

# Bridging the wage divide – together

Companies, non-profit groups and individuals all have a part to play in helping the poor



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**L**ow-wage workers were the focus of attention at an animated public brainstorming session last week on ways to bridge Singapore's widening income divide.

Barring Hong Kong, Singapore is believed to have the largest income gap in the developed world.

There were around 110,000 Singaporeans and residents who earned a gross pay of less than \$1,000 a month last year, excluding employer's CPF contribution, despite working full-time.

Factor in part-time workers as well and the number swelled to 236,000, from 218,000 a decade earlier.

The numbers of the well off – those earning more than \$10,000 a month – meanwhile have nearly tripled over the past decade to around 140,000.

Discussing ways to bridge the gap, the speakers – Minister of State for Community Development, Youth and Sports Halimah Yacob, financial consultant Leong Sze Hian and opposition politician Nicole Seah – agreed that wages of the working poor must rise and so must social spending.

With wages, this is easier said than done. The three speakers eschewed the idea of a minimum wage, as prevalent in most developed countries. The forum was organised by anti-poverty group One (Singapore) and the Singapore Management University.

Internationally, governments have been known to rein in inequality through minimum wage laws or through union-led collective bargaining programmes. But detractors say that minimum wage laws can increase unemployment or cause wage stagnation, while collective bargaining can take time.

So rather than get boxed in by ideas such as the minimum wage, Madam Halimah suggested active "labour market policies and interventions" to help boost wages.

These include training, job rede-



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PHOTO: MARK CHEONG FOR THE STRAITS TIMES

sign, effective job-matching and placement and schemes to improve productivity. If successful, such moves will lead to more sustainable wage growth than that induced by a minimum wage law.

With an eye on this, the Government has been pumping in billions to boost training and productivity. These schemes, however, must be rigorously monitored to ensure they are effective. Right now, there is not enough publicly available evidence that this is the case.

Take training, for instance.

In June, the Workforce Development Agency released the results of a survey of 12,500 people who attended a common training programme for low-wage workers known as the Workforce Skills Qualifications. Close to 80 per cent said they found the training useful, up from 75 per cent in 2010. But less than a fifth of those trained got a pay rise last year, down from a quarter who did in 2010.

Anecdotal evidence also points to kinks in training programmes. I once interviewed an unemployed 38-year-old who was sent for the same taxpayer co-funded course twice.

The community development council that sent the job-seeker for the programme acknowledged the mistake, but added that its client had not told the officer that he had been sent for exactly the same programme before. The job-seeker said he did not know it was the same course.

Another suggestion on pulling up wages, which came from Mr Leong, was continued tightening of the foreign worker tap.

Indeed, recent government curbs – such as reducing foreign worker quotas and increasing levies – seem to have pushed up wages, particularly in industries which have been in the news for a labour shortage.

In the food and beverage industry, waiters, for instance, earned a gross median pay of \$1,300 last year, up from \$1,164 the year before.

However, as Mr Leong warned, care should be taken to ensure that

higher pay does not come at the cost of fewer days off or longer working hours.

A recent case in point: Bus drivers were asked to switch to a six-day week from a five-day one, in return for a pay increase and slightly shorter working hours each day.

Madam Halimah told The Sunday Times that employers must put

## Lend a hand

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a "fair value" on all jobs. "Some jobs now are paid so little that it is difficult to attract Singaporeans," said the labour movement veteran via e-mail. "And when employers can't get locals, they ask for foreign workers, and that leads to a vicious circle."

Some employers she has spoken to say they are prepared to pay management staff more because "they

are thinking workers", unlike those who do manual work. Said Madam Halimah: "This is the wrong mindset. They should be focusing on how to increase the knowledge content of every job and therefore add value to their workers too."

The second international lever to help bridge the income gap is to increase state spending through taxes and transfers. At the forum, all the speakers concurred that social spending on the needy had to go up.

To ensure that safety nets remain economically sustainable and taxes low, the Government has long valued fiscal prudence over populist protection, a fact praised by The Economist in a cover story this month titled "Reinventing the welfare state".

Tiny Singapore may have low government spending, but its schools and hospitals are among the best in the world, the magazine said. However, a relatively low rate

of taxes and transfers has done little to mitigate inequality and it is evident that, as the country ages and income gaps widen, state spending will have to increase.

Just two weeks ago, Deputy Prime Minister Tharman Shanmugaratnam, for instance, made the case for an activist government whose policies are "tilted in favour of those with less".

Even as the Government ramps up its schemes, companies, non-profit organisations and individuals must all play a part in raising the wages and well-being of the poor.

In the same speech where he outlined the need for an activist government, Mr Tharman called for a spirit of "community initiative and activism", in which those who have succeeded take it upon themselves to give a helping hand to others who are still struggling.

This, indeed, is important.

Companies must take the lead in helping to ensure that each worker gets a decent wage without clocking 12-hour days. At the SMU forum, I spoke to a human resource manager from an F&B company who said she attended simply because she wanted to convince her bosses that paying a worker \$1,200 was not enough. We need more of such committed professionals.

Help groups that work with the poor need to step up to give a voice to the poor, spot problems, brainstorm solutions and publicly lobby the Government for funds to put plans into action, if need be.

Academics who have solutions to seemingly intractable problems should also speak up, just as eminent economist Lim Chong Yah did earlier this year, advocating his unique brand of "shock therapy" to jumpstart the wages of the poor, and igniting a public debate. While many may not agree with him, this public brainstorming by private individuals is a key hallmark of a mature democracy.

Visiting the United States last year, I was struck by how passionate private individuals could be in helping to bring positive changes to the lives of the elderly poor.

In New York, I met Mr Nat Yalowitz, a sprightly 85-year-old who started a movement more than 30 years ago to help older residents in his Manhattan apartment block who were from the lower-income group to stay in their homes as they grew older.

He polled these people on-how they could be helped more, drew up a social and health-care services proposal based on the responses and, after a pilot project funded in part by donations from residents themselves, he lobbied the government to fund it. It did.

Singapore could also use more of such champion change-makers to help curb inequality and put the poor firmly on the path to prosperity.

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