failed to lift wages across the sector.

The latest move, however, is different and goes further than any past measure to lift wages for cleaners, whose wages have stagnated or fallen for years.

Industry experts and analysts think that this time, the compulsory licensing scheme and the wage ladder guidelines will result in raising cleaners' wages. They cite four reasons.

### Forceful, yet practical

First, it has the full bite of the law, even though a higher wage is not directly legislated.

Cleaning firms must have a licence to operate, and a key requirement of the licence is that they use a progressive wage model, or a wage ladder, to pay their workers.

The licensing condition itself will not spell out the salaries on the ladder. Instead, a committee of government officials, unionists and employers will negotiate the salaries. Cleaning firms that do not follow the tiered wages set by the committee can have their

licences suspended or revoked.

Four labour economists interviewed by *The Straits Times* were unanimous that the new rules will work to raise cleaners' wages because it is legally enforceable and cleaning companies have no choice but to comply.

Second, the move is backed by the government, unions and employers.

Raising salaries of less-skilled workers while helping them become more productive is in line with this government's priorities.

As for the labour movement, it has been pushing for measures to raise low-wage workers' pay for years. Deputy Prime Minister Tharman Shanmugaratnam credits the labour movement, National Trades Union Congress, for coming up with the idea of a progressive wage model, adding that it is now a "tripartite approach".

Employers of cleaners too are not averse to the move. Previously, some bosses had said they would like to raise wages of cleaners but were unable to do so unless other cleaning companies did likewise. Otherwise, they would not be able to put competitive bids for cleaning contracts.

Milton Ng, president of the Environmental Management Association of Singapore, which represents cleaning firms, says compulsory licensing will raise standards in the sector. "It levels the playing field and firms cannot undercut one another."

William Peh, operations director at Eng Leng Contractors, which has some 1,000 cleaners, agrees. "Firms that pay workers lower salaries can definitely submit cheaper quotes to get the jobs but now that everyone has to pay at least S\$1,000, it is fairer."

Third, timing favours this new move to raise cleaners' wages. For the past few years, the curbs on foreign workers in the cleaning sector have started to bite.

Foreign workers can form no more than 40 per cent of a cleaning firm's workforce now, down from 45 per cent last year and 50 per cent two years ago. Firms also pay higher levies for foreign workers since 2010.

This means that firms have been trying to raise productivity by buying more cleaning machines in the past few years, says Sunny Khoo, sales director of Clean Solutions, which hires some 2,000 cleaners.

But those familiar with the industry warn that the new licensing move will almost certainly lead to a shake-up in the cleaning industry.

Companies that had signed longer-term contracts to provide cleaning services for a fixed fee would have to absorb the cost of higher salaries, or find some way to recoup that extra cost.

One cleaning firm with a six-year contract locked in more than four years ago, has been "discussing with the buyer to make some adjustments", its boss told The Straits Times.

Some companies that cannot or do not want to be subjected to the licensing conditions will exit the trade, says Woon Chiap Chan, country managing director of ISS Facility Services, one of Singapore's largest cleaning firms with over 6,000 cleaners.

The fourth reason why the wage ladder-cum-licensing scheme will work: It's a practical move that raises salaries for the lowest-wage earners without adding on costs to businesses as a whole.

Describing the move as "pragmatic", labour economist Randolph Tan, an associate professor at UniSIM, says: "I believe the government views the cleaning sector as probably the safest sector to implement such a policy, that is, in that sector, there should be more consensus than for any other sector that workers deserve help to advance their lot."

But some economists are concerned about the government's heavy hand on business through legislating licensing requirements, which have the effect of mandating a sectoral minimum wage.

The best way to boost workers' welfare is still through creating jobs and generating economic growth, said Singapore Management University economics professor Hoon Hian Teck, who is hoping the mandatory wage ladder model will not be extended beyond the cleaning and security industries.

But several questions remain: Will raising wages of cleaners raise cleaning costs for companies? Will business tenants pay more for cleaning of premises? Will households in Housing Board flats and private condominiums see higher conservancy fees for cleaning services?

Several cleaning companies said their profit margins are thin: at between 5 per cent and 10 per cent. Wages amount to up to 80 per cent of total cost, so a spike in wages will certainly raise their costs. Cleaning contracts are typically for two to three years. Contracts due for renewal in the coming months could see costs rising up to 30 per cent, in line with wage rises in recent years, cleaning companies say.

Apart from the worry about rising costs, the biggest uncertainty lies in the details of the new wage model and licensing framework. Are in-house cleaners and companies that provide cleaners for private residences governed by this framework? What other penalties are there



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apart from loss or revocation of licences?

Answers will hopefully be forthcoming on Monday when the government tables changes to the law to allow for this licensing-and-wage-ladder scheme to be introduced.

For most policies, the devil is in the details. This time, though, while details still matter, the broad outlook is already clear: Prospects of lifting cleaners' wages have never looked better.

\*US\$1 = S\$1.27