

Minimum wage not best option to lift lowest-income group: Chuan-Jin

Workfare remains govt's preferred option for now

By TEH SHI NING

[SINGAPORE] Instituting a minimum wage is always a policy option, but it may not be the best one for Singapore to take, Acting Manpower Minister Tan Chuan-Jin said.

While a minimum wage is one of many possible tools that can be used to tackle the anaemic wage growth of Singapore's lowest-income group, it is the Workfare programme that remains the government's preferred option for now, he said.

Workfare will be wielded more effectively with the latest moves to strengthen the wage and training support offered, Mr Tan said in an interview with BT.

Calls for a minimum wage crop up time and again – most recently during the parliamentary debates on this year's Budget – as the wage growth of

Singapore's lowest-income group has been weak.

The minister revealed that the government continues to study the issue of minimum wage periodically, observing how different countries are introducing it and how their experiences unfold. "That's something that we constantly watch out for."

"I'm not dogmatic. At the end of it, what are the concerns and worries that we have? What is the problem that we are trying to solve? And the issue at hand is really, especially (at) the low-income level, (that) wages aren't moving as much as all of us would like."

After adjusting for inflation, the average monthly household income from work per household member, for households in the bottom decile, grew just 0.3 per cent annually from 2002 to 2007, and an annual 1.1 per cent from 2007 to 2012. This compares to the annual growth rate overall of 3.2 per cent for 2002-

2007 and 2.1 per cent for 2007-2012.

"I think it is not acceptable that the wages have been languishing at this level for so long," Mr Tan said.

To critics of the government's apparent reluctance to set a minimum wage, he pointed out that legislating one would in fact be far

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easier than current policy efforts – a combination of the Workfare Income Supplement (WIS), the Workfare Training Support (WTS) scheme and a progressive wage system.

"Minimum wage is one solution, so I am not predisposed that minimum wage is not the answer. It is in

my tool box. But there are many tools. In fact, people say look, you should think out of the box. Actually I don't think minimum wage is an out-of-the box solution. There's where the typical pressure is being brought to bear. Governments capitulate and do it because it seems to be the

easiest thing to do. In fact, it is far more easier for me to do minimum wage than the rest of the other things that we are doing. All I need to do (is) legislate, and I dictate what is (the) wage level. Better still, it doesn't cost me a

cent. It doesn't cost the government or tax payers a cent because we don't need to foot the bill; employers foot the bill."

However, he warned that artificially hiking wages without accompanying changes in employees' productivity and skills can be

"quite detrimental". Employers may not want to employ certain workers because of the costs of complying with a minimum wage – which could end up hurting many of the people a minimum wage is designed to help. "That's when the impact unfolds. You worry whether it is going to impose a certain cost... and you end up (that) for certain jobs, (there are) certain people that they perhaps may not wish to employ."

What is more "out-of-the box", he suggested, is the government's current approach. Currently, WIS offers wage subsidies to low-wage workers earning up to a recently raised monthly income cap of \$1,900. This is supplemented by the WTS which offers skills training for older workers. Last year, the progressive wage model was launched to set benchmarks for pay increases in sectors that tend to have lower wages, such as cleaning and security.

"So there is an interven-

tion, obviously, but in a way where we still allow the market to re-adjust. At the same time, you are infusing a lot of productivity efforts," Mr Tan said.

What the government is trying to do is to encourage companies and workers to look at how to get the job done better, and consequently, to pay and to be paid better for that. "So you don't just increase costs by paying more, but you're actually able to make sure that it is accompanied by good productivity. And good productivity doesn't mean that you just work longer – you're actually delivering better outcomes."

Mr Tan expressed confidence that the combination of measures "will begin to percolate across the different sectors". A tight labour market will also help push wages up, including those of the lowest income group. But he added that the government stands ready to act if things do not improve. "Now, is it going to remain sticky and not move, as it has been? Let's see how it unfolds."